

The complaint

Mrs H complains about Scottish Friendly Assurance Society Limited (Scottish Friendly). She's unhappy with the service she received when trying to take her pension benefits as an Uncrystallised Funds Pension Lump Sum (UFPLS) payment.

What happened

I issued a provisional decision on 1 August 2024. I've recapped the background below:

"Mrs H lives in the United States of America (USA). On 24 November 2022, Scottish Friendly sent Mrs H details of the retirement options available under her Personal Pension Plan (PPP). This was confirmed to be stage 1 of the 4-stage process for claiming pension benefits.

Having not received a response, Scottish Friendly chased Mrs H on 6 January 2023. Mrs H replied on the same day, providing a completed Retirement Option Choice form, and confirming that she wanted to take her pension as an Uncrystallised Funds Pension Lump Sum (UFPLS) payment. She also attached a completed Email Verification form.

On 11 January 2023, Scottish Friendly acknowledged receipt of Mrs H's forms and confirmed that she'd reached stage 2A of its pension claim process. Scottish Friendly attached its Pension Advice form, which Mrs H completed and returned on 12 January 2023.

Scottish Friendly acknowledged receipt of Mrs H's completed form on 14 January 2023 and confirmed that she was at stage 2B of its claim process. As Mrs H wasn't seeking financial advice regarding her claim, she was asked to complete a declaration. Mrs H returned the completed declaration on 16 January 2023.

At stage 3A of the claim process, on 1 February 2023, Mrs H sent Scottish Friendly her completed Risk Questionnaire as an attachment. As Scottish Friendly couldn't open the attachment, it asked her to resend it on 7 February 2023. Mrs H sent Scottish Friendly an attachment it was able to open on 15 February 2023.

Scottish Friendly wrote to Mrs H on 21 February 2023, confirming that she'd reached stage 3B of the claim process and asking her to complete a Risk Information Statement. Mrs H returned this the following day.

On 28 February 2023, at the final stage of the claim process, Scottish Friendly asked Mrs H to complete its Pension Access Option (PAO) form and provide proof of ID, proof of address, and a bank statement dated within the last 3 months.

Mrs H responded on 2 March 2023, providing a copy of her passport, a bank statement, and a scanned copy of Scottish Friendly's PAO form.

On 9 March 2023, Scottish Friendly asked Mrs H to confirm her bank's Society for World Interbank Financial Telecommunication (SWIFT) code and International Bank Account

number (IBAN) so it could make her lump sum pension payment into her overseas bank account.

Mrs H responded on the same day, confirming her account number and the other code she believed Scottish Friendly needed. She later called Scottish Friendly on 14 March 2023, confirming that her bank didn't have a SWIFT code or IBAN. Following this, the matter was referred to Scottish Friendly's Pensions Team so it could respond directly to Mrs H about the information she'd provided.

On 16 March 2023, Scottish Friendly wrote to Mrs H confirming that her claim had been passed to its processing department.

Scottish Friendly's claim department later wrote to Mrs H on 23 March 2023, thanking her for providing her routing code and account number. But it explained that as it couldn't clearly see the details provided on her bank statement, this would need to be resent.

Mrs H responded on the same day, providing a new bank statement. As Scottish Friendly still couldn't make out the details it required, on 28 March 2023, it asked her to get these confirmed by her bank in an authorised letter. Mrs H provided this to Scottish Friendly on 31 March 2023. She followed up on the progression of her claim on 5 and 12 April 2023, asking for her pension to be paid out as soon as possible.

Scottish Friendly didn't respond to Mrs H until 2 May 2023. It apologised for the delay, saying it couldn't process her lump sum payment until it received a bank statement in her name, dated within three months. If Mrs H held a joint account, Scottish Friendly said Mrs H's name needed to be included on the bank statement she provided.

Mrs H called Scottish Friendly on the same day explaining that for joint accounts in the USA, statements were only issued with the primary account holder listed. As her husband was the primary account holder, Mrs H asked Scottish Friendly to confirm that it would accept a statement with her and her husband's details listed.

Having received no response, Mrs H contacted Scottish Friendly on 5 May 2023 for an update on her pension claim, saying she was disappointed by its lack of communication.

Scottish Friendly responded to Mrs H on 15 May 2023, saying it still required a bank statement with her name listed on it.

On 18 May 2023, Mrs H sent Scottish Friendly a joint bank statement.

Following this, Scottish Friendly processed the closure of Mrs H's pension on 30 May 2023, using 26 May 2023 as the final value date.

On 8 June 2023, Scottish Friendly raised a pension payment of over £50,000 to be paid to Mrs H.

