

The complaint

Mrs L complains that Scottish Friendly Assurance Society Limited ('Scottish Friendly') failed to tell her the fund that she was invested in had closed, resulting in her money being partially re-invested into a different fund without her consent.

She says she lost money due to this change and is further unhappy with the time taken to respond to her concerns.

What happened

Mrs L had been invested in the Canada Life's property fund through Scottish Friendly, who had taken over the administration of the plan from a previous provider in 2019. In February 2024, she received a valuation statement which revealed that the fund had changed and showed a drop in value from the previous year by around £600.

Concerned about both the drop in value and unauthorised change of fund, Mrs L sought clarification from Scottish Friendly on 11 April 2024. She was told Canada Life had suspended the property fund in October 2023, and Scottish Friendly were notified shortly afterward.

Mrs L was dissatisfied that she had not been informed about the fund changes and requested documentation about her investment. When she did not receive a timely response, she followed up by e-mail on 20 April 2024. During this call Mrs L explained her financial vulnerability as a widow emphasising that she could not afford to lose money and should have been given a choice about where to reinvest her funds.

Scottish friendly responded to Mrs L on 30 April 2024 explaining that the property fund closure would be a lengthy process as Canada Life needed to sell the underlying properties before returning investor funds. It said that Mrs L did not need to take any action as regular premiums would automatically be reinvested into a replacement fund.

Scottish Friendly clarified that they had no influence over the property fund closure as this decision was made solely by Canada Life due to the fund no longer being commercially viable. However, the letter cautioned that this fund type might not be suitable for Mrs L and recommended she review her investment options noting that even low risk funds could decline in value and that past performance did not guarantee future results.

In June 2024, Scottish Friendly issued a follow up letter outlining its final response. It acknowledged that whilst it had provided accurate information, it had failed to notify Mrs L the previous year when the property fund first closed. Scottish Friendly also admitted to delays in responding despite Mrs L's multiple attempts to contact it on at least three occasions. In recognition of these service failures, Scottish Friendly offered £50 compensation.

Mrs L declined the offer and referred the matter to this Service.

One of our investigators looked into the complaint and said that Scottish Friendly should pay an extra £100 on top of the offer it had already made for failing to keep Mrs L informed and for the added worry the situation caused her. He didn't think Scottish Friendly should have to compensate Mrs L for any investment loss she might have suffered as she hadn't taken any steps to switch from the replacement fund.

Mrs L in response said that she had been going through a very stressful time having had major surgery and moving.

Scottish Friendly didn't agree to the investigator's recommendation to pay a total of £150 compensation as it updated its website about the property fund soon after the suspension and Mrs L had shown she was able to use the site. As no resolution could be found the complaint has been 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 agree with the investor for broadly the same reasons. I'll explain why below.

Failure to let Mrs L know about closure of property fund

In October 2023 Canada Life told Scottish Friendly of its decision to close the property fund. This was a commercial business decision made by Canada Life having reviewed its fund range, which it was entitled to legitimately exercise. It wasn't for Scottish Friendly to interfere with Canada Life's business decision so there was not a need to seek investors' consent. But that decision did impact its investors who had holdings in the property fund. Once the fund was suspended its investors 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. What I would expect Scottish Friendly to have done, following being notified by Canada Life, is to inform investors of that decision – sharing Canada Life's reasons and explaining the alternatives available to them at the earliest opportunity so that they weren't disadvantaged. However, it did nothing to make Mrs L aware of it until she had contacted it in April 2024.

Scottish Friendly in response has argued that it updated its website which Mrs L had access to. Whilst I appreciate that may be the case, there was no trigger to alert Mrs L that important information had been posted or that she needed to visit the website. As such, I can understand that Mrs L was shocked and upset to find out that her fund had changed and dropped in value having seen a valuation statement, six months after the changes had taken place and around five months after Scottish Friendly could have notified its investors. It follows then that Scottish Friendly ought to pay for the distress and inconvenience caused by its shortfall in service.

Is Scottish Friendly responsible for any potential financial loss?

Scottish Friendly's 30 April 2024 letter referred to moving premiums to another fund - *"Scottish Friendly do not offer alternative property funds at the same charge as the closing fund. As we do not offer a similar fund the destination fund has been selected as the lowest risk fund being a Deposit or Money Market fund."*

Scottish Friendly had a duty to make Mrs L aware that she should review her options to ensure the default fund was suitable and I think Scottish Friendly did that within the letter. As

Scottish Friendly did make it clear that Mrs L needed to take action, I would have expected her to have switched from the alternative fund she was invested in given her feelings that it was losing her money and wasn't suitable.

Based on the latest information I've seen, I note that Mrs L hasn't taken steps to switch funds from the alternative fund that Scottish Friendly selected, and therefore, hasn't mitigated any possible investment losses that may have occurred as a result of this automatic reinvestment. Consequently, I cannot hold Scottish Friendly liable for possible financial losses as Mrs L has demonstrated that even after becoming aware of the fund switch, she chose not to take corrective steps.

Distress and inconvenience

Scottish Friendly has accepted that its service was below standard when not responding to Mrs L on more than one occasion. It has offered her £50. Whilst I do not uphold Mrs L's complaint for financial loss, I agree with the investigator that the level of compensation should be increased for the distress and inconvenience caused to Mrs L. She had to repeatedly ask Scottish Friendly, by both letter and phone, for what I consider to be reasonable information; a situation that could have been avoided by Scottish Friendly's own admission had it notified her of the property fund closure the previous year. In the circumstances, I consider an award of £150 adequately reflects the distress and inconvenience caused to Mrs L so I find this to be a fair and reasonable resolution to this complaint.

My final decision

I uphold this complaint and direct Scottish Friendly Assurance Society Limited to pay Mrs L £150 for the distress and inconvenience caused to her. So, my decision is that Scottish Friendly Assurance Society Limited should pay a total of £150 (less any amounts already paid).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 27 October 2025.

Farzana Miah
Ombudsman