DRN-4974898

The complaint

Mrs J has complained that Scottish Widows Limited (SW) didn't correctly apply contributions which were made to the pension plan she held with it. Mrs J has further said that a transfer out from SW was delayed.

What happened

The investigator who considered this matter set out the background to the complaint in his assessment of the case. I'm broadly setting out the same background below, with some amendments for the purposes of this decision.

SW issued its final response letter to Mrs J's complaint on 17 February 2024, explaining that there had been a delay in applying contributions and this had affected the May, June and July 2023 contributions. However, it believed that this had since been corrected. The current value of the plan as of 7 February 2024 was £8,309.26 and the unit movements were provided in a table.

A total transfer of £103,428.75, which included £1,428.75 late interest, was made on 28 June 2023 using an effective date of 23 March 2023. The recipient pension provider, Interactive Investor, confirmed that the funds were received on 4 July 2023. The number of units held in the plan prior to the transfer was 61,975.17 and 61,194.42 units were sold as part of the partial transfer.

SW said it would request that Interactive Investor undertake a price comparison using 30 March 2023 as the notional date of the transfer, as this was when it could have reasonably sent the payment, as opposed to the actual date of receipt. SW also made an offer of £300 in respect of the overall poor service.

Mrs J raised a previous complaint with our service in March 2023 regarding the same issues about contributions being incorrectly applied, and that complaint was upheld by the investigator. The investigator recommended that SW undertake the following:

- Apply the missing contributions to the plan using the best unit price at the time the payment ought to have been due, and demonstrate to Mrs J that this had been completed in a clear and simple format.

- Pay Mrs J a total of £400 for the delays in applying the contributions and the inconvenience and worry this had caused her.

- Not to leave the matter open-ended. Up to date contributions and tax should be correctly applied/removed by 30 July 2023, which was Mrs J's last day of employment. Mrs J's plan should be placed back in the position she should be in, had no delays or errors occurred.

Because the recommendation wasn't complied with by the date suggested, Mrs J raised a separate complaint.

The investigator issued a further assessment on the matter on 15 March 2024, recommending that SW undertake the following:

- Apply the missing contributions to the plan using the best unit price at the time the payment ought to have been due and demonstrate to Mrs J that this had been completed in a clear and simple format. The investigator said that some information provided to date hadn't been clear, so it was SW's responsibility to ensure the information was easily understandable to its customers.

- Update Mrs J on the Interactive Investor price comparison it asked them to undertake. This would be as at 30 March 2023, the date at which it could have reasonably sent them the payment, as opposed to the actual date of receipt. SW should refund any money which Mrs J may have lost out on due to the delay.

- Pay Mrs J the £300 offer it had made.

However, as at the date of the investigator's most recent assessment, Mrs J still didn't believe that all her contributions had been applied correctly and considered that the value of her policy, post partial transfer, should be higher than the value quoted by SW.

The investigator therefore requested additional information from SW, Mrs J, and her employer and issued a further assessment on the matter.

From the information he'd seen, the investigator wasn't persuaded that all contributions had been correctly applied. In support of this, he said the following:

- On 17 March 2023, SW sent Mrs J a letter setting out her plan information. It said that the current fund value was £103,606.46, that premiums had been paid to 5 October 2022, and total contributions to date were £90,861.88.

- On 24 April 2024, SW sent Mrs J a unit allocation letter which confirmed receipt of the total contributions post 5 October 2022 of £12,510.02. SW still maintained that the value was around £8,000, but hadn't explained why it believed this was the case.

- Mrs J believed the total contributions following the one received on 5 October 2022 to be £13,727.20. And Mrs J's employer had confirmed that it had paid additional contributions to SW on her behalf from March to July 2023.

- On the basis of the evidence supplied by Mrs J and her employer, the investigator's view was that SW was missing a contribution for £1,217.18.

- Further, SW's letter and online figures differed as there was an inaccurate comparison to the actual value of the policy, regardless of any market fluctuations.

- A partial transfer took place on 5 July 2023 for £102,000, which, had the correct contributions been applied, would have left an estimated policy value of £13,727.20. As of August 2023, SW believed the total amount of money in Mrs J's pension plan to be £8,111.76, but this statement only confirmed contributions up to and including 31 March 2023, meaning four additional contributions needed to be applied.

- On 3 November 2023, Mrs J's online policy then showed an increase to £11,525.82. But then to confuse matters further, Mrs J was provided with two online policy valuations in December 2023, one for £8,094.65 and the other for £20,581.37.

