DRN-4638621

## The complaint

Ms D complains that Scottish Widows Limited (Scottish Widows) mis-administered her pension plans causing losses and inconvenience. She wants compensation for the losses incurred and for the distress and inconvenience caused.

## What happened

Ms D had two personal pension plans with Scottish Widows. She wanted to consolidate these into one plan to ease administration. She called Scottish Widows on 5 January 2023 to request that plan two be transferred to plan one after which plan two would be closed. Ms D planned to spend the next few months abroad and says she asked Scottish Widows to contact her by email. Instead, she says it wrote on 9 January 2023, confirming £13,921.85 was transferred on 5 January 2023, although she says she didn't see the letter until months later.

But Ms D was checking her plans online and couldn't see that the transfer had been completed. So, she called Scottish Widows on several occasions over the following weeks. She says she was told the transfer had been *"suspended"* but it wasn't clear why and was being looked into. During this time Ms D decided to switch investments in her plan. And she gave it instructions about this by telephone on 25 January 2023. This was actioned and details confirmed by email, as she'd requested.

Ms D says she returned to the UK at the end of March 2023 and caught up with her post. A letter from Scottish Widows dated 10 January 2023 said there was a discrepancy on her date of birth and asking her to provide evidence of this. She sent this on 27 March 2023. Ms D was then abroad again for around two months and raised a complaint about the ongoing problems on the 16 May 2023. At the end of May 2023 Scottish Widows confirmed by post it had completed the transfer and backdated this to January 2023. However, Ms D said the fund holdings weren't correct both before and after the switches made on 25 January 2023. She decided to make further investment switches on 27 June 2023, but says Scottish Widows now said the value from the consolidated plan was only £10,131.58 rather than the £13,921.85 previously advised.

But when she checked online the value was £13,921.85. So, she emailed Scottish Widows on 3 July 2023 asking for clarification, she says she without reply. But then a letter dated 27 June 2023 arrived with an even lower valuation. She emailed it again setting out what had happened. It sent a letter saying it still hadn't completed its investigation into the complaint and that Ms D could refer it to our service if she wished. And she did so on 6 July 2023 and emailed Scottish Widows setting out what she considered to be her investment losses.

Over the next month and a half there were various exchanges with Scottish Widows with Ms D saying it promised to call her back or to review her emails without doing so. During one of these calls, it offered Ms D £250 in compensation, which she rejected as inadequate. It then issued a final decision letter by post on 17 August 2023, which Ms D didn't receive until around two weeks later. It apologised for the poor service and offered her £600 in compensation for the inconvenience caused, £100 of which was for the delay in dealing with her complaint. It said the proceeds of plan two of £13,921.85 had been applied to plan one on 31 May 2023, but this had been backdated to 9 January 2023, so there was no investment loss.

Ms D didn't think this was correct, partly because the proceeds of plan two had been invested in Royal London fund which she hadn't selected, which had fallen in value. And she thought Scottish Widow's explanation didn't allow for the lost investment return on the delayed transfer of the proceeds of plan two. Ms D said she considered she had losses of around £4,741.18, being the reduced value of plan two and the lost investment growth of £974.53. She said one fund originally held in plan two had disappeared completely. She said the online account only showed the current holdings with no record of the prior investments making it impossible to work out what had happened.

Ms D also said Scottish Widows was difficult to deal with as it ignored emails and calls and then required her to repeatedly explain what the problems were. And it had continually failed to communicate with her by email despite repeated requests, as she couldn't access post for much of the period. She said the transfer had been delayed due to another error over her date of birth. But as it hadn't mentioned this during the many phone calls, it couldn't be resolved. She said dealing with these problems had taken many hours of her time and it still hadn't provided an explanation or addressed the financial losses.

Our investigator now looked into Ms D's complaint and asked Scottish Widows to explain what had happened. He then said whilst it had made errors, he thought it had now fairly put things right.

