

The complaint

Mr W complains that Scottish Widows Limited (SWL) provided him with poor service when he tried to claim his pension benefits. He says he wasn't informed there was a two-stage process for accessing an annuity. He says that despite contacting SWL before his 75th birthday, it told him he'd lost the ability to take his pension as an enhanced annuity, which is what he wanted to do, as he hadn't been able to complete both stages of the process until after his 75th birthday.

What happened

Mr W had a personal pension plan with SWL. His retirement date for that pension was set as his 75th birthday in early 2024.

In July 2023, SWL wrote to Mr W as he was nearing his retirement date. The letter stated:

"If we don't hear from you before [date of 75th birthday], we'll buy you an income for life (an annuity), but you'll lose the opportunity to choose the type of annuity which best suits you, to take tax-free cash or shop around to see if another provider has a better deal."

In November 2023, SWL again wrote to Mr W. It said he was now only a few weeks away from his selected retirement date, so it needed to hear from him.

In December 2023, SWL wrote to Mr W to tell him he needed to choose what to do with his pension. The letter said:

"As your 75th birthday is approaching, we need to know what you'd like to do with your pension. You'll lose some of your options when you reach age 75. We want you to be able to take your pension in the way that best suits your needs. It's important that you contact us as soon as possible before your 75th birthday."

The letter also stated that Mr W would be able to take advantage of the full range of retirement options available: *"As long as you contact us before your 75th birthday"*. It said that if SWL didn't hear from him by then, it would automatically buy an annuity for him. And that it was important for Mr W to call it as soon as possible so that he didn't lose some of his retirement options when he reached age 75.

On 3 January 2024, SWL issued Mr W's annual pension statement. This stated that he'd almost reached his selected retirement age of 75. And that the packs it'd sent provided helpful information on the choices he could make.

The annual pension statement included a section: *"Take action soon"*, which stated:

"You must make a decision to use your plan before your 75th birthday otherwise we will use the whole value of the plan to purchase a guaranteed income for life. You won't be able to change or cancel the income. Also you'll lose the right to take tax-free cash, shop around for the highest income, take flexible income or fully cash-in your plan. Call us on [phone number] to discuss your options and take action."

Mr W called SWL just after 4pm on Friday 5 January 2024, not long before his 75th birthday. SWL said its call handler offered to complete the first call of the two-call process with Mr W. It said the call handler had reached the point in the process where they asked if Mr W had any other pensions he'd like to consider amalgamating with this policy as part of the annuity process. Mr W said he did. I understand that he then provided the call handler with details of his other SWL policy.

SWL said its call handler didn't deal with this type of policy. So they had to make multiple calls before they could reach the appropriate department. They then confirmed to Mr W that it wasn't possible to amalgamate his other policy as it was in income drawdown. SWL said that Mr W then said he wanted to increase the drawdown income he received from that policy.

SWL said the call handler transferred Mr W to the correct team so that the requested increase could be processed. They told him that they'd run out of time and asked if Mr W wanted to be called back the following week. SWL said that Mr W said he'd call back.

SWL wrote to Mr W on 8 January 2024 to tell him it had everything it needed to transfer his pension to an annuity. It said that confirmation of his annuity would be sent separately. It also wrote to Mr W on 9 January 2024 to state that it hadn't heard from him. So the value of his pension fund on the working day before his 75th birthday had been used to provide him with an annuity. The letter said the annuity was payable in monthly instalments and was guaranteed for five years. It also said that if Mr W wanted to amend the annuity options it'd selected for him, he should contact it within the next 30 days. Mr W said he received this letter on 16 January 2024.

Mr W called SWL back on 9 January 2024 to confirm his chosen annuity options. He said he also asked for quotes including potential medical enhancements. SWL said that its call handler told Mr W that quotes had been issued. And said he should call back once he'd received and reviewed these if he wanted to go ahead.

Mr W said that he registered with SWL online on 11 January 2024. He said that he received a welcome message, but was told that the details of his policy weren't available. Mr W said he sent a message through the website requesting confirmation that he would receive all the enhancement benefits of the policy. He said SWL had never acknowledged this message.

Mr W said that he called SWL's annuity team on 15 January 2024 and went through the second stage of the two-stage process, including the enhancements requested. He said that the call handler he spoke to promised to personally ensure that his application was processed quickly. He said he included enhancements in the application. Mr W said he received a letter the following day from that call handler, confirming the conversation.

SWL said that Mr W mentioned his health for the first time on the 15 January 2024 call. And that he said he wanted an enhanced annuity. It said the call handler confirmed they would raise a "case clinic" to see if this was possible given the circumstances. And that they would let Mr W know.

