DRN-5076748

Financial Ombudsman Service

The complaint

Mr S complains about Scottish Friendly Assurance Society Limited. He's unhappy Scottish Friendly provided him with incorrect information about the value of his pension.

What happened

Between February 2020 and September 2021, Scottish Friendly sent Mr S and his financial adviser retirement packs, detailing Mr S' retirement options. At the same time, it confirmed that Mr S' pension fund value was just over £58,000.

Almost two years later, Mr S contacted Scottish Friendly in June and July 2023, requesting retirement packs. A pack issued on 10 July 2023 confirmed that Mr S' fund value was just over £200,000. Four days later, Scottish Friendly sent Mr S another retirement pack. Again, it confirmed that Mr S' fund value was just over £200,000.

In February 2024, Mr S' financial adviser contacted Scottish Friendly, asking for Mr S' retirement options to be issued. Scottish Friendly provided these on 21 February 2024 and confirmed that Mr S' pension fund value was just over £62,000. Concerned by how much this differed from the value he'd previously been given, Mr S contacted Scottish Friendly and complained.

Scottish Friendly responded, confirming that the correct value for his pension fund was just over £60,000. In its final response, it apologised for its calculation error and any inconvenience and upset caused. It acknowledged that providing significantly inflated pension values in 2023 had raised Mr S' expectations.

Mr S said he'd queried his fund value in 2023 and been given assurances that it was correct. Scottish Friendly said that whilst it hadn't been able to locate any evidence of this, it didn't doubt that Mr S had queried the matter. To apologise for what happened, Scottish Friendly arranged for a payment of £250 to be made to Mr S.

Unhappy with Scottish Friendly's response, Mr S referred his complaint to our service.

One of our investigators reviewed the matter and recommended that Scottish Friendly pay Mr S a further £150. He said compensation totalling £400 better reflected the impact of Scottish Friendly's error.

Mr S agreed with our investigator. Scottish Friendly disagreed and said its original compensation award was fair. It noted that it hadn't been able to verify Mr S querying his fund value in 2023 and said its correspondence always warned that his pension value could change. Finally, Scottish Friendly said Mr S had acted prematurely when he'd made plans for how he'd spend his pension funds, as an up-to-date value was always going to be required before any benefits could be claimed.

As no agreement could be reached, Mr S' complaint was passed to me for a 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 done so, I'm going to uphold it. I'll explain why.

There's no dispute that Scottish Friendly provided Mr S with incorrect pension valuations. The issue I must decide is whether Scottish Friendly's actions have satisfactorily resolved the matter and sufficiently compensated Mr S for the distress and inconvenience it has caused.

Although Scottish Friendly acknowledges its error, I've explained what I think happened as it has a bearing on how it affected Mr S.

In 2023, Scottish Friendly sent Mr S valuations showing that his pension had almost quadrupled in value over nearly two years. Thinking the value seemed unusually high, Mr S says he queried this with Scottish Friendly and was given assurances that his £200,000 pension value quoted was correct. Scottish Friendly says it hasn't been able to locate any evidence of this.

Where the evidence is incomplete, inconclusive, or contradictory, as some of it is here, I reach my conclusions on the balance of probabilities – that is, what I think is more likely than not to have happened based on the available evidence and the wider surrounding circumstances.

Here, the available evidence shows that Mr S requested a retirement pack in late June 2023. Scottish Friendly routinely responded to Mr S and his adviser's retirement pack requests, so it's reasonable to assume that the pack was sent. I think it's likely that it was this retirement pack which alerted Mr S to the significant increase in his pension value. This would explain why there's a record of him calling Scottish Friendly just over a week after his request.

Although details of the call aren't available, there's a note of Mr S requesting another retirement pack. It seems plausible that having queried his inflated pension valuation and received assurances it was correct; Mr S would have requested confirmation of this in writing. And I think this is likely what led to a further retirement pack being sent to Mr S on the same day as his call with Scottish Friendly. The retirement pack backed up assurances Mr S says Scottish Friendly gave on the phone about his fund value being just over £200,000.