He said Scottish Widows had now explained the plans had been consolidated, but an IT problem was caused by a discrepancy in Ms D's date of birth. This resulted in the funds being held in a *"suspense account,"* but this issue had been resolved.

He said Scottish Widows had clarified what funds were held. He said plan two had held three funds, which should have been reflected when the correction was made in May 2023 backdating the transfer to 9 January 2023. But Scottish Widows made a further error and missed out one fund. But that it had corrected this on 28 November 2023 resulting in an increase in the consolidated plan value of around £441. He said Scottish Widows had explained that it had *"mirrored"* the correct position as if both the consolidation and subsequent investment switches had occurred as they should have done. So, Ms D was in the position she should have been in.

Our investigator said Scottish Widows had said it had an obligation to send communications by post. But that it had thought it was also sending emails and it accepted it had made a further error here. He said Ms D had been caused inconvenience by its poor service and delays but that he felt the increased offer of £600 compensation was fair in the circumstances of the complaint.

Ms D said she didn't think the *"lost"* investments had been *"mirrored"* and she hadn't been put back into the position she should have been in.

As Ms D doesn't agree it has come to me to decide.

**My provisional decision**

I issued my provision decision on 25 January 2024, I explained the reasons why I was planning to uphold the complaint. I said:

*I understand Ms D's frustration over what has happened, and I'm not surprised she is dubious that her plan had been corrected properly, given the numerous errors made.*

*Scottish Widows says an IT error caused the delay in consolidation and initial attempts to fix this were unsuccessful. I can't see why Ms D wasn't told that at the time. Along with confirmation that everything would be properly corrected, as this might have alleviated her concerns in the meantime.*

*As our service doesn't regulate financial businesses, I can't tell Scottish Widows to change its procedures. But it did make a series of errors. And as it had been told by Ms D she was temporarily unable to receive post, I think it failed to communicate with her clearly. And I agree having to repeatedly chase responses and re-explain issues is both time consuming and frustrating. All of which added to the distress and inconvenience caused by the other errors.*

*And at this point, more than a year after the problems began, it still isn't clear whether those errors have been corrected properly.*

*When Scottish Widows sent Ms D its final response letter on 17 August 2023, it assured her there was no loss as it had corrected her plan. But there were still outstanding issues. And when it sent our service it's file on 24 September 2023 it said:*

> *"I have attached a separate document to the email which this file was also included with. It gives a full explanation of the unit and value movements during the Transfer and subsequent Fund Changes."*

*This document showed screen shots of policy values at various dates with an added commentary about what corrections had been made and confirmed in the final response letter. I had three concerns about this.*

*First, it showed a holding the Royal London UK Equity fund (Royal London) which Ms D says she never invested in. Second, Scottish Widows went on to make further retrospective changes in November 2023, without providing an update of this document. And third, it appeared to start on 9 January rather than 5 January 2023 when the transfer was meant to have occurred.*

*And Ms D's complaint about the investment in the Royal London fund she hadn't selected hadn't been addressed. The document showed the plan holding this fund after the transfer had been reworked and after the switches made on 25 January 2023. I think Ms D is correct and she never had a holding in this fund, which makes the corrective actions Scottish Widows says it has completed questionable. As she notes, the valuations provided by Scottish Widows show the Royal London fund fell in value before the second switch in June 2023. Whereas the alternative investments selected in January 2023 increased overall over the period.*

*When Scottish Widows made further corrections in November 2023, it increased the value of Ms D's plan by £441, this didn't relate to the Royal London fund. So, I asked it for a copy of its calculations and several questions about what had happened.*

*Scottish Widows said it didn't have any calculations, but that it had now made the correct changes on its system, which had superseded its previous errors and correction attempts.*

*That may now be the case. But I don't think it is unreasonable, given the multiple errors made over a period of eleven months, that it should be able to demonstrate that it is now correct. Scottish Widows will be aware that when our service upholds a complaint requiring an assessment to establish if a loss has been incurred, we ask that the consumer is provided with a simple calculation showing this. I think it's fair that it provides one here.*

