

The complaint

Mr P complains that Scottish Friendly Assurance Society Limited delayed the payment of his pension benefits.

What happened

Mr P had a personal pension policy which he took out with Canada Life. The policy is now the responsibility of Scottish Friendly and so it is responsible for dealing with this complaint.

Mr P says he contacted Scottish Friendly in September 2023. He wanted to take all of his pension as a cash lump sum. He says Scottish Friendly caused undue delays. It asked him to fill in the same forms on numerous occasions and his requests for updates on the progress of his claim were ignored. He complained to Scottish Friendly.

Scottish Friendly investigated his complaint. It acknowledged there'd been poor communication and delays. It paid him £50 by way of compensation for the poor service he'd received.

On 30 January 2024, Scottish Friendly wrote to Mr P again. It informed him he couldn't access his pension because it was invested in a property fund which was suspended. Mr P complained again. Scottish Friendly acknowledged it should have notified him of the consequences of the suspension of the property fund prior to January 2024. It paid him a further £100 by way of compensation for its failure to manage his expectations. Mr P remained dissatisfied. He referred his complaint to our service.

In March 2024 Scottish Friendly wrote to Mr P to tell him it had decided to proceed with the payment of his pension despite the fact that the property fund had been suspended. It processed the pension payment on 18 March 2024.

Our investigator looked into Mr P's complaint. He said there'd been a lot of delay which could have been avoided if Scottish Friendly had sent all the relevant forms to Mr P at the point in time when he'd informed it he wanted to cash in his pension.

The property fund had been suspended on 12 October 2023 and Scottish Friendly should have notified Mr P about this straightaway. It had taken it until 30 January to tell him about this – and a further two months to take its decision to make the payment even though the fund was suspended. Our investigator acknowledged that Scottish Friendly hadn't been obliged to make the payment.

Our investigator was satisfied that Mr P hadn't suffered any financial disadvantage because of what happened. The amount he'd been paid was higher than what he'd been quoted when he'd first made his claim. However, our investigator thought Scottish Friendly needed to pay Mr P further compensation for distress and inconvenience. It had paid him £150 (in total). There'd been a lack of communication about the suspension of the property fund. It'd taken four months for Scottish Friendly to inform him the fund was suspended and a further two months to decide to make the payment. This would've been distressing for Mr P. Our investigator thought Scottish Friendly should pay Mr P an additional £150 (£300 in total).

Scottish Friendly disagreed. It said £150 was sufficient compensation for the delays that'd occurred. So, the complaint was passed to me to decide. I issued a provisional decision in which I said:

What I've provisionally 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.

Scottish Friendly's four-stage journey

First I've looked at the process which Scottish Friendly followed after Mr P made his claim.

Mr P appears to have contacted Scottish Friendly through its "contact us" email address on 9 October 2023. I haven't seen any evidence to indicate that he started the process in September 2023 – although he did refer to having been in touch with an independent financial adviser in his email dated 9 October 2023.

Scottish Friendly required him to pass its security checks before it was able to send him a retirement options letter. It sent that on 20 October 2023 – which it acknowledges was outside of its usual timescales. The letter set out the "journey" or the process that would be followed. It was a four stage journey:

- The retirement options letter – which included a retirement options form to be completed and returned;*
- A pension guidance form to be completed and returned;*
- A risk questionnaire to be completed and returned followed by personalised risk warnings to be completed and returned; and*
- A pension access options form to be completed and returned.*

Having looked at the letter, I think Scottish Friendly did make clear to Mr P the process that needed to be followed. However, the letter doesn't appear to have included any indication of how long the process might take.

Mr P returned the retirement options form on 28 October 2023. He ticked the "transfer" option. But he subsequently informed Scottish Friendly he wanted to change this. Instead he wanted to cash his pension in by taking all of the Uncrystallised Funds Pension Lump Sum (UFPLS). Because he no longer wanted to transfer his pension, Scottish Friendly sent him the retirement options form again on 10 November 2023. I think that was fair and reasonable. And, having looked at what happened I'm not persuaded Scottish Friendly was responsible for this part of the delay (almost 2 weeks) in progressing Mr P's claim.

Mr P returned the completed retirement options form on 24 November 2023. Scottish Friendly sent the pension guidance form to him on 6 December. Because of the delay in receiving the pension guidance form, Mr P contacted Scottish Friendly at this time. As a result it sent him the form again on 7 December and also on 9 December by email. It's not clear why the form wasn't received earlier or why it had to be sent by email on two occasions. Scottish Friendly didn't acknowledge receipt of the completed pension guidance form until 21 December 2023 (some 2 weeks later).

It appears that Stage 3 of the journey was then completed and the pension access form was subsequently received by Scottish Friendly on 26 January 2024.