I note that another retirement pack was sent to Mr S just four days later. And while there's no record of the reason for this, I think it's likely that Mr S was simply looking for further confirmation of his pension value.

Based on the available evidence, including Mr S' testimony, and the wider circumstances of this case, I think Scottish Friendly likely reassured Mr S that the £200,000 fund value quoted in its valuation was correct. Further confirmation was given in the retirement packs Scottish Friendly sent to Mr S which continued to quote the same (incorrect) figure.

Whilst I agree that the amount by which Mr S' pension value increased following Scottish Friendly's calculation error was questionable, I think any confirmation and reassurance from Scottish Friendly would've been persuasive. After all, Scottish Friendly was his pension provider and Mr S was entitled to rely on the information it gave. That being said, I'm satisfied that the £200,000 fund value isn't something Mr S was ever entitled to. This was a mistake, so I won't be asking Scottish Friendly to honour it.

Turning now to the impact of Scottish Friendly's errors on Mr S, and whether its compensation payment of £250 is appropriate.

First, it's clear to me that Mr S has suffered a loss of expectation. Scottish Friendly's error resulted in Mr S believing for a significant period that when he took benefits from his pension, his financial position – and therefore his standard of living in retirement – would likely be better than he'd anticipated. Believing his pension value was £200,000, Mr S thought he'd be able to do things in retirement he'd not been able to consider previously, including buying a new car and taking a holiday. He began making plans to this effect. Scottish Friendly argues that Mr S acted prematurely when he made these plans, especially when its pension valuations stated that any values provided were estimates subject to change. I don't disagree, but against the backdrop of the reassurance and written confirmations Mr S received from Scottish Friendly about his fund value, it's understandable that Mr S was shocked and disappointed when he learned that the pension valuation he'd relied on, and thought was correct for almost eight months, was wrong.

Scottish Friendly's error has put Mr S in an unfortunate position, where he's had to rethink his retirement plans at a critical time. As expected this has been very upsetting and inconvenient given the time he's already spent considering his retirement options and deciding what he wants to do based on Scottish Friendly's incorrect figures.

Scottish Friendly missed several opportunities to identify its calculation error, especially when Mr S first brought his inflated pension valuation to its attention in 2023. If, following Mr S' query about his pension valuation, Scottish Friendly had arranged for it to be reviewed, its calculation error could've been identified earlier than it was and corrected. Mr S would then have known his pension value sooner and been able to plan accordingly.

Scottish Friendly says it quickly identified its mistake when Mr S got back in touch with it in 2024. But while this may have been the case, it's not clear that it also made Mr S aware of its error as soon it should have. From what I've seen, the mistake was only identified following Mr S' financial adviser's request for a retirement pack.

In response, Scottish Friendly simply sent Mr S a retirement pack with the correct (and significantly lower) fund value. There was no acknowledgement of the error or any apology for what happened. This only happened after Mr S contacted Scottish Friendly directly to express his concern about the sudden change in his fund value and what this might mean in terms of his ability to retire. In my view, being alerted to the error with his fund value in this the way caused him additional distress which could've been avoided.

Mistakes happen but I think the timeframe over which Scottish Friendly's error went unidentified and unresolved; the assurances it gave about Mr S' incorrect fund value, and the opportunities it missed to appropriately put matters right meant that the impact of its calculation mistake on Mr S was significant. Scottish Friendly's apology for what happened and payment of £250 compensation to Mr S goes some way towards recognising this, but I'm afraid I don't think this goes far enough. For the reasons I've set out above, I think compensation totalling £400 more fairly reflects the level of distress and inconvenience Mr S has suffered.

Putting things right

Scottish Friendly should pay Mr S a further £150 compensation for the distress and inconvenience it caused him.

My final decision

For the reasons I've given, it's my final decision that I uphold this complaint. I'm upholding Mr S' complaint to the extent I require Scottish Friendly Assurance Society Limited to pay Mr S a further £150 in addition to the £250 it has already paid for the distress and inconvenience caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 9 December 2024.

Chillel Bailey
Ombudsman