

The complaint

Mr T complains about the service provided by Scottish Widows Limited in relation to transferring in his pension plans from other providers. He says the delays caused him a financial loss and expects substantial compensation to reflect the inconvenience he's experienced.

What happened

Mr T had a number of pension plans with different providers built up over the years. Around five years ago he consulted "*Pensionwise*", the free government service, which recommended he consolidate the individual plans into one, prior to taking benefits. Mr T had established a plan with Clerical Medical in 2001 into which he wanted to transfer his other pensions. After which he intended to release his tax-free lump sum and set up a monthly drawdown, rather than purchase an annuity.

Clerical Medical is now part of Scottish Widows, so for ease of reading I'll just refer to Scottish Widows in the decision.

Mr T has complained to Scottish Widows about the transfer-in of other policies and related matters. But this decision concerns the transfer-in of the Legal & General ("L&G") plan.

Scottish Widows said they expect a transfer in from another provider to be completed within ten working days, from the point all requirements are met. Scottish Widows received the signed forms on 16 February 2023, but progress was delayed mainly due to the need for a signed "*Pensionwise*" guidance form. But although it was supposed to have been sent out on 28 February, it seems it hadn't been enclosed with the letter, requiring Mr T to chase on a number of occasions. He also pointed out that consulting *Pensionwise* or receiving financial advice was optional for a transaction of this nature. And the delays continued even when he'd supplied the signed form. He also experienced problems providing a suitable photograph to comply with the necessary identity checks.

After a few attempts to move things forward by calling and emailing Scottish Widows without success, in April 2023 Mr T advised them of his intention to visit their offices to complete the form in person, and that he expected a senior contact to be available to assist. Getting there involved a time-consuming journey on public transport. But when Mr T arrived he wasn't expected, and nobody from the Pensions team was available to help. A month later, as things still hadn't progressed, despite his previous experience Mr T decided to visit Scottish Widows offices again. He emailed Scottish Widows to let them know when he intended to visit, and that he expected compensation for the inconvenience this would cause him, as well as his travel expenses. On this occasion, a member of staff from another department did attempt to help but wasn't able to fully resolve the problem.

The delay in the L&G plan being received meant Mr T couldn't take benefits from his pension as early as he'd hoped, requiring him to dip into his savings, and he found the process frustrating and stressful. The L&G funds were finally credited to Mr T's plan on 6 June 2023,

backdated to 24 May 2023. He subsequently released a tax-free lump sum from the consolidated balance, and then set up a drawdown plan.

Mr T complained to Scottish Widows, requesting reimbursement of his loss which he said was £2,915.56, plus he expected additional sums to reflect the inconvenience, the impact on his health, the loss to his savings and a "*generous gesture of goodwill*" as an apology. On 30 June Mr T complained that his request to release his tax-free lump sum and set up a monthly drawdown needed to be processed as two separate requests, and he wasn't happy he'd have to move his policy into a retirement account, as this wasn't explained at the outset. On 12 July 2023 Scottish Widows confirmed just under £185,750 was credited to Mr T's retirement account, from which the tax-free cash would be released.

In September 2023 Scottish Widows responded to Mr T's complaint and admitted the transfer had been delayed due to internal administrative errors and had exceeded its processing timescale of ten working days. So had written to L&G for a policy valuation as at 2 March 2023 to perform the loss calculation. Scottish Widows offered Mr T £300 compensation for the poor service but didn't offer anything specifically for the travel to their offices, as they said that had been Mr T's own choice.

Mr T rejected the compensation offer on 28 September 2023, saying ten days from 16 February 2023 was earlier than 2 March. He thought the transfer should've been done via the electronic "Origo" system, he reiterated the number of times he had called and emailed without response, that he hadn't received the Pensionwise form when Scottish Widows said they sent it, and he felt travelling to their offices had been his only option. He wanted a revised offer of compensation and an apology from someone senior.