Further to a complaint Mrs H raised earlier in the claim process, Scottish Friendly sent Mrs H its final response on the matter on 9 June 2023. In summary, it said:

- Providing a bank statement was the final requirement in its pension claim process, and the timescale for processing at this stage was ten working days. The document Mrs H had provided to meet this requirement wasn't acceptable.
- It should've responded to Mrs H and requested a new bank statement by 14 April 2023, but this didn't happen until 2 May 2023.

- *Despite Mrs H contacting it twice for an update, it acknowledged that it had failed to respond.*
- *Following Mrs H's call to Scottish Friendly on 2 May 2023, she should've received a response from its Pension team by 9 May 2023 at the latest, so it was regrettable that this didn't happen until 15 May 2023.*
- *It had let Mrs H down. And were it not for the delays it caused, its requirements to proceed with the pension claim would've been met by 26 April 2023. However, at that date, the value of Mrs H's lump sum payment after tax would've been less than the final value that she had been paid, so there'd been no financial loss.*
- *As an apology for poor service, it would send £325 to Mrs H's account.*

Unhappy with Scottish Friendly's response, Mrs H referred her complaint to our Service. One of our investigators considered the matter and thought the complaint should be upheld. In summary, she said:

- *Scottish Friendly caused delays from 31 March 2023 onwards. Prior to this it had responded to Mrs H's correspondence within five working days, so it was reasonable to expect it to adhere to the same timeframe going forward.*
- *Mrs H provided information to Scottish Friendly on 31 March 2023, but she didn't receive a response until 2 May 2023 – 19 working days later. Here, Scottish Friendly caused a delay of 14 working days.*
- *Mrs H contacted Scottish Friendly on 2 May 2023, but it didn't follow up with her until 15 May 2023 – nine working days later. Here, Scottish Friendly caused a delay of four working days.*
- *Scottish Friendly received its final requirement to pay Mrs H's lump sum on 18 May 2023, and this was paid on 8 June 2023 – 15 working days later. This task should've only taken ten working days, so a delay of five working days had been caused.*
- *If Scottish Friendly hadn't caused any delays, Mrs H's lump sum payment could've been issued on 8 May 2023, a month earlier than it was. So, Scottish Friendly should carry out a loss calculation on this basis to identify what, if any, financial loss Mrs H had suffered.*
- *Scottish Friendly's payment of £325 for distress and inconvenience caused was fair given the circumstances.*

Mrs H responded, saying that Scottish Friendly had repeatedly let her down and its offer of compensation wasn't sufficient.

Scottish Friendly responded, saying it disagreed with the investigator's timeline. It repeated that its timescale for responses during the final stage of its claim process was ten working days and not five."

As no agreement could be reached, the matter was passed to me for decision. And my provisional findings were as follows:

"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 intending to partially uphold Mrs H's complaint. I'll explain why. But before I do, I should emphasise that while I've taken note of the arguments made by both parties, I've limited my response to the issue I consider to be central to this complaint. That's to say:

- *Whether, based on delays it caused, Scottish Friendly has taken appropriate steps to put matters right and compensate Mrs H for any financial losses she's sustained.*

Scottish Friendly accepts that the service it provided Mrs H with was poor and that due to delays it caused, her pension claim wasn't finalised when it could've been.

Overall, I have real sympathy for Mrs H. It's clear to me that the smooth and timely payment of the proceeds of her PPP was important to her. So, I can understand why she was concerned and ultimately disappointed with how long the claim process took.

As her pension provider, I think Mrs H had a reasonable expectation that Scottish Friendly would act in her best interests, doing all it could to ensure her claim was processed as soon as it could be. Unfortunately, I can't see that Scottish Friendly did so on this occasion.

Scottish Friendly's process for claiming pension benefits comprises of four stages. Its service standard for providing responses during stages 1 to 3 is five working days, and ten days for stage 4. However, while our investigator agreed with Scottish Friendly on its timescale for responses during stages 1-3, she felt the same timescale should apply during stage 4 with an allowance of ten working days to process Mrs H's lump sum payment once all requirements were received.

I've considered what happens during each stage of Scottish Friendly's claim process and I don't think its service standard for responses during stage 4 is unreasonable. During stages 1-3, most of the activity taking place is information gathering, with Scottish Friendly sending various forms and declarations for completion and acknowledging when they're returned.

Scottish Friendly asked Mrs H to complete further forms during the final stage of the claim process. It also requested payment details and supporting documentation for anti-money laundering purposes. But most significantly, stage 4 involved a full review of Mrs H's claim and all the submissions she'd made throughout the claim process.