*I think the appearance of the Royal London fund on the valuations can be explained relatively easily. But I don't think this fund should have been held and it isn't clear whether Scottish Widows reworkings have corrected this or not.*

*Before Ms D decided to consolidate her plans, there was a holding in Scottish Widows' version of the Invesco Perpetual High Income Fund (Invesco), which was to be discontinued. It had written to her in December 2022 advising that Invesco would be replaced by the Royal London fund on or after 20 March 2023. So, it may be that when Scottish Widows backdated the plan in May 2023 to January, the Invesco fund was no longer available on its system.*

*Instead, it appears it used the Royal London replacement. Which had a value of £10,504.05 on 9 January 2023. It's unlikely that the performance of the two funds would be identical. And Ms D had given instructions to switch out of all her existing funds on 25 January 2023. But she couldn't have provided specific instructions to switch the Royal London fund because no actual holding in it existed when she gave these instructions. Possibly this is why the Royal London fund continued to appear in the consolidated plan valuation after then. And this fund fell in value before Ms D gave her further switch instructions in June 2023, when it was worth £10,131.58.*

*So, whilst Scottish Widows says everything has been corrected, it isn't clear that it has been, which isn't treating Ms D fairly. I've set out below what I think should be done. And I think the errors and lack of clarity have caused understandable and ongoing uncertainty for Ms D for more than a year now. With the continuing problems after its final response letter causing her further inconvenience and distress.*

***Putting things right***

*I said Ms D should be put back in the position she should have been in had there been no errors. I set out how I thought Scottish Widows provide calculations showing what should have happened and the correct switches made in a clear and simple format and to make any corrections necessary. And that it should pay Ms D a further £100 in compensation for the distress and inconvenience caused to give £700 in total.*

I asked both parties to send me any further information or comments they would like me to consider.

**Response to provisional decision**

Ms D said she accepted my provisional decision.

Scottish Widows said it couldn't use the Invesco Perpetual High Income fund in the reworked calculations as this hadn't been available for re-investment in January 2023. So, when the transfer was made the Royal London fund would have been used. On this basis it provided an updated schedule of switches which it said reflected what should have happened.

This was shared with Ms D. She said she still didn't think Scottish Widows had properly corrected her plan. She said her selected funds had increased by around 7% in value between 5 January 2023 and 27 June 2023 when she switched them. So, the combined value should have been around £72,936.50, not the £68,611.28 shown by Scottish Widows. She said its calculations *"disguise the gains I made by compounding them with losses made by the funds they put the lost monies in"*. She said her losses were £4,325.22.

**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 done so, I've decided to uphold the complaint.

I think there were ongoing errors which inconvenienced Ms D over a considerable period of time. And the multiple piecemeal corrective actions did leave it unclear whether she was back in the position she should have been in had the errors not been made. I've considered carefully the points Ms D has made about lost investment returns, but the funds she chose in January 2023 didn't return 7% overall before the further switch was made in June 2023. Some increased with some falling in value over the period, with the overall return less than 1%.

When a business has made errors with fund switches it is fair that it, where possible, recreates what should have happened. And I think Scottish Widows has now shown that it has done this. The latest schedule it has provided shows the holdings immediately before and after the transfer and the subsequent fund switches. And this does appear to correctly set out the position as it should have been in an easier to follow format.

**Putting things right**

The updated schedule appears to reflect the correct position and shows that Ms D is back in the position she should be in. So, no further action is necessary regarding this from Scottish Widows.

But Ms D has been inconvenienced over an extensive period of time and it's fair that Scottish Widows pays her an additional £100 in compensation to the £600 it has already offered to give £700 in total.

**My final decision**

For the reasons I've given above and in my provisional decision, my final decision is that I uphold this complaint against Scottish Widows Limited.

I direct Scottish Widows Limited to pay Ms D £700 in total compensation for the distress and inconvenience caused if it has not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 11 June 2024.

Nigel Bracken
**Ombudsman**