Having considered what happened, I think Scottish Friendly was correct to acknowledge that there'd been delays in its process. And although, Scottish Friendly was not responsible for all of the delays, Mr P was clearly anxious about his claim and would've been distressed and inconvenienced as a result of the delays. He contacted Scottish Friendly on numerous occasions during the period to enquire about the progress of his claim.

I'll comment further below about the amount of compensation Scottish Friendly has paid Mr P for the delays he experienced.

Suspension of Property Fund

Secondly, I've looked at the impact of the suspension of the property fund (in which Mr P's pension was invested) and the actions Scottish Friendly took to inform him about this and ultimately to pay his claim.

Scottish Friendly has explained that Canada Life suspended its property fund in October 2023 and as a result the Scottish Friendly property fund was also suspended. The FCA subsequently approved the winding up of the Canada Life Property Fund.

It is the case that Scottish Friendly was not responsible for the decision, by Canada Life, to suspend and then wind up the property fund. However, that decision did impact its policyholders who had holdings in the property fund. Once the fund was suspended its policyholders had no contractual right to immediately access the fund.

Scottish Friendly would've known from around October 2023 about the suspension of the property fund. However, it did nothing to make Mr P aware of it until 30 January 2024. That was despite the fact that Mr P had made a claim to cash in his pension.

On 6 March 2024, Scottish Friendly informed Mr P it had made the decision to allow full withdrawals from the property fund for certain customers who met certain conditions – that included Mr P. His claim was processed on 18 March 2024 and he received the payment shortly after that. Scottish Friendly has confirmed that the amount he received was higher than the amount he was quoted when he made his initial claim. So, I'm satisfied Mr P hasn't suffered any financial loss as a result of what happened.

Delays

I've then thought about the delays that happened here and whether Scottish Friendly has done enough to compensate Mr P for the distress and inconvenience he experienced as a result. Having done so, although I know it will disappoint Mr P, I've provisionally decided that Scottish Friendly doesn't need to do anything more.

As mentioned above Scottish Friendly has acknowledged it did take longer than it should have taken to send him the initial retirement options pack - it had taken 9 working days to send this to him. There were also issues with receipt of the pension guidance form – which was sent to him on three occasions. Scottish Friendly paid him £50 by way of compensation for these delays. I think that was fair and reasonable for the delays I've referred to and in line with our guidelines for awards for distress and inconvenience.

I've then thought about the inconvenience Mr P experienced because Scottish Friendly didn't tell him – until after he'd completed its four stage journey claims process – that his claim couldn't be processed because he was partly invested in the suspended property fund. Scottish Friendly has acknowledged it could have told him this earlier in the process – probably around November 2023.

When Mr P received its email at the end of January he was disappointed and shocked to find out that his claim could not proceed. Scottish Friendly has paid Mr P £100 for the distress and inconvenience he experienced during this time.

I agree that Scottish Friendly could've told Mr P about the suspension of the property fund earlier. And it could've presented the various options to him at that time rather than over two months later. The options, as set out in the email of 30 January 2024, were either to make a partial transfer of those parts of his pension which were not invested in the property fund to another provider or to delay his claim. The email also included a link to "Frequently Asked Questions" – which indicated that it could be two to three years before policyholders would be able to access the property fund.

I'm mindful however when thinking about what ultimately happened here that Scottish Friendly did make a decision at the start of March 2024 confirming that it would allow Mr P to make a full withdrawal notwithstanding that the property fund was suspended. It wasn't legally or contractually obliged to do that. But, because of its decision, Mr P has been able to make the full withdrawal he requested much earlier than would otherwise have been possible. And, as set out above, he hasn't experienced any financial loss as a result of the delay. So, in that respect I'm satisfied, on balance, he's obtained a satisfactory outcome.

It did take Scottish Friendly several months to decide how it would treat policyholders who were invested in the property fund – but I'm not persuaded that it unduly delayed making that decision.

Having considered everything and taking into account the fact that Mr P's claim was paid in full, I'm persuaded on balance that Scottish Friendly has done enough here to compensate him for the distress and inconvenience he experienced. It's paid him £150 (in total) which I think is fair and reasonable in all the circumstances. I've provisionally decided it doesn't need to do anything more to resolve this complaint.

My provisional decision

For the reasons given above my provisional decision is that I do not intend to uphold this complaint about Scottish Friendly Assurance Society Limited.

Scottish Friendly did not respond to my provisional decision.

Mr P did respond to my provisional decision. By way of summary he said he always had the feeling that Scottish Friendly knew something they didn't want to tell him and had repeatedly assured him that the payment was merely delayed. He said he respected that our service had both sides of the story.

So, I now need to make my final decision.

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 considered the responses to my provisional decision, I've not received any new or additional information that causes me to change my view or the reasons for my view about how this complaint should be resolved.

My final decision

For the reasons given above, I do not uphold this complaint about Scottish Friendly Assurance Society Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 26 September 2024.

Irene Martin
Ombudsman