- When Mrs J raised this, SW said this was down to the "Technical Team" pre-purchasing units and applying these prebought units to the policy in anticipation of receiving contributions because they didn't know that Mrs J had retired and that there would be no contributions after July 2023. SW said that this misleading situation was corrected when the contributions in suspension were applied.

- SW told Mrs J that this pre-purchase was automatic, even though it was aware of her intention of retiring at the end of July 2023, and the significant jump in value due to pre-purchased units didn't, in the investigator's opinion, make sense.

- SW's final response letter dated 25 March 2024 said that *"I can confirm all contributions have been accounted for and there are no other discrepancies. Your policy is currently showing the correct unit position and the value of your plan as of 22 March 2024 is £8,456.97.*

  In respect of your partial transfer of £102,000.00 on 28 June 2023, this was processed with an effective date of 23 March 2023. Therefore, contributions added after 23 March 2023 were not included in the transfer.'

- But from the information the investigator had seen, he wasn't convinced that Mrs J's policy value was accurate - at £8,456.97 on 22 March 2024. He considered that there had been too many errors and mistakes made by SW in terms of producing an accurate policy value.

- The policy update from 17 March 2023, SW's unit allocation letter dated 24 April 2024, and the contributions confirmed by her employer didn't align.

To resolve the matter, the investigator said that SW should do the following:

- Apply the missing contributions to the plan using the best unit price at the time the payment ought to have been due. SW should liaise with Mrs J's employer to ensure her policy is accurate, and the contributions are correctly allocated. SW should show Mrs J that this had been completed in a clear and simple format. The information provided to date hadn't been clear, so it was SW's responsibility to ensure that the information was readily understandable.

- Mrs J' policy should have had a value of around £13,727.20 (subject to market fluctuations) after the partial transfer had completed, and given the difference in policy value, the investigator thought that SW had still failed to allocate all contributions correctly.

- SW should therefore bring the policy value in line with the contributions made, totalling £13,727.20.

- Update Mrs J on the Interactive Investor price comparison SW had asked it to undertake and make payment of any redress required to compensate Mrs J. The same comparison should then be reviewed had the remaining monies been sent to Interactive Investor on 30 August 2023 once all the remaining contributions been applied.

- Pay Mrs J the £400 in respect of the original and ongoing errors and mistakes which still hadn't been resolved.

- Ensure no fees/charges had been incurred on the policy since the partial transfer on the basis that, had Mrs J's contributions been allocated correctly, she would have completed a full transfer.

Mrs J accepted the investigator's recommendation, and, following some further checks on the contributions which had been received and applied to the policy, SW said the following:

- Since October 2022, the following contributions had been allocated to Mrs J's plan; £3,508 into "Pension Portfolio Five", buying 3,539.481 units; £10,604.03 into "Pension Portfolio Four", buying 4,940.7121 units. And so a total of £14,112.21 was added to the plan.

- As at 22 March 2023, the plan held 25,582.5409 units within Pension Portfolio Five 36,381.4117 units within Pension Portfolio Four.

- The transfer out claim was processed with an effective date of 23 March 2023, with a total of £102,000 made up of £25,403.46 from Pension Portfolio Five (25,582.5409 units) and £76,596.54 from Pension Portfolio Four (35,609.7341 units).

- Therefore, following the transfer the remaining investment in the plan was 771.6776 units within Pension Portfolio Four, with a value of £1,659.88 on that date.

- The majority of the holding including the premiums since October 2022 was therefore included in the transfer out.

- Since the effective date of the transfer (23 March 2023), a sum of £6,150.19 had been allocated to the plan, made up as follows:

    - 1 April 2023 - £1,269.52
    - 1 May 2023 - £1,217.18
    - 1 June 2023 - £1,217.18
    - 1 July 2023 - £2,446.31

- These contributions bought 1,539.8421 units within Pension Portfolio Five (£1,537.62) and 2,118.1988 units within Pension Portfolio Four (£4,612.57).

- The current fund value was £8,506.45, made up of 1,543.7659 units within Pension Portfolio Five and 2,897.5259 units within Pension Portfolio Four. This was slightly higher due to the AMC rebate units applied.

- The current fund value reflected the units remaining and the contributions applied following the partial transfer.

- These payments were consistent with the billing schedule for the plan. But Mrs J and her employer had said that the following contributions had been made to the plan:

    - 25 March 2023 - £1,269.52
    - 25 April 2023 - £1,217.18
    - 25 May 2023 - £1,217.18
    - 25 June 2023 - £1,217.18
    - 25 July 2023 - £2,446.31

- So it appeared that there was a contribution of £1,217.18 which was unaccounted for, but SW's contribution record didn't indicate that it had received three payments of £1,217.18 as suggested by Mrs J and her employer.

