

The complaint

Mr D has complained that the value of his Scottish Equitable Plc pension plan at his selected retirement date was less than what Scottish Equitable Plc had previously told him it would be.

What happened

Mr D holds a pension plan with Scottish Equitable Plc (Scottish Equitable). The selected retirement age (SRA) for Mr D's pension fell in December 2023.

On 19 June 2023 Scottish Equitable sent Mr D an annual statement for his pension plan. In this statement Scottish Equitable told Mr D that his pension plan was invested in its High Equity With Profit Fund and that on 18 June 2023 his plan was valued at £87,908.25. Included in this value was a terminal bonus of £40,480.85.

On 6 July 2023 Scottish Equitable again wrote to Mr D. In its letter Scottish Equitable said: *"You're now only 6 months away from reaching your selected retirement date of XX/12/2023, so it's time to start thinking about what you'd like to do with your savings"*. Scottish Equitable then went on to tell Mr D that his pension plan was worth £103,927.12 and that included within this value was a terminal bonus of £40,040.96.

Scottish Equitable wrote to Mr D again on 30 October 2023 to tell him that he was now only a short time away from his SRA. Attached to this letter was a valuation for Mr D's pension plan which said that the value of his plan on 30 October 2023 was £104,644.98 and that included in this plan value was a terminal bonus of £56,861.88. The letter also said that Scottish Equitable would automatically switch Mr D's investment from its High Equity With Profit Fund into its Cash Fund on his SRA.

Scottish Equitable wrote to Mr D again on 7 November 2023. This letter said that the value of Mr D's pension plan on 6 November 2023 was £88,432.98 and that included in this value was a terminal bonus of £40,596.42.

Mr D's pension plan reached his SRA in December 2023 and on Scottish Equitable switched Mr D's holding in the High Equity With Profit Fund into its Cash Fund. The value switched on Mr D's SRA was £88,712.37, which included a terminal bonus of £40,724.66.

On 23 January 2024 Scottish Equitable again wrote to Mr D. This letter was headed: *"Your 2024 Statement"*. The letter set out a valuation for Mr D's pension plan on 22 January 2024 which said that the value of Mr D's plan was then worth £88,962.65. The letter also

explained that all of Mr D's pension plan was now invested in Scottish Equitable's Cash Fund. This statement included an historic valuation for Mr D's pension plan on 22 January 2023, so a year earlier. The statement said that Mr D's pension plan was then valued at £103,404.36.

On 2 February 2024 Mr D contacted Scottish Equitable to question the difference in the fund values that he'd been given on 30 October 2023, when he'd been told that his pension was worth £104,644.98, and 23 January 2024, when he'd been told that his plan was worth £88,962.65.

Scottish Equitable responded to Mr D on 5 February 2024. In its response Scottish Equitable said: *"The reason for the drop in value on your policy is due to the terminal bonus rates applicable to your previous investment in the High Equity With-Profits (WP2) fund being incorrect. This has caused an inflated terminal bonus value that was higher than it should have been. We took corrective action to amend the value of the terminal bonus to be in line with the applicable bonus rates at the date of the automated switch from the WP2 fund to the Cash (CSH) fund. The correct terminal bonus at your retirement date (XX/12/2023) was £35,715.65"*.

Mr D complained to Scottish Equitable on 9 February 2024. Mr D wasn't happy that he'd been told in October 2023 that his pension plan was valued at £104,644.98, but when his plan had reached his SRA the value of his pension that was switched into Scottish Equitable's Cash Fund was £88,712.37.

On 15 February 2024 Scottish Equitable wrote to Mr D again to say: *"I am also writing to inform you that our previous correspondence (Our ref: XXX) as it quoted an incorrect value of our terminal bonus at the date of switch. The £35,715.65 value previously quoted is actually the value of your protected tax-free cash entitlement at 5 April 2006 (A-Day). The correct value of the terminal bonus at the date of switch was £40,724.66. Please accept my apologies for this error"*.

On 20 February 2024, Scottish Equitable further responded to Mr D's complaint. In its response Scottish Equitable said: *"Please accept my apologies that a statement was issued with the incorrect values and terminal bonuses. The statement was auto generated by the system in error. I asked the team to manually produce a new statement with the correct values and terminal bonuses which was completed on 15 February"*. Scottish Equitable enclosed a copy of the new statement and went on to say: *"I would like to offer you £250 for the distress and inconvenience this has caused"*.