It seems to me that given what was involved, stage 4 required a greater level of consideration than stages 1-3 did, so I don't think it's unreasonable to expect that this would generally take longer. Notwithstanding this, I'm also not aware that, where possible, Scottish Friendly's service standards precluded it from completing the claim process earlier than it did. So, while mindful of the relevant service standards, I've also thought about when Mrs H's claim could reasonably have been settled, bearing in mind everything that happened.

Delays

Based on what I've seen, the first notable delay occurred shortly after Mrs H sent Scottish Friendly her bank statement on 31 March 2023. Despite chasing Scottish Friendly twice following this, Mrs H didn't receive a response until 2 May 2023, when she was told to provide a statement dated within the last three months.

In line with its service standard and taking into account bank holidays, Scottish Friendly should've responded to Mrs H and requested a new bank statement by 18 April 2023. By not doing so, I'm satisfied that it delayed the pension claim process by nine working days.

Having been made aware of Scottish Friendly's bank statement requirement, Mrs H contacted it on the same day, questioning whether a joint bank account statement including her husband's details would be accepted. Factoring in the public holiday that originally fell during this period, Scottish Friendly responded to Mrs H eight working days later. As this fell within Scottish Friendly's service standard and doesn't seem excessive given the circumstances, I don't find that a delay occurred.

If Scottish Friendly had requested a new bank statement from Mrs H when it should've – on 18 April 2023 – it's reasonable to assume that as she did originally, Mrs H would've queried Scottish Friendly's requirements on the same day. If, as it did, Scottish Friendly, clarified its request eight working days later, on 28 April 2023, it follows that Mrs H would've provided the required bank statement three working days later, on 4 May 2023.

Six working days after receiving Mrs H's bank statement – the final requirement for the pension claim process – Scottish Friendly established the final value for Mrs H's pension and processed it for closure.

Again, taking into account Scottish Friendly's service standard and what was required, I can't see that there were any delays during this final step of the pension claim process. However, delays earlier in the process meant that the date used for the final value of Mrs H's pension and its closure date weren't what they should've been.

Having considered Scottish Friendly's avoidable delays, I've determined that if everything happened as I believe it should've, Mrs H's pension closure date would've been 16 May 2023 (seven working days after Mrs H's bank statement was received), with its final value date being one working day earlier, on 15 May 2023. Scottish Friendly raised Mrs H's payment seven working days after her pension was closed, so were it not for the earlier delays it caused, this should've happened on 25 May 2023.

Scottish Friendly and our investigator reached different conclusions regarding the hypothetical dates that should be used to determine when certain steps in the claim process should've taken place. This discrepancy appears to partly be down to Scottish Friendly not factoring in all the public holidays falling during the relevant periods and not consistently applying its stage 4 service standard to steps in the claim process. And as I noted earlier, our investigator and Scottish Friendly disagreed on what the service standard during stage 4 should've been.

Overall, it's clear to me that Scottish Friendly caused avoidable delays in the processing of Mrs H's pension claim. In circumstances such as these, our Service would expect Scottish Friendly to put Mrs H, as far as possible, in the position she would now be in but for its mistakes. Although Scottish Friendly has acknowledged its errors and carried out a loss calculation to determine any financial loss Mrs H has suffered as a result, I'm not satisfied with the dates its used to do this, so I intend to direct it to carry out a new calculation. I've set out below what I think Scottish Friendly needs to do to put matters right.

Distress and Inconvenience Caused

Understandably, based on the overall service she received, Mrs H feels let down by Scottish Friendly. She's explained that Scottish Friendly's delays and poor communication during the claim process made her feel stressed and anxious, often leaving her unable to sleep.

If everything had happened as I believe it should've, Mrs H would've received the proceeds of her pension earlier than she did and much of the distress and inconvenience she experienced could've been avoided.

Unfortunately, Scottish Friendly's failure to consistently act proactively and have regard for the information needs of its customer, meant that on several occasions Mrs H was put in a position where she was having to chase Scottish Friendly to progress the matter and find out what was going on with her claim. I've seen emails Mrs H sent to Scottish Friendly during this time and it's clear to me that she was concerned and confused by how long it was taking for her pension to be paid out. Considering this and the opportunities Scottish Friendly

missed to get the claim process back on track and communicate more effectively with Mrs H about the status of her claim, I think Scottish Friendly caused avoidable distress and inconvenience.

In recognition of the poor level of service Mrs H received, Scottish Friendly awarded £325 compensation. I understand Mrs H considers this sum to be “paltry”. However, considering the overall impact of what happened, including the frustration Mrs H experienced, her genuine concern about receiving her funds, the length of the delays and efforts Mrs H made to progress things, I think the amount Scottish Friendly fairly reflects this. Consequently, I don’t intend to direct Scottish Friendly to make any further award in this respect.