Mr W said that on 17 January 2024, he called the case handler he'd spoken to on 15 January 2024 to tell them which annuity option he wanted.

Mr W emailed SWL on 13 February 2024. He said he'd heard nothing about his annuity despite the promises he'd been given by the call handler.

Mr W emailed SWL again on 4 April 2024, as he hadn't received a response. He asked SWL to acknowledge his email and to let him know the current status of his annuity. Mr W sent a

further chaser email on 5 April 2024. When he still hadn't had a reply, he sent another email to a different SWL team on 8 April 2024 through its website.

SWL replied on 9 April 2024. It said it'd passed Mr W's emails to the relevant department.

As Mr W still didn't get a response, he emailed SWL again on 15 April 2024. He said he'd waited over three months without any acknowledgement.

Mr W called SWL on 19 April 2024. He said he went through the history of the emails and the phone calls he'd had with it. He then registered a complaint as he felt SWL had taken no action and because it wouldn't offer him an enhanced annuity. On 23 April 2023, after a further phone call, SWL told Mr W that an enhanced annuity wasn't available to him because of his age.

On 12 June 2024, SWL issued its final response to the complaint. It acknowledged that it'd provided Mr W with a poor service. But it didn't agree with Mr W that it should consider offering him an enhanced annuity as he'd contacted it before his 75th birthday.

Regarding the 5 January 2024 call, SWL apologised for how long it'd taken to identify the policy type and to confirm it wasn't possible to amalgamate Mr W's second policy with it into any annuity. It also said that the call handler Mr W had spoken to on 9 January 2024 should've taken him through and completed the first call process that had been abandoned on 5 January 2024.

SWL also said it shouldn't have taken until 23 April 2024 to tell Mr W that an enhanced annuity wasn't available due to his age. It said there'd been an administrative error which had led to the response from the case clinic that was raised on 16 January 2024 not being communicated to Mr W in a timely manner. SWL also apologised for not responding to Mr W's emails.

SWL confirmed that as Mr W was over age 75 it couldn't offer him an enhanced annuity. It said that even if he hadn't experienced poor service, it wouldn't have been able to offer him an enhanced annuity as there was no possibility/timeframe available to set up an annuity appointment before his 75th birthday.

SWL apologised for all of the poor service and offered to pay Mr W £400 compensation.

Mr W felt that he was still entitled to an enhanced annuity. He felt he'd complied with SWL's requirement to contact it on or before his 75th birthday. So he wrote to it on 13 June 2024. Mr W said SWL's letters and phone conversations hadn't stated that he'd need to go through a two-stage process before that date. He also said he hadn't been told during the 5 January 2024 call that the first stage of that process hadn't been completed.

Mr W said that he returned the £400 cheque to SWL on 28 June 2024.

Mr W was unhappy with SWL's response, so he referred his complaint to this service in July 2024. He said he'd complied with SWL's requirement to contact it before his 75th birthday. But its letters didn't state that he'd need to go through a two-stage process before that date. He said SWL was responsible for the fact that the two-stage process was never completed. Mr W said he wanted an enhanced annuity backdated to his 75th birthday with the rate applicable at that time.

After our investigator had contacted SWL for information on Mr W's complaint, it reviewed the case. It acknowledged that Mr W had contacted it before he turned 75. It said it didn't go through the full annuity framework that would normally be followed. And this led to a delay in

Mr W being able to explain what he wanted to do with his pension. It said this then created difficulty due to his request for an enhanced annuity which isn't available to customers after they turn 75. SWL also said it had failed to act promptly in the months that followed by neglecting to return to Mr W to discuss matters.

SWL made Mr W the following revised offer to put things right:

- It would take him through the Retirement Journey process again, as if it was assessing his circumstances just before his 75th birthday. It said that this offer wasn't aligned with its standard process. But that it'd been authorised by senior management. SWL said it would also calculate any applicable interest.
- Use the Retirement Journey process to determine whether Mr W was eligible for an enhanced annuity. He'd need to provide medical details for this. SWL noted that it was possible, but rare, that any enhanced annuity could be lower than the standard annuity.
- It increased the compensation it'd offered for poor service from £400 to £600.

Mr W didn't accept SWL's new offer. He made the following points:

- He had no confidence in SWL's Retirement Journey process.
- He had no confidence in its communications. He said it'd never responded to any of the emails or other messages he'd sent. And that its letters were always sent late.
- He said he'd never spoken to the same representative more than once.
- Mr W said he wasn't prepared to start the process again with SWL and be treated in the same manner. He said when he'd gone through the second stage of the retirement journey process on 15 January 2024 he'd provided all the information SWL needed to make him an enhanced annuity offer.