Scottish Widows issued a second complaint response on 11 October 2023, explaining that 2 March was the correct date for the transfer as ten working days is the industry standard. They asked Mr T for a breakdown of his loss figure of £2,915.56. And while they still thought travelling to the offices was his choice, they would consider his reasonable travel expenses. Mr T wasn't satisfied with this so in October 2023 he referred his complaint to this service, saying he'd had problems with Scottish Widows (and other providers) over the years, which we should consider as an example of "*serial incompetence*".

While the complaint was with this service, Scottish Widows reviewed the complaint again. They said L&G had confirmed the value of Mr T's policy on 2 March 2023 was £94,765.86, compared to the amount actually transferred of £94,814.97, so the delay hadn't disadvantaged him. But they acknowledged Mr T would've received his tax-free lump sum sooner, so offered to pay 8% simple interest for the relevant period for that. And they increased the compensation offer to £500. They worked out the trip from Mr T's home to their offices would take about two hours each way, so offered to reimburse reasonable petrol costs for eight hours travel, and any parking charges he incurred.

Our investigator reviewed Scottish Widows' offer and thought it was fair. She agreed the loss calculation should've been based on 2 March not 24 May, but the delay hadn't caused Mr T a financial loss. She understood the process had been lengthy and frustrating but said £500 compensation was in line with what she'd recommend.

Mr T didn't think it was fair that our rules meant we couldn't look at all the issues he raised. And felt the compensation reflected only a "*light slap on the wrist*", whereas he expected a substantial increase to act as a "*wake up call*" for the industry.

As well as the two final response letters Scottish Widows issued in September and October 2023 in relation to the L&G transfer, they also issued four other final response letters to Mr T addressing various matters in July 2020, June 2022, November 2022, and February 2023. Mr T referred his complaints to our service on 2 October 2023.

I issued a provisional decision in March 2024 to clarify which aspects of Mr T's complaints against Scottish Widows we had the power to look into, and which had been referred too late. And then set out my thoughts on the merits of the aspects we can consider.

Provisional findings

I made the following provisional findings, which I've summarised slightly:

Jurisdiction

This service is obliged to follow rules set out by the regulator of the financial services industry the Financial Conduct Authority ("FCA"). The rules are known as the dispute resolution rules or "DISP" and can be found in the FCA handbook.

The relevant rule is DISP 2.8.2R(1) which says unless the business consents, (which Scottish Widows doesn't in this case, and to be clear it's not obliged to) this service cannot consider a complaint if the complainant refers it:

more than six months after the date on which the respondent sent the complainant its final response, redress determination or summary resolution communication

Each final response letter issued by a business must include a paragraph setting out how to refer a complaint to this service, including that they must do so within six months of the date of the letter, and provide our contact details and a leaflet or a link to one.

Each of the four earlier final response letters had been issued more than six months before Mr T referred to this service. Any findings made on complaints which fall outside of our jurisdiction would be unenforceable. I appreciated Mr T believes this strict six-month timescale is unfair to people with busy lives, but there were no exceptional circumstances which meant he was unable to refer those complaints within the timescale. So the decision was limited to Mr T's complaint relating to the transfer in of his L&G policy, addressed in Scottish Widows final response letters dated 19 September and 11 October 2023, which was referred in time.

Merits

I then went on to set out my initial thoughts on the merits and whether Scottish Widows should pay additional compensation.

Taking pension benefits is an important decision, so since 2021 the FCA has required firms to ensure their customers are aware of the benefits of consulting Pensionwise prior to making a decision, and to offer to arrange an appointment. This is to ensure they fully understand their options, any tax or welfare benefit implications, and to guard against scams. Mr T had consulted Pensionwise around five years earlier, so didn't feel the need to do so again. But Scottish Widows was entitled to require him to sign a form acknowledging he'd been made aware of this. Scottish Widows records show the Pensionwise form was sent to Mr T on 28 February, 15 March and 4 and 13 April 2023, but a system error meant it was only enclosed on the final occasion. I understood Mr T's frustration at this repeated failure, particularly as it was so time consuming to get through on the telephone. But while Mr T's desire for action was understandable, I didn't think he had to travel to Scottish Widows offices, or that his visits really moved things forward. On 18 April he emailed Scottish Widows to advise of his intention to visit their Edinburgh offices that same

day and requested someone be ready to assist him, which I thought was quite short notice. And he set off without receiving confirmation that his visit would be convenient, or that anyone suitable would be available.

