

The complaint

Mr S has complained that Scottish Widows Limited provided him misleading information about his income protection policy.

What happened

The background to this complaint is well known to the parties so I won't repeat it in detail here. In summary Mr S took out two income protection policies one in 1999 and the second in 2001. In 2023 he decided to surrender the policies. He understood, based on correspondence from Scottish Widows in June 2023 and his online banking that his policies had an investment value. It transpired that the 2001 policy didn't have an investment value, so no payment was made to Mr S when this policy was closed.

Mr S complained and Scottish Widows agreed that Mr S had been misinformed. It apologised and offered £100 in compensation for the misinformation and the service provided. Mr S remained unhappy and referred the complaint to our service.

Our investigator agreed that Mr S had been misinformed but didn't find that the £100 proportionately represented the service Mr S had experienced. He recommended that compensation was increased to £300.

Scottish Widows agreed to this, but Mr S didn't. He felt that it meant that large companies could get away with giving false information, incorrect valuations and poor responses and get away with it citing their terms.

As no agreement has been reached the matter has been referred to me to determine.

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.

Firstly Having done so and whilst I'm sorry to disappoint Mr S I agree with the conclusion reached by our investigator for the following reasons:

- The relevant rules set down by the regulator say that Scottish Widows pay due regard to the interests of its customer, and it must treat them fairly. So I've looked carefully at the circumstances of this complaint to see whether Mr S was treated fairly.
- There is no dispute that Mr S received poor service and was mis-led. This was over a long period of time. To make matters worse when he cancelled his direct debit, as instructed, he was sent letters chasing payment. I find that compensation is due.
- However the application form for the policy taken out in 2001 does have a clear warning:

This contract has no cash-in value at any time. If you stop pay the premiums the cover provided by this contract will stop.

I can understand how upsetting it was for Mr S to be told this information having previously told that there was a surrender value. But Mr S wasn't paying the higher premiums to allow units to be purchased in a unit linked fund on this policy, that is, it didn't have an investment element. So the second policy only provided income protection cover. This being so there is no basis for me to require Scottish Widows to make a surrender value payment to Mr S in respect of this policy.

- In all the circumstances I don't find that Mr S was treated fairly, and as indicated above, I find that compensation is due for the distress he suffered and the inconvenience he was put through. I note that £100 has been offered but my understanding is that this cheque hasn't been cashed. I'm satisfied that a total payment, including the £100 already offered, of £300 is fair.
- I haven't disregarded Mr S's comments about large financial institutions, but this service was set up to resolve complaints informally. We don't regulate or seek to punish firms, rather only to resolve disputes. Regulation is the role of the Financial Conduct Authority.

My final decision

My final decision is that I uphold this complaint. I require Scottish Widows Limited to pay Mr S £300.

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

Lindsey Woloski
Ombudsman