DRN-4898318

The complaint

Ms I complains that Scottish Widows Limited trading as Halifax Financial Services ("Scottish Widows") failed to treat her fairly when she reached the age of 75 and was required to make changes to how she took her pension benefits.

What happened

Ms I held pension benefits with Scottish Widows. Those benefits were held in a Halifax Life Personal Pension Income Drawdown Plan and Ms I took regular (but variable) income payments from her pension savings. Ms I reached 75 years of age in August 2023. Under the terms of the pension plan Ms I was no longer able to retain drawdown benefits with Scottish Widows.

Ms I decided to transfer her pension savings to another provider that I will call H. Initially Scottish Widows received a request from H for Ms I's pension savings to be transferred "in-specie" – that meant that her investments wouldn't need to be sold and would simply be moved to the new provider. But Scottish Widows told H that it wasn't able to offer an in-specie transfer and asked the firm to discuss the situation with Ms I. H later sent Scottish Widows an instruction for a cash transfer that was completed on 26 August 2023.

Ms I complained to Scottish Widows about what had happened. She said that she had given a clear instruction that the transfer should be made in-specie. And she said that as a result of the forced sale of her pension investments their value had fallen by £3,000.
Scottish Widows didn't agree that it had done anything wrong. It said it had clearly set out for Ms I that she would need to take some action on her pension savings before her 75th birthday. And it said that it had simply followed the instructions it had received from H for the cash transfer. But Scottish Widows offered Ms I £150 for the inconvenience she'd been caused. Unhappy with that response Ms I returned the cheque that Scottish Widows had sent her and brought her complaint to us.

Ms I's complaint has been assessed by one of our investigators. She thought that Scottish Widows had fairly interpreted the terms of the pension plan when it asked Ms I to make a decision on her future pension benefits post her 75th birthday. And, although it was possible that Ms I might have initially been given some incorrect information about being able to make an in-specie transfer, that wasn't something the investigator thought Scottish Widows was required to offer. The investigator thought that the compensation Scottish Widows had offered to Ms I was fair and reasonable.

Ms I didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Ms I and by Scottish Widows. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

It is clear that Ms I has, at times, had a troubled relationship with Scottish Widows. She has sent us extensive correspondence showing her complaining about errors she says the firm has made over many years. But in this decision I am only considering what happened around August 2023, when Ms I reached 75 years of age, and Scottish Widows told her that she needed to take some action on her pension benefits.

The pension plan that Ms I held was not intended to provide her with drawdown benefits after the age of 75. Whilst current legislation might allow that to happen, it wasn't something that was available when Ms I took out the plan. And Scottish Widows appears to have decided that it doesn't wish to offer a product of that nature either. Those are commercial decisions that Scottish Widows is free to take. So, whilst I acknowledge Ms I's clear desire to simply continue taking her benefits in the way she had in the past, that wasn't something she was able to do using this pension plan.

I have seen that Scottish Widows has been clear with Ms I that the future use of her pension benefits was a decision she would need to take before her 75th birthday. As far back as October 2021, when responding to a different issue, Scottish Widows told Ms I that;

> *"We can confirm we start sending you confirmation of your options leading up to your 75th birthday and we do not automatically put you into an annuity without sending you correspondence of your options. As long as we are aware you are reviewing your options and have made a decision by your 75th birthday, we will NOT automatically purchase an annuity.*
>
> *There are three options available to you as follows:*
> - *Full Encashment (there may be tax implications if you decide to take this option). If you do want to full encash your plan please let us know and we would issue the necessary forms.*
> - *Take an annuity with us. If you decide to take this option please contact us to advise the basis you would like an illustration to be issued on.*
> - *Transfer to another provider (either to a provider who offers post -75 options or to take out an annuity)."*

And similar information was provided to Ms I in April and June 2023.

But those letters also warned Ms I that if she took no action, Scottish Widows' default approach would be to purchase an annuity on her behalf. That was clearly something that Ms I did not want to happen, so quite understandably the majority of her initial responses to Scottish Widows' letters were to simply state an annuity should not be purchased. But the difficulty that created was that, although Scottish Widows knew what Ms I didn't want to happen, she hadn't told the firm what should be done. So Scottish Widows continued to write to Ms I warning her of the impending annuity purchase.

Ultimately Ms I decided to transfer her pension benefits to a new provider that I've called H. But by the time that decision had been taken Ms I was conscious that she was approaching her 75th birthday, and the forced annuity purchase. And, given the problems she says she had faced in the past, it is understandable that Ms I might have been concerned that Scottish Widows would continue with an annuity purchase despite the transfer having been instructed.

But I've listened carefully to a phone call that Ms I had with Scottish Widows on 14 August. On that call Scottish Widows confirmed that a transfer instruction had been received from H and so no annuity purchase would take place, regardless of when the transfer completed. And that information matched what Ms I had been told a couple of years earlier, in the letter that I noted above.

Ms I says that she was told by Scottish Widows that she would be able to complete the transfer in-specie – that her pension investments wouldn't need to be sold before the transfer was made. But, whilst I have no reason to doubt what Ms I believes she was told, I haven't seen any evidence to confirm that information was given to her. As Ms I later found out, she wasn't able to transfer her pension savings in-specie, and her investments needed to be sold before the transfer could take place.

As I said, I cannot be sure when, or even if, Ms I was told she could make an in-specie transfer. But even if that was information she was given by Scottish Widows, it would have been given in error. I am satisfied that the incorrect information didn't mean that Ms I's transfer must have been completed in that way.

When Scottish Widows received Ms I's transfer request from H, it responded promptly to say it only offered cash transfers. And it asked H to liaise with Ms I to see how she wanted to proceed. I think that approach was correct – it is generally the receiving pension scheme that is responsible for making a transfer request and setting the basis on which it should proceed. So it was for H to explain to Ms I that her pension investments needed to be sold. And when Scottish Widows received an updated cash transfer instruction I think it was entirely reasonable for it to conclude that Ms I had agreed that approach, and for it to complete the transfer.

I haven't seen anything to make me think that the amount Scottish Widows transferred to H had any deductions taken from it. I accept its value was lower than the estimate given to Ms I by Scottish Widows earlier in the year. But I think that is more a reflection of changes in the market value of Ms I's investments rather than any deductions taken from the transfer value by Scottish Widows.

I appreciate that these findings will be disappointing for Ms I, but I haven't seen anything to make me think that Scottish Widows has acted unfairly here. I think it gave timely and accurate information to Ms I that she would need to consider how to change her use of her pension savings by her 75th birthday. And I think Scottish Widows acted in line with the transfer instruction it was given by H. So I don't think any compensation needs to be paid to Ms I.

As I said earlier, Scottish Widows offered Ms I £150 for any inconvenience she'd been caused. I am not making any finding here that compensation is needed. So I leave it up to Ms I whether she wishes to approach Scottish Widows to determine whether the compensation offer it previously made is still open.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against Scottish Widows Limited trading as Halifax Financial Services.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms I to accept or reject my decision before 8 October 2024.

Paul Reilly
Ombudsman