

## **The complaint**

Mr F complains that Scottish Widows Limited has failed to collect and apply his premiums correctly. And he's concerned about the lack of progress in evidencing the corrections to his policy.

## **What happened**

Mr F has a pension administered by Scottish Widows and he reached his nominated retirement date in October 2021. Scottish Widows wrote to Mr F and said if no instruction was received it would default his retirement date to age 75. In doing this the contributions also ceased, it said this was its policy if no instruction was received.

Mr F called in December 2021 to query why the direct debit had stopped and agreed to the collection of the past payments missed. However, Scottish Widows then did not collect any premiums and then it told Mr F it would collect them in bulk in March 2022 and from April the regular premium collection would recommence. The bulk payment was collected but the regular premiums weren't taken.

Mr F complained and Scottish Widows issued a final response. It said they would pay £50 for the trouble and upset caused, the premiums had been re-instated and the regular premiums would recommence. However, the regular premiums didn't start again and so Mr F raised another complaint, and after no resolution Mr F brought it to our service. Scottish Widows then responded to offer an additional £150 and said it would collect the arrears and regular premiums would recommence. However, yet again the regular premiums didn't start and Scottish Widows told us there were ongoing issues with the direct debit. It said it would look into how to put things right for Mr F.

Our investigator looked into matters and at that point was of the view the arrears had been collected and it seemed the regular premiums had finally commenced. The investigator said Scottish Widows should send Mr F a clear report detailing the corrective actions taken so that he could be confident the premiums had been correctly applied to his policy on the dates they should've been applied – if Scottish Widows failures hadn't delayed these payments. The investigator said Scottish Widows should increase its compensation to a total of £500 due to the continued failures on its part and the impact this will have had on Mr F.

Scottish Widows accepted the investigator's view. The investigator asked the customer to check the next premium had been taken correctly but unfortunately there were further issues. Scottish Widows said the reinstatement had unfortunately been set up incorrectly and it had taken too much and then refunded Mr F (but it had not explained this to Mr F). It apologised and said the next collection date had been set up already.

However, it then became clear the problem still had not been rectified when Mr F sent us evidence of the premiums collected. Scottish Widows explained the issues were complex and it had senior staff looking into matters and it had sought specialist support. There was an issue with increments being added and it did not want to continue to take arrears until it was satisfied the issue was sorted. But it couldn't give a timescale for this.

By November 2023 it seemed the premiums were being collected correctly including the arrears and Scottish Widows had agreed it would provide details of the corrections in the future, so Mr F agreed to this as a resolution and the case was closed.

However, the next premium was then not collected and neither was the following January 2024 premium and so the complaint was re-opened. Scottish Widows said it had been waiting for Mr F's confirmation of the new direct debit and if Mr F had not received this request could we get Mr F's instructions for this. Mr F confirmed he'd not been contacted by Scottish Widows and just wanted it to collect his premiums correctly – and this is all he'd wanted for the last two years.

The investigator got Mr F's instructions regarding the outstanding arrears and direct debits and Scottish Widows confirmed it would collect the arrears and start the new direct debit for his premiums going forward.

The investigator issued a new recommendation repeating that Scottish Widows should put things right as if the premiums had been collected at the agreed dates and increased the trouble and upset payment to £750 in total. Scottish Widows agreed to the increased payment but it said due to a system fault it was unable to evidence the correct application of the premiums (although it said this had been carried out). It said it was trying to resolve this but it could not give a timeframe. As a result of this issue all generated letters and statements will incorrectly show the applied date of contributions as the date paid and not the date it had been corrected to. It said it could show the unit movements to illustrate the corrective action but this would not be in a customer friendly format. It said it had collected the arrears and the next payment date would be March 2024. Mr F then confirmed the March collection date had been missed. Scottish Widows responded to say there had been a miscommunication on its part, the new collection date would be April 2024 – it had already collected the March payment as part of its arrears. This hadn't been what it had intended to do nor what it had explained it would do, but it was unaware at this point that its processing team had already collected the premium as part of the bulk arrears. It said it would share the corrective action with Mr F as soon as it could but the system issue continued to persist and so it is working on a manual correction.

The investigator said in the circumstances he would pass the case to an ombudsman. Mr F said he was still worried about the corrections and that this issue had been going on for more than two years now.

### **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 agree with the findings of the investigator. Unfortunately, there is no neat resolution that can be applied to this case, as putting things right here is reliant on Scottish Widows applying a fix to its system. If the investigator hadn't increased the trouble and upset payment to a total of £750 this is broadly what I would've suggested to reflect the continued distress and inconvenience caused to Mr F by Scottish Widows' poor service.

This case has been with us for some time and there has been continued instances of the problem reoccurring, but we cannot keep cases open indefinitely. And bringing the case to an end now with the expectation that the root cause of this complaint (the premium collection) has been fixed, allows Mr F to raise a new complaint if he has further premium issues. And I'd expect Scottish Widows to view this in light of the fact this should've been fixed going forward. If Mr F is unhappy with Scottish Widows' response, he will be able to bring a further complaint to our service about any premium issues that occur after the date of

this decision.

Scottish Widows says it has now carried out the corrective action but it cannot evidence this. And when it is able to, it will present this to Mr F. As I've said unfortunately there is no award I can make which can alter this situation, but this lack of resolution has been reflected in the award of compensation. It might be of little comfort to Mr F but we have taken this issue up with senior figures at Scottish Widows as this concerns not just his case but other customers as well.

I'll not prescribe how Scottish Widows should resolve the issues with the premiums not showing correctly, as it needs to apply corrective action to a number of policies and evidence this. And I would expect it to carry this out in a uniform manner making sure its customers are not worse off for its failure to take and apply premiums correctly. And furthermore, Scottish Widows has said it has already carried this out for Mr F's policy and it is just a system issue now in terms of evidencing this. To hopefully put Mr F's mind at rest regarding the corrective actions; when Scottish Widows says it has fixed the issue and Mr F's policy is reflective of this, if Mr F thinks the value of his policy going forward is incorrect, he can raise a new complaint. And if he is unhappy with its response, we will be able to look at this as a new complaint issue and in light of the new evidence presented.

### **Putting things right**

If it hasn't already done so Scottish Widows should pay Mr F £750 in total to compensate Mr F for the extremely poor service he has received to date.

### **My final decision**

I uphold Mr F's complaint against Scottish Widows Limited and require it to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 23 April 2024.

Simon Hollingshead  
**Ombudsman**