

The complaint

Mrs H says Scottish Widows Limited is responsible for providing her with incorrect information about the value of her pension, for failing to action her pension contributions properly and for generally poor service. She says this caused her considerable stress and inconvenience.

What happened

There's broad agreement between the parties about what happened in this case.

Mrs H had a personal pension plan with Scottish Widows. She'd previously experienced problems with the administration of her pension, but these had been resolved. However, in December 2022 she received her annual statement and found a discrepancy of about £1,600 for the value of her funds as stated for 5th December 2021 between her new statement and what she'd been notified the previous year.

There had also been problems with Mrs H's regular pension contributions, which on more than one occasion hadn't been taken at the correct time leading to apparently missing contributions in certain months followed later by multiple contributions in later months.

Mrs H complained to Scottish Widows about what had happened in January 2023. It didn't provide its final response until 23 June 2023. During this period Scottish Widows communication with Mrs H had been poor. It was unresponsive to her enquiries and when it took action to try to sort some of the problems out it handled things badly, for example sending her refunds of contributions without explanation and attempting to pay these into an old bank account.

Scottish Widows upheld Mrs H's complaint and offered her compensation of £360. Of this £300 was for the trouble and upset it had caused, £36 related to an excess premium payment it had taken and £24 related to phone costs she'd incurred trying to get things sorted out.

Mrs H wasn't satisfied with Scottish Widows response. For example she told this Service:

"The information that Scottish Widows have provided me with, so far, does not contain enough detailed explanation to convince me that I have not been disadvantaged. In fact the latest documents provided still show the original errors on the contribution history."

"What I would like confirmation of, is a detailed account of the number of units purchased, at what rate and date for all the contributions to this policy..."

In responding to this Service, Scottish Widows said:

"Overall, Mrs H points cannot be disagreed with. It is understandable after such a timescale that frustration and distrust would occur. Certainly, our customer service has not been of the standard we would wish to deliver. Specifically, more contact should have been made to Mrs H to illustrate the issues and the work being put in to resolve them. The length of time between said communications was too long and the overall time taken to resolve the IT issue and to understand if indeed Mrs H had been financially disadvantaged."

Scottish Widows acknowledged that its service to Mrs H had fallen short of its normal standards and it increased its offer to her for the distress and inconvenience it had caused her by £300.

An Investigator considered Mrs H's case. She agreed Scottish Widows had got things wrong, but thought it had since done enough to demonstrate Mrs H had been put back into the position she'd have been in had everything worked properly. And she thought its increased offer in recognition of the trouble and upset it had caused Mrs H was fair.

Mrs H didn't think the Investigator had addressed the point she'd made about the discrepancy in the value of her fund at 5 December 2021 on two different annual statements. She thought reference to market fluctuations was irrelevant in this context. She also:

- Noted the apology from Scottish Widows about using an incorrect account to make refund payments to her, but observed this had happened several times.
- Was unhappy that in one of its communications with this Service she felt it had implied she was being uncooperative with investigations into her complaint.
- Was puzzled about why on 18 occasions there had been a difference in how her contributions had been used to buy units at different prices, she speculated this may've related to separate transactions relating to her net contribution and the grossed up element which represented the tax relief element. But she couldn't understand why different unit prices would apply.
- Noted Scottish Widows complete lack of customer care and poor communications.

As both parties couldn't agree with the Investigator's conclusions, Mrs H's complaint was passed to me to consider afresh. I issued my provisional decision earlier this month. Scottish Widows accepted the outcome. Mrs H provided me with some further observations which I've considered carefully in arriving at this 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.

Where there's conflicting information about what happened and gaps in what we know, my role is to weigh the evidence we do have and to decide, on the balance of probabilities, what's most likely to have happened.

I've not provided a detailed response to all the points raised in this case. That's deliberate; ours is an informal service for resolving disputes between financial businesses and their customers. While I've taken into account all submissions, I've concentrated my findings on what I think is relevant and at the heart of this complaint.

