

The complaint

Mr C has complained that Scottish Widows Limited (Scottish Widows) has prevented from withdrawing funds from his personal pension, caused him harm during the course of complaining about this, and been negligent with his personal information.

What happened

Mr C holds a personal pension with Scottish Widows. Mr C contacted Scottish Widows to let them know he wished to withdraw money held in this pension. Mr C has explained that he had an immediate and urgent need for this money, due to his being in a vulnerable living situation.

Scottish Widows explained to Mr C that, he did not qualify to access all or any part of his pension at that time because he was under 55. Mr C maintained that Scottish Widows should facilitate this withdrawal of funds, and that their failure to do so, alongside the way in which his complaint about this was handled, caused him severe distress and hardship, and had a significant impact on his mental health.

During a series of telephone conversations about these matters, Scottish Widows' call handlers provided Mr C with somewhat confusing and contradictory information, and during one call Mr C was also placed on hold for a lengthy period of time, following which the call was terminated. There was also some confusion regarding Mr C's name change. In addition, Mr C was informed that a previous call recording could not be located. Mr C also explained during these calls that he was experiencing homelessness, and it appears that the poor customer service had a greater impact on him than it might've done on someone in a less vulnerable situation. In recognition of this poor service, Scottish Widows paid Mr C £250, which he felt was insufficient.

As the two parties couldn't agree, Mr C brought his complaint to this Service. Our investigator looked into Mr C's complaint and found that Scottish Widows were not at fault not permitting Mr C to withdraw funds from his pension. Our investigator also found that Scottish Widows' payment of £250 was sufficient to recognise the customer service issues associated with this complaint. Lastly, our investigator noted that although the wider group within which Scottish Widows sits appeared to have failed to pass on details of Mr C's name change, this was not a matter for which Scottish Widows could be held accountable, as they were a separate business entity.

Mr C didn't agree with our investigator's view and requested an ombudsman's decision. As such, the complaint has been passed to me.

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.

Mr C has made a number of detailed submissions, both prior and in response to our investigator's view. In summary, Mr C maintains that Scottish Widows has acted unfairly in

refusing to allow him to withdraw funds from his pension prior to his reaching the normal minimum retirement age (NMRA) of 55, and that this has caused him significant detriment. As such, I've considered whether or not Scottish Widows were justified in not permitting the withdrawal.

In certain cases, consumers are allowed to access part or all of their pension before reaching NMRA. These are known as authorised payments, and apply when a consumer is suffering from serious ill health and has a limited life expectancy. My understanding is that this does not apply in Mr C's case.

HMRC prohibits the withdrawal of funds prior to NMRA for other reasons, and would classify such withdrawals as unauthorised payments and apply a 55% tax penalty where this comes to light. Scottish Widows, and regulated pension providers in general, would not facilitate payments made outside the government's tax rules. So Scottish Widows is acting in line with HMRC rules. If they allowed such an unauthorised payment to occur, Scottish Widows scheme administrator could've also received a sanction of a separate tax charge from HMRC. So, I cannot say they are at fault for not permitting Mr C to make a withdrawal prior to his reaching the NMRA.

Mr C has also made a number of arguments regarding the level of compensation that should be awarded in this case to reflect the distress and inconvenience he has suffered. Mr C has said that an award totalling £2,250 would be appropriate. He has arrived at this sum based on two payments; the first to acknowledge his having received poor customer service (which he feels should be in the region of £1500), and the second to reflect various errors relating to the handling of his personal data (which he has valued at £750).

Mr C has based these figures on his interpretation of this Service's guidelines as to how distress and inconvenience awards are calculated, as set out on our website. However, whilst I do not doubt that Mr C has suffered genuine trouble and upset as a result of the issues that have arisen in this case, I am unable to agree with his assessment of appropriate sum to compensate him for this.

Firstly, I do not agree that Scottish Widows is responsible for one of the matters that Mr C has attributed to them; namely, the failure to receive notification of Mr C's name change. Although Mr C has told us this information was known to the wider business group in which Scottish Widows sits, Scottish Widows is still a separate business entity. Therefore, Scottish Widows cannot be held responsible for any administrative issues or other failings that may have taken place outside of its purview.

Secondly, turning to the matters within Scottish Widows' remit, I think the compensation Mr C has asked for is too high. It can be a challenge to quantify distress and inconvenience in financial terms; and we do not seek to impose punitive charges on businesses, but rather to acknowledge that there has been an impact on the consumer. As such, awards made by this Service are typically modest, and the higher brackets of payments (above £300) are reserved for cases in which severe and ongoing hardship has resulted from the business's errors. Despite having carefully considered Mr C's submissions, I'm not persuaded that what I've seen in this case would justify a distress and inconvenience payment in one of these higher brackets.

The business has Mr C paid £250 to reflect the distress and inconvenience he has suffered, and in my view this is an appropriate figure, taking into account the impact on Mr C. As such, I don't intend to order the business to pay any additional compensation for the trouble and upset Mr C has experienced.

To conclude, having considered all aspects of Mr C's complaint, Scottish Widows has not acted unfairly or unreasonably in my view, other than the initial errors for which they have already offered appropriate compensation. It follows that I do not uphold this complaint.

My final decision

I'm not upholding this complaint or asking Scottish Widows Limited to pay Mr C any additional compensation beyond that which has already been paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 8 January 2025.

A handwritten signature in blue ink, appearing to read 'E. Clare', with a small blue dot to the left of the first letter.

Ellie Clare
Ombudsman