- SW therefore requested evidence (such as a bank transaction statement or payment tracing report) from Mrs J's employer to confirm the payments made to it.

Mrs J's employer provided the required evidence and SW then confirmed that it had cross referenced this with its records. It was the case that all the payments had been received and accounted for by SW, but of the three payments of £1,217.18, two had been correctly applied and one had been labelled "premium not yet due".

SW said it would check further as to whether the funds had been returned to the employer, but irrespective of this, and on the basis that, if they had, the employer paid them back to SW again, it would accept the investigator's assessment and apply the funds to the pension plan as at the date they should have been applied.

Further checks as to whether the payment had been returned were inconclusive however, and so SW offered to in any case apply the missing £1,217.18 contribution with the effective date of 1 July 2023. It also agreed to the recommended payment of £400.

However, it didn't agree to bring the value of the pension to around £13,727.20.

The investigator put this to Mrs J, but she requested that the matter be referred to an ombudsman for review, saying the following in summary:

- SW hadn't properly explained why the values of the statements at the end of 2023 were much higher than the value on the current statements. SW had told her that it was unaware she had retired and so was continuing to "prebuy" units for her plan for a number of months on the basis of expected contributions. Mrs J considered this to be an unexpectedly speculative practice and she didn't find this to be a credible explanation.

- A further example of the errors made by SW was that the information it had latterly provided about the units sold when the transfer was made was different from the information she'd been given in March 2024. This informed her that the transfer sum of £102,000 had comprised of the sale of 35,607.8877 units within Pension Portfolio Four and 25,586.5360 within Pension Portfolio Five.

- Although SW had said that the fund value on 23 March 2023 was £1,659.88 after the partial transfer to Interactive Investor (indicating a fund value of £103,659), and the plan statements showed approximately this sum at the time, SW had acknowledged that a number of premiums hadn't been applied and the correct value in March 2023 should have been £108,738. Mrs J said that she'd been told on several occasions that the last premium applied to her policy had been in October 2022.

- Therefore, given the suspended premiums for October 2022 to March 2023, which should have been added to £103,659, this would amount to £117,387. And so transferring £102,00 should have left a fund value of £15,387.

As agreement couldn't be reached on the outcome, it's been referred to me for 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.

There has clearly been much confusion as to what has happened with Mrs J's pension policy, and my overall view is that she's quite justified in her frustration at SW and its seeming inability to provide a consistent response to the enquiries which have been put to it.

I acknowledge that SW has accepted that, upon confirmation from Mrs J's employer that the "accepted" missing amount of £1,217.18 wasn't received back from SW, or if it had been, upon repayment of the amount, it will apply that amount retrospectively to the date it should have been applied.

But I don't think this adequately addresses other anomalies, or at the very least potential anomalies, which have been highlighted by Mrs J.

For example, Mrs J has rightly pointed out that the most recent information provided by SW relating to the transferred sum of £102,000 is at odds with the information she was previously given about the numbers of units encashed in the Pension Portfolios Four and Five respectively. The amounts are admittedly similar, but I think this would quite reasonably significantly erode Mrs J's already compromised faith in what SW has told her about the contributions which have been applied to her plan.

Mrs J has also more recently told this service that her fund value has unexpectedly risen quite significantly, with additional units seemingly being applied to her pension fund – but with no further contributions.

Mrs J has further said that, although SW has confirmed that the reason why a previous fund value was higher than that now showing was due to it pre buying units on her behalf, she's unconvinced by the explanation. Mrs J hasn't elaborated as to why she doubts that this is the case, but given what's happened to date on her policy and the quality of the information she's been provided, I don't think her scepticism on this point is entirely ill founded.

That said, this may well be the reason as to why the previous fund value was showing as being higher, but I think SW needs to explain this in greater detail, along with confirmation as to what happened with the contributions from October 2022 onwards. Moreover, I think that SW needs to provide Mrs J with a detailed breakdown of what has happened on her pension policy, as I'll set out further below, and if it determines that things haven't happened as they should, it needs to address this and compensate Mrs J for any losses accordingly.

Putting things right

My aim is to place Mrs J in the position she would otherwise be, had the errors not occurred.

Mrs J's funds with Scottish Widows Limited

Scottish Widows Limited needs to provide Mrs J with a detailed breakdown of the contributions which have been applied to her policy, which should begin with a "starting" value (as accepted by both parties as being a correct value and which predates the difference of opinion on "missing" contributions) and the corresponding number of units held in the respective portfolios she held.