Our investigator felt that SWL's settlement offer was a fair one.

Our investigator acknowledged that Mr W felt he couldn't trust SWL's communication. But said that if he were to accept his findings, this service could further consider the complaint if it wasn't settled as agreed.

Mr W said he wasn't prepared to go through the process again with SWL, given what he felt was its inadequate communications system and incorrect judgements. He wanted SWL to prepare a quotation for an enhanced annuity for both of his plans backdated to his 75th birthday. He felt he'd gone through the second stage of SWL's process already.

Mr W raised a further complaint about his other SWL policy with this service. He didn't feel that our investigator had considered the fact that he'd asked for that policy to be amalgamated with his main policy in January 2024. He felt SWL had made a mistake when it told him it wasn't possible to combine the two policies into one annuity. He provided further details about that complaint. And said he wanted an Ombudsman to consider both complaints at the same time.

Our investigator said that this service couldn't consider the second complaint until SWL had been given the chance to consider it. And that the Ombudsman who reviewed this case would only focus on the complaint about the main policy.

SWL told this service that it'd been correct to tell Mr W on 5 January 2024 that it couldn't combine his two policies. It also acknowledged that he didn't want to participate in a new call. But said that as enhanced annuity options hadn't been available to him in January 2024, they hadn't been discussed. It said this meant that aspect of the process hadn't been completed. And that medical information would need to be discussed and reviewed so it could determine eligibility for an enhanced annuity.

As agreement couldn't be reached, the complaint has come to me for a 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.

Having done so, I agree with our investigator that the compensation SWL has offered to pay Mr W for the poor service and the steps it's agreed to take to put things right are fair under the circumstances of this complaint. I know this will be disappointing to Mr W. I'll explain the reasons for my decision.

Where a business has made an offer to settle a complaint – as SWL has done – what I have to decide is whether, in all the circumstances, that offer is fair and reasonable.

In this case, SWL has acknowledged that the 5 January 2024 call handler should've taken Mr W through its annuity framework. It said this didn't take place until the call in mid-January 2024. SWL said that it wasn't until this call that Mr W had mentioned his medical conditions and asked that he be considered for an enhanced annuity.

Mr W had already gone past his 75th birthday when he first mentioned the possibility of an enhanced annuity. SWL said that this isn't available after a customer turns 75. It said that its process is to send out letters in the lead up to customers' 75th birthdays to remind them of the importance of contacting it as soon as possible. It said it does this so that there's time to shop around to make sure that a higher income than may be available elsewhere isn't missed. SWL said it also makes customers aware that it'll seek to purchase an annuity on their behalf if they don't claim their pensions by their 75th birthdays.

SWL said that the call handler from the mid-January 2024 call correctly referred Mr W's case for internal review after the mid-January 2024 call. But that it then determined that it wasn't possible to offer Mr W an enhanced annuity as he'd gone past his 75th birthday.

Given the poor service, SWL made a revised offer to Mr W. It said it would consider whether he would be eligible for an enhanced annuity, subject to the provision of relevant medical information, as he'd contacted it before his 75th birthday.

I went on to consider whether the settlement offer is fair.

Is the settlement offer fair?

Mr W hasn't accepted SWL's offer. He feels that as it didn't respond to his emails and didn't keep its promises, he doesn't want to engage with it further. Mr W also feels that SWL already has everything it needs to confirm whether or not he's eligible for an enhanced annuity.

While I can understand why Mr W feels the way he does about SWL's offer to take him through its retirement process again, I consider that it is fair and reasonable. I say this for the following reasons.

In the first instance, SWL's offer is in line with what Mr W first told this service he wanted. He told us he wanted SWL to provide him with an enhanced annuity backdated to his 75th birthday with the rate applicable at that time, and SWL has offered to run the retirement process again to see if an enhanced annuity would've improved the rate it offered Mr W in January 2024.

I do understand why Mr W considers SWL already has the information it needs so that it could offer him an enhanced annuity without any further involvement from him. He thinks he went through the full second stage of the two-stage process during the call in mid-January 2024. But I'm not persuaded that he did.

I say this because SWL has explained that it needs Mr W to provide medical details which I'm not persuaded he's already provided it with. I consider that once Mr W has provided SWL with the medical information it needs, it can determine whether he's eligible for an enhanced annuity.