Mr D wasn't happy with Scottish Equitable's response to his complaint. Mr D thought that Scottish Equitable should pay him compensation equal to the difference between the plan value of £104,644.98 that he'd been quoted in October 2023, and the value of £88,712.37 that was switched into Scottish Equitable's Cash Fund at his SRA. This figure is £15,932.61 (£104,644.98 - £88,712.37). Mr D brought his complaint to the Financial Ombudsman Service.

One of our Investigators reviewed Mr D's complaint. Their view was that whilst Scottish Equitable had made an error in its 30 October 2023 valuation, it hadn't guaranteed the value given and had acted in a reasonable time to fix this problem. Our Investigator thought that Scottish Equitable shouldn't pay Mr D compensation of £15,932.61 as he wanted, and that Scottish Equitable's offer of £250 in respect of the distress and inconvenience he'd suffered was reasonable.

Mr D didn't agree with our Investigator's view so has asked for his complaint to be considered by an Ombudsman.

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.

Scottish Equitable sent Mr D a valuation for his pension plan on 6 July 2023. This valuation told Mr D that his pension plan was then worth £103,927.12. Scottish Equitable has admitted that this valuation was wrong. The valuation also told Mr D that included in the plan value of £103,927.12 was a terminal bonus of £40,040.96.

Scottish Equitable has said that the terminal bonus of £40,040.96 quoted in the valuation was correct and had been manually calculated. However, Scottish Equitable has also explained that the total plan value of £103,927.12 had been incorrectly calculated by its systems. Scottish Equitable has further said that this was because the total value shown in the valuation included an incorrect terminal bonus figure which had been produced by its systems, whereas it should have included the manually calculated terminal bonus of £40,040.96 which it had quoted separately in the valuation, which was correct.

Scottish Equitable also sent Mr D a valuation for his pension plan on 30 October 2023. This valuation said that the Mr D's pension plan was then worth £104,644.98 and that included in this value was a terminal bonus of £56,861.88. Scottish Equitable has admitted that this value was also wrong and has explained that its error was due to Mr D's terminal bonus being incorrectly calculated. Scottish Equitable has further explained that this was due to the valuation being "*auto generated by the system in error*" and that Mr D terminal bonus should instead have been calculated manually and then included in the plan value.

Scottish Equitable has confirmed that the value of £88,712.37 that it used when switching the investment of Mr D's pension plan into its Cash Fund at his SRA was correct and that the amount of terminal bonus included in this value was manually calculated. However, Mr D is saying that Scottish Equitable should have used the plan value of £104,644.98, that he'd received in October 2023, when it switched the investment of his pension plan into the Scottish Equitable Cash Fund at his SRA.

I've therefore reviewed the 30 October 2023 valuation that Scottish Equitable sent to Mr D. The valuation said:

"Your value and pension options

The current value of your policy with us is £104,644.98

- You can find a summary of your pension and a full breakdown of your fund value enclosed. Please note that this value isn't guaranteed and can change in the future."*

The letter went on to provide a pension summary for Mr D. This summary said:

"Plan details

Policy number	Selected retirement date	Fund value
XXXXXXX	XX/12/2023	£104,644.98

Fund value is the current value of your policy".

The letter then went on to say: "*Please note - the value of your fund isn't guaranteed - it can fall as well as rise*".

I therefore think that Scottish Equitable said in its letter of 30 October 2023 that the value of Mr D's pension plan was £104,644.98, with this value being quoted twice within its letter. However, on each occasion that the value of £104,644.98 was quoted in the valuation, Scottish Equitable also explained to Mr D that this value wasn't guaranteed.

Mr D was also sent an incorrect valuation by Scottish Equitable on 6 July 2023, when he was then told that his pension plan was worth £103,927.12. I've therefore also reviewed this valuation and note that it also told Mr D that his pension plan value wasn't guaranteed and included the same wording as I've detailed above.

I've also considered other valuations that Scottish Equitable sent to Mr D ahead of his SRA. As I've said above, Scottish Equitable wrote to Mr D on 7 November 2023, so approximately a week after it had written to him on 30 October 2023. This time Scottish Equitable told Mr D that the value of his pension plan was £88,432.98.

I've also seen the annual statement sent to Mr D on 18 June 2023 which said that Mr D's pension plan was then worth £87,908.25, which included a terminal bonus of £40,480.85.

My conclusion from having reviewed these valuations sent to Mr D in the period before he reached his SRA is that Scottish Equitable made an error in the valuations of 6 July 2023 and 30 October 2023. As I've said above, Scottish Equitable has stated that the error was due to an incorrect calculation of the terminal bonus applying to Mr D's policy which was automatically generated by its systems and included in the plan value given.