Despite the experience of his first visit, Mr T emailed Scottish Widows on Monday 8 May to say that unless someone senior called him by close of business on Wednesday he would travel to their offices a second time on Friday 12 May. I understood Mr T's exasperation at the lack of progress, and that his many calls were not returned, but he decided to make the trip again, it wasn't at Scottish Widows request. While they thought the visits had been unnecessary, Scottish Widows offered to cover Mr T's reasonable travel expenses, such as petrol and parking, for the two hour each way journey. But he'd incurred no travel costs, as he used public transport which was free of charge. And I didn't think it was reasonable to expect Scottish Widows to compensate Mr T for his time.

Scottish Widows has admitted the transfer-in of the L&G policy took much longer than the usual ten working days. So it offered to do a loss calculation based on the funds being received on 2 March 2023, instead of 24 May 2023. But the value of Mr T's policy would've been lower on 2 March, so in that sense there's no financial loss.

Mr T's intention once all his policies were consolidated into his retirement account, was to take a pension commencement lump sum (tax-free cash), and then start a drawdown plan. And as this didn't happen as soon as expected Mr T used £2,000 of his savings to cover bills and expenses. I'm not going to ask Scottish Widows to reimburse the £2,000, as the spending this represents would've been deducted from his lump sum had things happened as they should. But it had offered to pay 8% simple interest for the delay in Mr T accessing his tax-free lump sum. I thought this was fair to compensate him for not having use of those funds.

Mr T confirmed he took a pension commencement lump sum, but not the amount or when it was released. So to put things right I said Scottish Widows should calculate 8% simple interest per year on the tax-free lump sum, from the period between when it was paid and when it should've been paid if the delay hadn't happened.

Mr T had rejected Scottish Widows compensation offer of £500 which he thinks should be substantially increased to punish Scottish Widows for its poor service, as a lesson for the industry more widely. I appreciated why Mr T would feel like that, but our awards don't represent a punishment, and we aren't the industry regulator. Our role is simply to resolve individual disputes in a fair and reasonable way. So once we've put right any actual financial loss caused by the business's error, we may recommend an additional sum to represent the impact on the individual. Mr T can see from our website that Scottish Widows' offer of £500 falls within the range of an error causing "*considerable distress, inconvenience or worry*". As such it's in line with what I'd recommend in these circumstances. So I didn't require Scottish Widows to pay more.

Responses to the provisional decision

Prudential accepted the findings. And in response to my query about whether Mr T's visits to their offices had made a difference to the transfer progressing they made the following points (in summary)

- There are no specific notes in relation to Mr T's visit, but his email (copy provided) a few days after the initial visit in April suggest it was not a success.

- It didn't appear any specific action resulted from his visits, but unless someone was familiar with the specific issues around the transfer that's to be expected.
- The transfer was already in progress, and the problems arose from the migration to a new platform, so the transfer would have progressed the same regardless of his visit.

Mr T didn't accept the findings, and made the following points:

