

The complaint

Mr N complains that Scottish Widows Limited (SW) placed his ad hoc pension contributions into a control account instead of investing it into his pension. He thinks he's missed potential investment growth, leading to a financial loss.

What happened

Mr N is a contractor, so his income changes from month to month, as do his pension contributions.

After the removal of his financial adviser from his SW account in December 2022, SW placed the majority of Mr N's pension contributions into its control account rather than his pension.

On 19 December 2022, SW emailed Mr N to tell him it'd received £5,000 as a single premium payment from his employer, but had yet to receive his investment instruction. SW asked Mr N to confirm if the contribution should be applied to new funds or invested in his existing fund choice. It also asked him if there was any initial adviser fee on the payment. The letter stated: *"Once we know this, I will be able to apply these funds to your policy."*

Mr N's financial adviser emailed SW on 22 December 2022 to tell it that it was no longer servicing agent for Mr N. The letter said that SW should contact Mr N directly.

On 29 December 2022, SW sent Mr N a chaser email. The email said that SW had tried to call Mr N on a specified phone number, but hadn't been able to get through. The email stated that it wouldn't be able to invest the £5,000 contribution for Mr N until he'd confirmed whether he wanted it to go into his existing fund choice, or a new selection. It also provided contact details for Mr N to tell SW how he wanted the money invested.

On 4 January 2023, SW wrote to Mr N to confirm that his pension had been transferred to 'Direct Business' with effect from 22 December 2022.

On 5 January 2023, SW sent a second chaser email asking Mr N to provide his instructions for the £5,000 single premium payment he'd made in December 2023. SW said it'd tried to call Mr N again without success. It again provided the phone number it'd used. SW said that this would be their final chaser and set a ten-day deadline for Mr N to respond. It said that if it didn't hear from him, it would refund the payment.

On 6 January 2023, SW emailed Mr N about a £4,000 single premium payment from his employer. It said it'd tried to contact him by phone without success. It provided the number used and explicitly asked Mr N to provide an updated number if the one it held wasn't right. It also asked Mr N to provide investment instructions for the contribution. It said it couldn't invest the contribution without an instruction from Mr N.

On 13 January 2023, SW sent Mr N two separate emails, one about the £5,000 payment and the other about the £4,000 payment. The emails both stated that because Mr N hadn't sent his investment instructions, it'd placed the contributions into its control account. The

emails both explained how Mr N could contact SW if he wanted his contributions to be invested.

On 14 January 2023, SW sent two separate letters to Mr N. These were Supplementary Schedules for the £5,000 and £4,000 contributions.

On 27 February 2023, Mr N's original financial adviser emailed SW with a signed letter of authority from Mr N requesting third party access to information. The financial adviser explained that it was the original agent on the pension until Mr N had decided he wanted to look at this himself. It explained that he'd now changed his mind. It asked for a pension valuation and transaction history.

On 6 March 2023, SW wrote to Mr N about the financial adviser's request. It said that the authority it'd provided only allowed the adviser to receive information on the policy. It said that if Mr N wanted his adviser to have servicing rights on his pension, it'd need a new signed request stating this. SW also provided a number for Mr N to call if he needed to.

On 20 March 2023, SW emailed Mr N because it'd received another single premium payment of £5,000. It asked him for his investment instructions. SW then sent Mr N a Supplementary Schedule for that contribution on 5 April 2023.

SW sent Mr N further similar emails requesting his investment instructions for further separate contributions he made for £3,000 on 4 July 2023, 25 August 2023, 10 October 2023, and 16 November 2023. Three of the emails stated that SW needed a response from Mr N within five working days, or it would pay the single premium payments to its control account.

Mr N complained to SW about its failure to invest his contributions. He felt he'd missed potential investment returns and had therefore lost out financially.

SW issued its final response to the complaint on 19 October 2023. It felt that it'd provided Mr N with poor customer service. And offered him £40 compensation for that. But it didn't think it'd done anything wrong when it'd placed Mr N's contributions into its control account.

SW explained that when it received a contribution, the correct process required it to request an investment instruction on each occasion before the contribution could be allocated to the correct fund. It said that if it didn't receive an investment instruction within five working days of any contribution being made, the contribution would be automatically applied to the control account. It explained why this process existed, noting that sometimes policyholders might actually want a contribution to be invested into the control account itself, particularly during times of market volatility.

SW acknowledged that it hadn't always followed its own process. It said that this had led to some of Mr N's contributions being invested in his current fund choice. SW appreciated that its inconsistent approach had caused confusion about the correct process, as an investment instruction must always be received by telephone or e-mail.

SW noted that Mr N wasn't happy that his contributions had mostly been credited to the control account, rather than in his pension. It said it'd followed its correct process in the absence of any instructions from Mr N. SW said that it had in the past been able to obtain an instruction from Mr N's financial adviser. But after that adviser had been removed, it'd sent Mr N an email to request an instruction instead. It acknowledged that he'd not been able to open these emails. It also suggested a way forward for Mr N's future contributions.