On all the valuations for Mr D's pension plan that I've referred to above, Scottish Equitable say that the plan value given cannot be guaranteed. As I've said above, the valuation of 30 October 2023 said: "*Please note - the value of your fund isn't guaranteed - it can fall as well as rise*". I therefore think it's reasonable to conclude that on reading this statement, and the other valuations that I've seen, Mr D should have understood that the value quoted at that time wasn't guaranteed.

I've also reviewed the pension statement sent to Mr D on 23 January 2024. This statement was sent to Mr D after he'd passed the SRA for his pension plan, so by then his pension plan investment had already been switched into Scottish Equitable's Cash Fund. The statement told Mr D that on 22 January 2024 his pension plan was worth £88,962.65. However, the statement included a historic valuation for Mr D's pension plan. This said that on 21 January 2023 his pension plan was worth £103,404.

Scottish Equitable has admitted that this value was wrong. It has explained that the incorrect value for 21 January 2023 had been automatically generated by its systems and included in the statement, so was again wrongly calculated.

I therefore think that Scottish Equitable made an error in the valuation it sent to Mr D on 23 January 2024, as well as the valuations it sent to him on 30 October 2023 and 6 July 2023. Mr D has said that to put things right, Scottish Equitable should pay him compensation of £15,932.61. This figure is the difference between what he was told his pension plan was worth on 30 October 2023, and the plan value that Scottish Equitable switched into its Cash Fund on Mr D's SRA.

But I don't think that it would be fair or reasonable for Scottish Equitable to pay Mr D this amount of compensation. Scottish Equitable has admitted that it sent Mr D two incorrect valuations before he reached his SRA, but as I've said above, in each valuation Scottish Equitable explained that the value shown was not guaranteed.

As I've also said above, Scottish Equitable wrote to Mr D soon after 30 October 2023, on 7 November 2023, to tell him that the value of his pension plan was £88,432.98 and that included in this value was a terminal bonus of £40,596.42. I think that it's reasonable to conclude that this valuation was correct.

I therefore don't think that Mr D has suffered from a loss or fall in the value of his pension plan for which he should be compensated. I've also not seen any evidence to show that Mr D took any action on receiving the incorrect valuations that has resulted in him incurring any financial loss. Instead, I think it's reasonable to conclude that instead Scottish Equitable's errors caused Mr D's expectations for the value of his pension to be unfairly raised ahead of his SRA.

Whilst I don't think that Scottish Equitable's errors have resulted in a loss in the value of Mr D's pension plan, I do think that its errors will have resulted in Mr D suffering distress and inconvenience. I also think that Scottish Equitable's errors will have caused Mr D more than the levels of frustration and annoyance he might reasonably expect to experience from day-to-day life, and the impact has been more than just minimal. I therefore think it reasonable that Scottish Equitable pays Mr D compensation for the distress and inconvenience that he's suffered.

I've also considered the impact of the statement that Scottish Equitable sent to Mr D on 23 January 2024. Whilst this statement was sent to Mr D after he'd passed the SRA for his pension plan, it did include an incorrect historic value for Mr D's pension plan. I think it's reasonable to conclude that this error, whilst made after Mr D's SRA, will still have added further inconvenience and distress to Mr D.

On 19 March 2024 Scottish Equitable sent a cheque for £250 to Mr D in compensation for the distress and inconvenience he's suffered due to its errors. Taking all the circumstances of this complaint into account, I think that Scottish Equitable's offer of £250 compensation is fair and reasonable in this case.

Therefore, whilst I uphold Mr D's complaint against Scottish Equitable, as it did send him incorrect valuations for his pension plan ahead of his SRA which told him that the value of his pension plan was more than it was actually worth, and then sent a further incorrect valuation after his SRA, I think that the offer of compensation of £250 that Scottish Equitable has already made to Mr D is fair and reasonable.

Putting things right

As I've said above, I think that Scottish Equitable should pay Mr D £250 in compensation for the distress and inconvenience he suffered due to its error. Scottish Equitable has already sent Mr D a cheque for this amount, but Mr D has said that he didn't accept this compensation.

If Mr D has already banked this cheque and therefore received the compensation payment of £250 then no further action is required from Scottish Equitable. However, if Mr D hasn't banked the cheque and a replacement cheque is now needed, then Scottish Equitable should now send a replacement cheque for £250 to Mr D.

My final decision

My final decision is that I uphold Mr D's complaint and that Scottish Equitable Plc should compensate Mr D as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or

reject my decision before 4 December 2024.

Ian Barton
Ombudsman