I'm upholding Mrs H's complaint. I'll explain why.

I've considered the extensive regulation around transactions like those performed by Scottish Widows for Mrs H. The FCA Handbook contains twelve Principles for businesses, which it says are fundamental obligations firms must adhere to (PRIN 2.1.1 R in the FCA Handbook). These include:

- Principle 2, which requires a firm to conduct its business with due skill, care and diligence.
- Principle 3, which requires a firm to take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.

- Principle 6, which requires a firm to pay due regard to the interests of its customers.
- Principle 7, which requires a firm to pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.

So, the Principles are relevant and form part of the regulatory framework that existed at the relevant time. They must always be complied with by regulated firms like Scottish Widows. As such, I need to have regard to them in deciding Mrs H's complaint.

Firstly, it's clear Scottish Widows are responsible for poor handling of Mrs H's personal pension. As well as the problems she experienced with the information it gave her about her pension value and the application of her contributions to her fund, it was also responsible for poor communication and ineffective resolution.

Further, Mrs H's complaint has evolved while it has been with this Service. This is unfortunate because it adds complexity and the potential for confusion amongst the parties. Earlier this year she told us about further missed payments and brought to our attention recent annual statements issued by Scottish Widows which she says provided contradictory information about her fund and its performance. In her response to my provisional decision she also set out other examples of its poor practice. Clearly these matters continued to undermine her confidence in Scottish Widows.

In respect of Mrs H's initial complaint to this Service about her pension fund value and contributions. Scottish Widows provided us with a schedule it said showed how the valuation of her pension had been recalculated to ensure her monthly contributions were applied to her fund at the correct time, the notional number of units purchased, their value and price. I understand Mrs H found this information to be acceptable (aside from a point she raised more recently, which I'll cover later).

Scottish Widows also confirmed the correct run of fund values for her pension at the relevant statement dates was (rounded to the nearest pound):

2020 £38,083

2021 £45,978

2022 £44,790

2023 £46,005

Scottish Widows said it would send Mrs H new statements from 2021, confirming the correct figures. It's not clear from her recent communications whether or not she accepts this information. But I've not seen anything to make me think it is incorrect.

It seems information which Scottish Widows have subsequently sent to Mrs H gave rise to further concerns. She said:

"Please find attached at the end of this email trail, two scans from my Annual Scottish Widows Pension Statement (5th Dec. 2023) which shows that despite raising my concerns over their mismanagement of my Pension in January last year, they have continued to mismanage it throughout that year. The scans show that firstly, despite my contributions leaving my bank on the correct date every month without fail, Scottish Widows have not invested my contributions correctly on the 1st of each month. They have missed March, July, October and November. And invested 3 times in May and 3 times in August. Clearly, the reason for investing regularly each month is to spread the risks involved in the highs and lows of the market. Therefore, their ad hoc approach means that, potentially, my

contributions have been lumped together and been invested at a time less beneficial to my pension.”

“The other scan is even more concerning as it involves manipulation of past fund performance figures. As the document states, the figures shown are an indication of the performance of the fund I am invested in (Pension Managed Fund, series 2) and not my plans performance. Therefore, the statistics shown for the performance of this particular fund in 'previous' years should never change. However, as you can see from my scan of 2022 and 2021 annual statements, compared to that of 2023 the performance data of the past years has now been altered.”

I understand Mrs H has now ended her relationship with Scottish Widows.

Rather than requiring Mrs H to raise yet another enquiry and complaint, given the problems she's experienced are essentially a continuation of the problem she first raised in January 2023, I said to Scottish Widows I'd consider these additional points in my decision. I asked it to respond to the matters raised. It said:

“As the issues regarding allocating the payments taken from Mrs. H account to her policy continued. There were IT issues which stopped the collections being allocated. This meant multiple months being added on the same date. As we were aware of the issues, to keep the policy as it should be, the correct number of units were added to the policy on the correct dates. At the times where the collections could be added, each was backdated to the correct date, so that no financial disadvantage occurred.”