SW said it'd made an error when recording Mr N's contact phone number at the start of his

pension in 2011. It apologised for this. And for the fact that this had led to it being unable to contact Mr N by phone in recent months. It said this had been corrected on 4 July 2023 when the correct contact number was updated.

SW wrote to Mr N on 6 January 2024 to confirm that his original financial adviser had been linked to his pension with effect from 31 December 2023.

Mr N was unhappy with SW's response, so he brought his complaint to this service on 15 April 2024. He didn't think that the compensation SW had paid him was enough. He said he'd paid £27,000 into a holding account when he could've benefited from investment returns over the period the contributions weren't invested. Mr N wanted compensation for that loss.

Our investigator didn't think that SW should be required to do more than it'd already done to put things right. He thought that the £40 compensation it'd paid Mr N for poor service was reasonable under the circumstances. He also felt SW had acted in line with its process and the pension's terms and conditions. He said that the terms and conditions, which Mr N had agreed to when he'd taken out his pension, covered the process SW had to follow when it received single premium payments. He said that section 11.3: SINGLE AND TRANSFER CONTRIBUTIONS stated:

"If you pay a contribution, Provision 12.1 requires that you tell us where you want it to be invested. If an instruction is not received or accepted, we will automatically assume that the contribution is to be invested in the relevant Control Account until we accept an investment instruction."

Our investigator also noted that SW had emailed Mr N after it received each of his single premium payments. And that it had waited for his instructions before moving his funds into the control account. He didn't think that the fact that SW had held an incorrect phone number for Mr N had impacted the outcome.

Mr N didn't agree with our investigator. He said that the emails SW had sent him were locked and needed a password to open. He said the letters SW sent asking if he wanted to invest the money didn't explain the problem. Mr N still didn't think that the compensation SW had already offered him was enough for its failure to invest his money.

Our investigator asked Mr N to confirm whether or not he'd contacted SW about the fact that its emails were locked. He said he assumed this meant he hadn't been able to access them.

Mr N simply told our investigator that all the e-mails SW sent required a password, so he didn't see them.

I asked Mr N for more information about a £3K contribution that he seemed to have made on 9 May 2023, as he'd shared a transaction record showing that this was invested on the date of payment. But he didn't provide any further information.

As agreement couldn't be reached, the complaint has come to me for a review.

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'm not going to uphold it. I know this will be disappointing for Mr N. I'll explain the reasons for my decision.

I considered whether SW took reasonable steps to make Mr N aware about what he needed to do to ensure his contributions were invested.

Did SW take reasonable steps to explain the situation?

Mr N said that he hadn't seen the letters SW sent him as they needed a password to open. And in any event, he felt the letters didn't explain the problem.

SW said it'd confirmed that its process is to seek a customer's instruction about fund choice contributions. It said this was because they could be intended for an existing fund, a new selection, or the control account in times of stock market fluctuations.

While I appreciate Mr N wouldn't have known the importance of the content of the emails, given he couldn't open them without a password, I would've expected him to have contacted SW to establish what he needed to do to access the messages it was sending him. But the evidence shows that he didn't make any attempt to do that. Therefore I can't reasonably hold SW responsible for the fact that Mr N didn't open any of the emails it sent him.

I've carefully considered the emails SW sent to Mr N. Having done so, I'm satisfied that they clearly explained what SW needed from him. And that the requests were in line with the policy terms and conditions. I also note that the terms and conditions contained detail about the control account. Therefore I consider that SW treated Mr N fairly. I say this while acknowledging that Mr N said he couldn't open the emails SW sent to him.

I'm satisfied that if Mr N had opened the emails SW sent, he would've understood what he needed to do to ensure that his contributions were invested. But as he didn't respond to any of them, I can't fairly expect SW to have invested Mr N's contributions. It wouldn't have known what funds he wanted to invest in and couldn't provide advice on that. It needed Mr N to make his own investment choice. And its terms and conditions clearly explained that in situations like this, contributions would be held in its control account until such time as a valid investment instruction was provided.

When Mr N did provide the investment instruction SW had requested, the evidence shows it was actioned. Therefore I can't fairly ask SW to compensate Mr N for lost investment returns.

Mr N is understandably frustrated that his contributions weren't invested when he expected them to be. But I can't fairly hold SW responsible. I say this because although SW has acknowledged that it held an incorrect phone number for Mr N on its system, it also e-mailed him for the information it needed. Some of those emails included the incorrect phone number SW had tried to use to call Mr N, so that he could correct that once he'd accessed the email. Therefore I'm satisfied SW took reasonable steps to contact Mr N.

I've also considered the compensation SW has paid Mr N for the poor service it provided him with. I think this is within the range that I would've otherwise asked it to pay. Therefore I don't require SW to take any further steps to put things right. And I can't reasonably uphold the complaint.

My final decision

For the reasons explained above, I don't uphold Mr N's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 1 November 2024.

Jo Occleshaw
Ombudsman