Putting things right

My aim in awarding fair compensation is to put Mrs H back into the position she would likely have been in, had it not been for delays caused by Scottish Friendly. That means Scottish Friendly will need to work out whether Mrs H has suffered any financial loss. To do this, it should compare the lump sum Mrs H received from her pension (the actual value) with what she would’ve received (the notional value) if the date Scottish Friendly used for the final value of her pension had been 15 May 2023 and her lump sum been raised on 25 May 2023.

If the actual lump sum value is higher than the notional value, there’s no financial loss. But if the notional value is higher, Mrs H has suffered a financial loss. In that case Scottish Friendly will need to pay Mrs H the difference between the actual and the notional lump sum value.

As the pension no longer exists, the compensation amount should be paid directly to Mrs H as a lump sum after making a notional reduction to allow for future income tax that would otherwise have been paid. 25% of the loss would be tax-free and 75% would have been taxed according to her likely income tax rate in retirement – presumed to be 20%. So, making a notional reduction of 15% overall from the loss adequately reflects this.

Scottish Friendly should also pay Mrs H interest at 8% per year simple on the loss amount for the period from 25 May 2023 to the date of my final decision, to reflect that Mrs H didn’t have the money she should have had over this period.

Scottish Friendly should provide details of the calculation to Mrs H in a clear and simple format.”

I invited Mrs H and Scottish Friendly to respond to my provisional decision.

Mrs H questioned why, despite requests, she’d not received a statement with a breakdown of her lump sum payment from her pension. She also queried whether the payment included Scottish Friendly’s compensation for distress and inconvenience caused.

Our investigator explained that as this didn’t form part of Mrs H’s original complaint, it wouldn’t be addressed in my decision. However, she explained that Scottish Friendly’s compensation for distress and inconvenience wasn’t included in the lump sum payment she received. She also said she’d ask Scottish Friendly to send Mrs H the statement she required.

Scottish Friendly responded to my provisional decision, confirming the following:

- The lump sum Mrs H received was based on a policy value of £78,888.61.

- If, as proposed in my provisional decision, Scottish Friendly used 15 May 2024 as the settlement date for Mrs H's pension, the final value of her policy would've been £78,782.03.
- As the policy value Scottish Friendly used to settle Mrs H's pension was higher than the policy value I said she should've secured but for Scottish Friendly's delays, there'd been no financial loss.
- It would send Mrs H a breakdown of her pension payment.

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, my decision remains the same as before (and as set out above). That means I'm upholding Mrs H's complaint for the reasons I've previously given.

In line with the *"Putting things right"* section of my provisional decision, Scottish Friendly says it has carried out the required loss calculation and determined that there'd been no financial loss in Mrs H's case.

Notwithstanding this, my provisional decision also said that Scottish Friendly should provide Mrs H with details of its loss calculation in a clear and simple format. I'm not aware that this has happened, so I direct Scottish Friendly to do what I've set out below.

Putting things right

My aim in awarding fair compensation is to put Mrs H back into the position she would likely have been in, had it not been for delays caused by Scottish Friendly. That means Scottish Friendly will need to work out whether Mrs H has suffered any financial loss. To do this, it should compare the lump sum Mrs H received from her pension (the actual value) with what she would've received (the notional value) if the date Scottish Friendly used for the final value of her pension had been 15 May 2023 and her lump sum been raised on 25 May 2023.

If the actual lump sum value is higher than the notional value, there's no financial loss. But if the notional value is higher, Mrs H has suffered a financial loss. In that case Scottish Friendly will need to pay Mrs H the difference between the actual and the notional lump sum value.

As the pension no longer exists, the compensation amount should be paid directly to Mrs H as a lump sum after making a notional reduction to allow for future income tax that would otherwise have been paid. 25% of the loss would be tax-free and 75% would have been taxed according to her likely income tax rate in retirement – presumed to be 20%. So, making a notional reduction of 15% overall from the loss adequately reflects this.

Scottish Friendly should also pay Mrs H interest at 8% per year simple on the loss amount for the period from 25 May 2023 to the date of my final decision, to reflect that Mrs H didn't have the money she should have had over this period.

Scottish Friendly should provide details of the calculation to Mrs H in a clear and simple format.

My final decision

For the reasons I've set out, I uphold Mrs H's complaint and direct Scottish Friendly

Assurance Society Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 5 September 2024.

Chillel Bailey
Ombudsman