

The complaint

Mr W complained that Scottish Widows Limited (Scottish Widows) caused delays in him taking an annuity from his pension. He also complained that it provided him with an annuity quote that proved to be incorrect and subsequently replaced it with a lower quote after he had accepted the first quote. He would like compensation for any loss due to the delay and for the higher annuity quotation to be honoured.

What happened

On 7 November 2022, Mr W contacted Scottish Widows to explore his options for taking his benefits from his Personal Pension Plan.

Scottish Widows responded by sending documents to Mr W, which he says he did not receive. Scottish Widows sent Mr W further information on 21 January 2023, which included a valuation of his benefits as being c£67,000 and asked him to consider his options.

On 22 February 2023, following prompting from Mr W's Independent Financial Adviser (IFA), Scottish Widows resent the documents it originally sent to Mr W in November 2022.

On 26 March 2023 the IFA wrote to Scottish Widows :

Mr. W reaches his elected retirement age next month and wishes to access his fund in the following manner and not miss the GAR available;

Full fund to purchase a single life annuity , paid monthly in arrears, level with a 10 year guaranteed period.

Kindly provide illustrations, paperwork in order to commence the process and any requirements needed."

On 28 March 2023, Scottish Widows sent the IFA a retirement quotation which gave a fund value of c£69,000 which would give an annuity value of c£7,200 p.a. Another quotation was sent on 3 April showing the same fund value but a higher annuity of c£7,400 p.a. This was followed shortly afterwards by a third quote showing a fund value of C£67,000 which would give an annuity of c£5,600 p.a. after taking 25% tax free cash.

Mr W received a number of quotes for annuities on 20 April 2023. Two of these valued his benefits at c£86,000. Mr W accepted one of these quotes, and returned the signed acceptance form to Scottish Widows on 26 May 2023 which was estimated to give him an annuity of c£9,100 p.a.

Scottish Widows wrote to the IFA on 23 June to state that the calculation of the annuity Mr W had accepted was incorrect, and included a quotation dated 6 June 2023 which indicated that the fund value was c£69,000 rather than c£86,000. This meant that the annual annuity would be c£1,900 less than he had been quoted, at c£7,200.

Mr W's IFA contacted Scottish Widows on 3 July 2023 to complain about the poor service he had received. Scottish Widows issued its final response to this complaint on 1 September 2023.

It concluded that Scottish Widows had been at fault in causing delays and offered to pay Mr W £200 for the delays it had caused to the start of his annuity together with interest at 8% simple to compensate him for the loss of access to his money during the period of the delay.

Scottish Widows also apologised to Mr W for giving him an incorrect final fund value which had raised his expectations of receiving a higher annuity than he was, in fact, able to receive.

Unhappy with this, Mr W referred his complaint to this service. He stated that on the basis of the incorrect annuity quotation, he had made financial decisions that he would not otherwise have made, including stopping work nine months before he had planned. This had caused him significant financial hardship.

Scottish Widows subsequently increased its offer to Mr W from £200 to £500 in respect of his distress and inconvenience. It did not, however, agree to honour the higher annuity which was based upon the incorrect fund value.

Mr W remained unhappy with this offer and asked our service to consider his complaint. Our investigator reviewed the evidence in this case and recommended that Scottish Widows should take no further action, as although it had made errors and delayed Mr W receiving his annuity, it had compensated him appropriately given the circumstances of the complaint. They concluded that it would not be appropriate to ask Scottish Widows to honour an annuity that was based upon an incorrect fund value.

Mr W was unhappy with this conclusion, and so this case has been passed to me to review the evidence again and make a final decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having reviewed all the evidence in this case, I agree with our investigator and uphold this complaint. I won't, However, be asking Scottish Widows to do anything more than it has already offered Mr W, as I feel its offer of compensation is fair and reasonable in the circumstances.

I can appreciate that this will be disappointing to Mr W, so I will explain my reasons. Firstly, I should explain the role of our Service. As an informal dispute resolution service, our role is to resolve individual disputes between consumers and businesses. And where we think a business has made an error or treated the consumer unfairly, we'll ask that business to put things right, that is, to put the consumer back into the financial position they would have been in had the business not made the error. We also have discretion to award compensation to reflect the distress and inconvenience that the error has caused the consumer.

In this case, there is no doubt that Scottish Widows made a number of errors and did not give Mr W the level of service he should have been entitled to when he asked to take his pension benefits. Scottish Widows has acknowledged and apologised for the mistakes it made, that led to Mr W being delayed in taking his pension benefits.

The main point that I need to decide is whether Scottish Widows should honour the higher annuity that Mr W accepted, which was based upon the incorrect benefits valuation.

Looking at the series of annuity quotes that Scottish Widows prepared for Mr W, the majority of them did not meet the specification that his IFA had provided. These provided varying current fund values and consequent annuity quotes. Each did, however, contain the following information.

The actual fund value used to provide your annuity will normally be calculated on the day we receive all the information required for

payment and will include any contributions paid between now and the day you take your benefits.

A change to the fund value may result in the annuity amount calculated being higher or lower than that shown in this quotation.

Given this, I think it's clear that the annuity quotes Mr W received, including the incorrect one that he accepted, were based upon estimated figures. Having said that, I fully appreciate that the extent to which the quote he accepted differed to the amount he eventually received was outside of what could be considered a normal degree of variance.

I also have to consider that it is the role of this service to try to put a consumer back into the position they would have been in if the business had not made an error. Asking Scottish Widows to honour an incorrect quote would result in Mr W receiving a higher annuity than he should have been entitled to. On balance, therefore, I don't find it reasonable to expect Scottish Widows to provide him with this higher level of annuity income.

Having said that, I fully appreciate that these errors have caused Mr W a considerable amount of distress and inconvenience. He has given a full account on the effect that having to accept a lower income than he was expecting, compounded by the delay in him receiving it.

Scottish Widows has paid Mr W a total of £500 compensation in respect of the distress and inconvenience its mistakes caused him. He feels that this is an inadequate amount, given the effect this had upon him.

When deciding what level of compensation I think would be appropriate in the circumstances of this case, I have to take note both of the evidence of the harm caused to Mr W and the guidelines that our service publishes to ensure that compensation is both fair and reasonable.

On balance, I think that the amount it has paid him is fair and reasonable in the circumstances of this complaint.

Putting things right

Scottish Widows Limited should pay Mr W £500 in respect of the distress and inconvenience it has caused him. This should include any amount that it has already paid him

My final decision

For the reasons explained above, I uphold Mr W's complaint.

However, I shall not be asking Scottish Widows Limited to take any further action in relation to Mr W's complaint than it has already offered to him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 18 April 2024.

Bill Catchpole
Ombudsman