For every contribution which was then received, Scottish Widows Limited should set out the additional number of units which were then bought, clearly updating the total of units held by

Mrs J and providing a corresponding updated fund value. For those contributions received after October 2022, along with the “missing” contribution which it has said it will retrospectively apply, Scottish Widows Limited should clearly set out that they have been applied as at the correct dates, so that Mrs J can see that the correct unit values have been used.

Scottish Widows Limited should then ensure that it provides the correct information relating to the number of units which were encashed in her policy for the transfer to Interactive Investor so that Mrs J can determine how many units were left and the fund value this represented.

Any unit adjustments since that point should also be set out in detail for Mrs J, with explanations as to what they represent.

And to clarify, Mrs J’s policy should now show a value which represents the unit adjustments which should have been made at the correct points in time – and so a reconstruction of the policy may be required.

I fully expect that, given the quality of the information provided to date, this will be referred to the appropriately skilled team within Scottish Widows Limited, and I think it’s likely that it will require actuarial review. Under no circumstances should the breakdown of the required information be provided to Mrs J until it has been verified as being correct.

For Mrs J’s part, Scottish Widows Limited may still require confirmation from her employer that the “missing” contribution of £1,217.18 wasn’t returned to it, and that if it was, it will need to repay the amount to Scottish Widows Limited.

Delays in the original transfer to Interactive Investor

Scottish Widows Limited should determine from Interactive Investor as to whether there is a loss, as at the date of this final decision, arising from the delay in the pension funds being transferred. If there is, Scottish Widows Limited should pay into Mrs J’s pension plan with Interactive Investor to make up that amount of loss, taking into account any available tax relief and charges which might be applied for doing so.

If it’s unable to do so, it should pay the loss amount directly to Mrs J, with a deduction for the (post tax free cash) basic rate income tax Mrs J would pay on the pension funds – therefore 15%.

The redress should be paid (either to the pension plan or to Mrs J) within 28 days of Scottish Widows Limited being notified of Mrs J’s acceptance of this decision. If it isn’t, then interest at the rate of 8% simple pa should be added from the date of this decision to the date of settlement.

The more recent transfer of the residual funds

My understanding is that Mrs J has now transferred her residual funds with Scottish Widows Limited to Interactive Investor. Mrs J has also confirmed that the only reason she left funds with Scottish widows Limited was that she didn’t want the account to be closed whilst the complaint was ongoing. And given the circumstances, I don’t think this was an unreasonable course of action.

And so, to ensure that Mrs J hasn’t been financially disadvantaged by not transferring all of her funds which were in the pension plan when the original transfer should have taken place, as I’m satisfied she would otherwise have done, Scottish Widows Limited should undertake a further calculation, and/or seek the relevant information from Interactive Investor, to determine, at the date of this decision, whether the value of the pension funds which would have been represented by the notional additional transfer of the residual amount would have been higher if invested (along with the other transferred sum) with Interactive Investor.

In accordance with the verified reconstruction of Mrs J's policy as set out above, this should ensure that the correct remaining notional amount would have been transferred when it should have been (without the delays referred to above). If there is any further loss, Scottish Widows Limited should pay into Mrs J's pension plan with Interactive Investor to make up that amount of loss, taking into account any available tax relief and charges which might be applied for doing so.

If it's unable to do so, it should pay the loss amount directly to Mrs J, with a deduction for the (pot tax free cash) basic rate income tax Mrs J would pay on the pension funds – therefore 15%.

The redress should be paid (either to the pension plan or to Mrs J) within 28 days of Scottish Widows Limited being notified of Mrs J's acceptance of this decision. If it isn't, then interest at the rate of 8% simple pa should be added from the date of this decision to the date of settlement.

The value of the further contributions

As noted above, my understanding is that further contributions were received after the initial transfer (and notional transfer of residual funds) to Interactive Investor. This being the case, and on the basis that it's my further understanding that Mrs J has queried the amount which has been transferred, Scottish Widows Limited should also ensure that the correct value has been transferred. And in the same way as directed above, it should clearly set out for Mrs J how it has calculated the amount which has been transferred.

Further award for distress and inconvenience

As noted above, I think Mrs J will have been caused not inconsiderable inconvenience and frustration by this matter. Scottish Widows Limited should therefore also pay to Mrs J £400 as recommended by the investigator, and accepted by it, in respect of the ongoing distress and inconvenience caused to her by this matter.

My final decision

My final decision is that I uphold the complaint and direct Scottish Widows Limited to undertake the above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 12 February 2025.

Philip Miller
Ombudsman