- He received his tax-free lump sum on 19 July 2023
- He completely disagreed with the "*derisory*" offer of £500 compensation
- He had spent many hours of the phone, never speaking to the same person twice (and provided a table showing a total of 465 minutes of calls between August 2022 and May 2023)
- Before starting the transfer he was told it could be done electronically and would take a maximum of seven working days;
- In that call he'd checked the value and sent the instructions the same day, so the amount received should've been within a few pounds of the 16 February 2023 value
- He disputed his visits had been at short notice or fruitless. He believes he had no option but to visit Scottish Widows office, and believes his visits did move things forward, even though on both occasions he was left waiting in reception for more than an hour;
- On the first occasion he was seen by someone from the Bereavement team rather than Pensions.
- It's not unreasonable to expect compensation for the inconvenience and time, and disputes that any offer to cover his petrol or subsistence was made;
- The delay meant he needed to withdraw funds from his savings, so he should have £2,000 more in his savings account;
- No monies have been paid to him by Scottish Widows, and he hasn't banked the £300 unsolicited cheque;
- He requested a further review of the disgraceful treatment by Scottish Widows, appropriate compensation and the missing values restored to his fund and tax-free cash figure;
- No tax is payable on any amount from Scottish Widows to him.

So I'm now ready to issue the 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.

It's not in dispute that the transfer of Mr T's L&G policy took longer than it should have. And it seems the delay was largely due to the failure to provide Mr T with the *Pensionwise* form to evidence he understood the implications of his decision, which Scottish Widows attributes to a system upgrade. Regardless of this, Mr T shouldn't lose out as a result.

Scottish Widows received the signed transfer forms on 16 February 2023 and the industry standard is that such transactions should be completed within ten working days, which means by 2 March 2023. Mr T may have been told transfers-in usually take around seven days, but ten working days seems fair, as this would allow time for the completion of the *Pensionwise* form.

Mr T disputes that his visits to Scottish Widows offices were unnecessary and believes they did move things forward. But Scottish Widows has confirmed they visits made no real

difference, as no suitable staff were available. And as the delays were due to the migration to a new technology platform, the transfer would have progressed the same whether the visits took place or not. Mr T may have hoped turning up at Scottish Widows offices would mean he couldn't be ignored, prompting some action, or at least enabling him to sign the missing form. But given the first visit involved considerable inconvenience, travel time and waiting around as he wasn't expected, but hadn't achieved its objective, I'm not persuaded it was sensible to make the trip a second time.

Scottish Widows communicates with its customers by letter, telephone, or email/secure message, but it's not unusual for organisations not to offer a face-to-face customer channel. A head office building may have a reception for visitors, but that doesn't mean the relevant staff are based there, or that it has the capacity to deal with customer transactions in that way. I appreciate Mr T found dealing with Scottish Widows by phone unsatisfactory due to long waiting times, but its lines are open from 8.30am to 6pm Monday to Friday which should be convenient for most people. I understand why initially Mr T thought a visit might help, but I don't think it was reasonable to expect a suitable member of staff to be available at such short notice, when he hadn't received confirmation that his visit could be accommodated.

Scottish Widows offered to cover Mr T's reasonable travel expenses such as petrol or parking, on production of suitable evidence which I thought was fair. But Mr T didn't incur any expenses as the journeys were made using his free transport pass. I have no doubt the visits took up a great deal of Mr T's time, but it was his choice to use his time in that, Scottish Widows hadn't invited him. So I'm not going to award compensation for his time.

When putting things right, we aim to put the consumer in the position they'd be in had things gone as they should. Which would mean the amount transferred should've been the value of Mr T's L&G policy on 2 March 2023. But doing so would mean Mr T being £49.11 worse off, as the 2 March value of £94,765.86, is slightly lower than the £94,817.97 he received in June.

But had things gone smoothly, Mr T should've had use of the pension commencement lump sum (commonly known as tax-free cash) earlier than he did. So in the provisional decision I awarded interest at 8% for the period of time he was without the use of those funds. We use 8% as this is the rate which courts use, it's not linked to UK base rate or inflation. This rate has been used for many decades, even when UK base rate, currently 5.25%, was just above zero.

Mr T says that due to the delay, he had to dip into his savings to cover expenses which he'd otherwise have paid from his tax-free cash. So the balance of his savings account is £2,000 lower than it should've been, which he thinks Scottish Widows should refund. But I disagree, as on the other hand, his tax-free cash balance is £2,000 higher than it otherwise would've been, so the position is neutral. Once Mr T received the tax-free cash he could replenish his savings if he chose. And the 8% awarded for the loss of use is likely to be higher than what he'd have earned had his savings remained undisturbed.