I can see that Mr W has raised another complaint point with this service about SWL's apparent failure to allow him to amalgamate his other pension with the one at the heart of this complaint and to use the combined funds to purchase an annuity.

I agree with our investigator that as Mr W has yet to ask SWL to consider that complaint, this service can't yet consider it. However, I note that I've not seen any evidence to show that SWL's position that it wasn't possible to amalgamate the two pensions was incorrect. Having said that, Mr W can raise a further complaint on this point with SWL if he would like to. If he chooses to, he should do this as soon as possible, so that SWL can consider it in advance of his 76th birthday.

I next considered the poor service Mr W has received.

Evidence of poor service

I haven't been presented with any evidence that SWL explained its two-call process in the letters it sent to Mr W in the lead up to his 75th birthday. While I'm satisfied that the letters did state that Mr W should contact it to discuss his options as soon as he could, I'm not persuaded that the letters made it clear how much time SWL would need to arrange an enhanced annuity for him.

SWL has since explained the following:

"An annuity is arranged over a two-call process. The first call follows a regulated process and ends with an outbound call appointment being arranged with an annuity specialist. This appointment occurs within 10 working days of the first call of the process being fully completed. The annuity specialist walks a customer through their options and issues quotes for the customer to review based upon how they would like their annuity shaped."

In its original complaint response, SWL told Mr W that the potential option of an enhanced annuity was no longer available to him as he was now over 75. But I don't think this position was a fair one. I say this because, as I noted earlier, SWL's communications with Mr W didn't explain how long it would need to process his annuity application. Nor did it make it clear that the process itself would take two calls.

The evidence also shows that SWL wrote to Mr W on 8 January 2024 to tell him it had everything it needed to transfer his pension to an annuity. So it would've been extremely confusing for Mr W to then receive SWL's 9 January 2024 letter. This said it hadn't heard from him so would set up an annuity for him itself.

I can also see that Mr W has had issues finding information on SWL's online system. And that SWL failed to communicate its decision that it couldn't offer him an enhanced annuity in a timely manner. This was despite Mr W chasing SWL for an update on several occasions. This would've been especially disappointing for Mr W after the call handler from the mid-January 2024 call had offered to personally ensure that his application was processed quickly.

Bearing these aspects of poor service in mind, I finally considered whether the £600 compensation SWL has offered Mr W for the inconvenience it's caused him was fair.

Distress and inconvenience

SWL initially offered Mr W £400 compensation for its poor service. He rejected this. It then increased its offer to a total of £600 in recognition of the additional time Mr W had spent without his annuity request answered. And for the inconvenience of raising the complaint with this service.

I've detailed above the examples of poor service that the evidence has identified. I can see that trying to get the annuity Mr W wanted to set up has been extremely frustrating, confusing and time-consuming for him. While I don't underestimate the distress and inconvenience this has caused him, I'm satisfied that the £600 SWL has now offered him in respect of its poor service is fair and reasonable. It's also in line with what I would've otherwise recommended.

Overall, I'm satisfied that SWL's revised offer to put things right is fair and reasonable. Therefore, while I uphold the complaint, I'm not going to ask SWL to take any additional steps over those it's already offered to put things right.

Putting things right

My aim in awarding fair compensation is to put Mr W back into the position he would likely have been in but for SWL's poor service. I think this would have meant he'd have been taken through the Retirement Journey process in full before his 75th birthday.

What SWL must do

To compensate Mr W fairly SWL must:

- take Mr W through the Retirement Journey process again, as if it were assessing his circumstances just before his 75th birthday. Mr W must provide the medical information needed in order for SWL to carry out this process sufficiently in advance of his 76th birthday for this to be practicable. The process will then determine the level of annuity that he should've been eligible for, given his health conditions.
- Pay Mr W any missed annuity payments, backdated to the date they should've been paid, adding simple interest at 8% each year from the date each payment should've been made to the date of my final decision.
- If SWL hasn't already paid the £600 it offered Mr W for the distress and inconvenience caused, it must pay this to him directly.

If payment of compensation isn't made within 28 days of SWL receiving Mr W's acceptance of my final decision, interest must be added to the compensation at the rate of 8% each year simple from the date of my final decision to the date of payment.

Income tax may be payable on any interest paid. If SWL deducts income tax from the interest, it should tell Mr W how much has been taken off. SWL should give Mr W a tax deduction certificate in respect of interest if he asks for one, so he can reclaim the tax on interest from HMRC if appropriate.

My final decision

For the reasons set out above, I uphold Mr W's complaint. Scottish Widows Limited must take the action detailed in "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 4 December 2024.

Jo Occleshaw
Ombudsman