With regard to my request for an explanation about the information it had provided Mrs H about her fund performance, Scottish Widows was unable to provide the required information within a reasonable timeframe.

Scottish Widows is in an unsatisfactory position here and I will direct it to provide Mrs H with better information about what has happened to her pension.

In responding to my provisional decision Mrs H made the following observation:

“It appears to me that Scottish Widows have severe problems with what they refer to as 'Legacy Policies' like mine, which I originally started with the TSB. These policies were acquired by Scottish Widows through various take overs of other pension providers. Therefore, considering my experience, I would find it strange if the problem wasn't larger and involve many other 'Legacy Policies'. Therefore, many other people may also be affected, but be unaware, so I believe the issue should now be referred to the regulator to investigate further.”

Mrs H makes an important point about the responsibility of this Service. We put matters right in individual disputes where something has gone wrong, and publish our decisions so that there is transparency and learning available to the financial sector.

But more than this, we do have a role in identifying matters that appear systemic or particularly serious, where there could be detriment to other consumers. We have internal mechanisms to look across casework and ensure proactive referrals are made to the Regulator where we judge this to be appropriate. And individuals can also approach the Regulator should they wish to do so.

Mrs H also told me:

“...I realise that the decision to transfer this last policy out was mine alone. However, part of my decision making process was to bring to an end the continuing errors that were still occurring and of which you were made aware. As the stock market has risen considerably since I cashed in my pension in order to transfer it to my AJ Bell account, I consider I have

missed out on possible gains. I do realise that the market has its ups and downs, but my decision to leave was precipitated by my lack of confidence and trust in Scottish Widows' handling of my premium investments. If not for that, I may have waited for a more favourable time to cash in, as that was necessary in order to transfer out."

I understand Mrs H's argument here. While if Scottish Widows got things wrong she would always have been entitled to redress where she'd experienced financial detriment, I understand the wider impacts its service had on her. But she answers her own point really. It was her decision to switch away from Scottish Widows, for reasons I understand. That decision might have led to gains or losses depending on a range of factors including timing, fund choices, fees and performance. It's not a matter this Service would consider.

When I'm considering a complaint like Mrs H's I think about whether it's fair to award compensation for distress and inconvenience. This isn't intended to fine or punish a business – which is the job of the regulator. But when something's gone wrong, recognition of the emotional and practical impact can make a real difference.

We're all inconvenienced at times in our day-to-day lives – and in our dealings with other people, businesses and organisations. When thinking about compensation, I need to decide that the impact of Scottish Widows actions was greater than just a minor inconvenience or upset. It's clear to me that this was the case here.

Scottish Widows initially offered Mrs H £300 in recognition of the things it got wrong. During the course of her journey with this Service it increased that offer by a further £300. Although I can see she has experienced similar ongoing problems, I think £600 compensation for the trouble and inconvenience she's experienced is fair in the circumstances.

To be clear, if Scottish Widows have yet to pay any elements of the compensation it has offered Mrs H, it must do so now.

Putting things right

I'm upholding Mrs H's complaint and require Scottish Widows Limited to:

- Provide Mrs H with clear, simple and accurate information and explanation about what happened to her personal pension contributions and fund since 2021 until she closed the plan. This needs to provide her with assurance that all her contributions (including the grossed-up tax element) have been applied to her pension at the right time and at the right price, so she can have confidence she hasn't been financially disadvantaged by any of the system problems it has been having.
- Provide Mrs H with a clear explanation as to why the metrics for her fund performance in different annual statements (but where these relate to the same year) show considerable variation.
- If it hasn't done so yet, pay Mrs H £600 in recognition of the distress and inconvenience it has caused her. As well as honouring any other payments for costs and refunds it has agreed to previously.

My final decision

For the reasons I've set out, I'm upholding Mrs H's complaint. I require Scottish Widows Limited to put things right in the way I've directed.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 16 July 2024.

Kevin Williamson
Ombudsman