But Mr T is right that if the transfer had happened when it should, his funds would've been invested in his Scottish Widows drawdown plan three months earlier than they were. So as well as allowing for the delay in receiving his tax-free lump sum, I need to compensate Mr T for any loss of investment growth on those funds. So I have revised my redress which I shared with the parties prior to finalising the decision.

In relation to the compensation for trouble and upset, my thoughts on this remain as I set out in the provisional decision. Compensation awards aren't to punish a business or set an example. They are to reflect the unreasonable trouble and upset the business's actions caused a consumer. We must all expect a degree of hassle in our daily lives, particularly in

relation to complex financial transactions, so the compensation reflects the inconvenience above what is to be expected, and the impact it had on an individual. Awards over £300 are appropriate where the consumer has been caused considerable distress, upset and worry – and/or significant inconvenience and disruption that needs a lot of extra effort to sort out, perhaps over many weeks or months. I've explained why I'm not compensating Mr T for his trips to Scottish Widows offices. And I'm satisfied £500 is the right amount here.

Putting things right

Scottish Widows has accepted the L&G policy should have been transferred in on 2 March 2023.

So to put things right it should do as follows:

Delay in receiving tax-free cash

- The transfer in from L & G happened on 6 June 2023, and Mr T says he received the pension commencement lump sum (tax-free cash) on 19 July 2023
- Establish the amount of the pension commencement lump sum Mr T received (Value A)
- The number of calendar days between 6 June 2023 (when the funds were received) and 19 July (when the tax-free cash was paid) is 43.
- Replicating the same timeframe in which the tax-free cash was actually released, would mean the funds would've been released to Mr T on 14 April 2023 (being 43 calendar days from 2 March 2023).
- Apply interest at 8% simple per year on the sum in Value A for 43 days to reflect the loss of use of the funds.
- Pay this sum to Mr T and provide him with the calculation in a simple format.
- *If Scottish Widows considers it is obliged by HMRC to deduct tax from the interest payment, it should explain how much has been taken off. It should also provide a tax deduction certificate if Mr T requests one, to enable him to reclaim the tax from HMRC if appropriate.*

Investment loss

- Scottish Widows should compare the actual value of Mr T's pension at the date of my final decision, with the notional value of what it would have been worth at the same date assuming the funds had been received from L&G on 2 March 2023 and invested (after releasing the PCLS) in the same way.
- If the notional value is higher than the actual value, then Mr T has suffered investment loss. If the actual is higher than the notional value, then there's no loss and no compensation is due.
- If there is a loss, Scottish Widows should pay this amount into Mr T's drawdown plan to increase its value by the amount of the compensation. The calculation should allow for the effect of charges and any available tax relief. Scottish Widows shouldn't pay the compensation into Mr T's plan if it would conflict with any existing protection or allowance.
- If Scottish Widows is unable to pay the amount into Mr T's pension plan, it should pay that amount direct to him. But had it been paid into the plan it would have provided a taxable income. Therefore the amount should be reduced to notionally allow for any tax that would otherwise have been paid. This is an adjustment made to ensure the compensation is a fair amount, it isn't an actual payment of tax to HMRC, so Mr T won't be able to reclaim it.

- The notional allowance should be calculated using Mr T's actual or expected marginal rate of tax in retirement. From what I've seen I think it's reasonable to expect Mr T will be a basic rate taxpayer in retirement, so the reduction would equal 20%. However, if Mr T would have been able to take a tax-free lump sum the reduction should be applied to 75% of the compensation, resulting in an overall reduction of 15%.
- Scottish Widows should provide details of its calculations to Mr T in a simple format.

Trouble and upset

- Pay Mr T £500 for the trouble and upset, deducting any amount already paid.

My final decision

I uphold this complaint and require Scottish Widows Limited trading as Clerical Medical to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 28 May 2024.

Sarah Milne
Ombudsman