DRN-5169908

The complaint

Mr B complains that Scottish Widows Limited failed to make two transfers that he'd requested to add funds to his pension plan in a timely manner.

What happened

Mr B holds pension savings with Scottish Widows. In July 2024 Mr B decided to consolidate some pension savings he held in other pension plans into the plan that he held with Scottish Widows. He submitted two transfer instructions to Scottish Widows on 17 July 2024 and a further request on 12 August. Each was made using the same online form Scottish Widows provides on its website.

The transfer Mr B submitted on 12 August completed without any problems nine days later. But Scottish Widows failed to act on the instructions Mr B had provided on 17 July. When he later got in touch with the firm he was asked to resubmit those requests. The other two transfers ultimately completed on 28 August and 10 September.

When Mr B initially complained to Scottish Widows about the delays it told him that he had failed to complete all the required forms for the transfers he'd requested on 17 July. So Scottish Widows didn't think it had been wrong to not request the transfers at that stage. But Scottish Widows agreed that some of the information it had sent to Mr B hadn't been as clear as it should have been, so it offered him £75 compensation for the inconvenience he'd been caused. Unhappy with that response Mr B brought his complaint to us.

Later, after our investigator has started to look at the complaint, Scottish Widows revised its response to the matter. It said that it now accepted it hadn't processed the transfers when it should have. It thought the two transfers should have been completed by 31 July. So Scottish Widows said it would liaise with the other providers to work out whether the delays had caused Mr B to lose out. And Scottish Widows offered an additional £200 (making a total payment of £275) for the inconvenience Mr B had been caused. Mr B rejected that offer and asked the investigator to continue to look at his complaint.

Our investigator said that he thought it was reasonable to conclude that the transfers should have completed by 31 July. So he thought what Scottish Widows had offered to do in order to calculate whether the delay had caused Mr B to lose out was fair. And he also thought the compensation Scottish Widows had offered Mr B for his inconvenience was reasonable. So the investigator didn't think Scottish Widows needed to do anything more than it had already offered.

Mr B didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process. If Mr B accepts my decision it is legally binding on both parties.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mr B and by Scottish Widows. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

Since Mr B referred this complaint to us it appears that Scottish Widows has accepted that it unreasonably delayed the two transfer requests that were submitted on 17 July. So what I need to consider in this decision is the impact of those delays – in other words when I think it reasonable that the transfers should have been completed and whether any delays have caused Mr B to lose out.

Scottish Widows has said that it thinks it should have completed Mr B's transfer requests by 31 July. When a business receives a transfer request of this nature I don't think it unreasonable to allow some time for it to be completed. Scottish Widows would need to ensure that it had received a valid request. It would need to send that request to the other pension scheme and wait for a response. And then it would need to reconcile any transfer payment it received and apply it to Mr B's pension plan before later investing the monies that had been received.

I would normally expect a transfer of this nature to take around ten business days to be completed. So the date that Scottish Widows has proposed should be used in calculating whether Mr B has lost out, of 31 July, would seem to me to be fair and reasonable.

When looking at a delay to a transfer of this nature I think there are two aspects that would need to be considered to see whether a consumer has lost out. Scottish Widows would need to determine whether the amount of the transfer was reduced by being requested later than it should have been. And then Scottish Widows would need to look at whether the amount that should have been transferred at the earlier date would have provided Mr B with a higher value due to changes in the market prices of any investments he later made.

I am pleased to see that is the compensation that Scottish Widows has offered to Mr B. It has already shown us details from one of the providers that would suggest the transfer amount Mr B received was higher than it would have been had no delay occurred. But Scottish Widows will need to complete the same assessment for the other plan, and then look at how Mr B invested the transferred monies.

There is little doubt that these delays will have caused some inconvenience to Mr B. He has told us about a medical condition from which he suffers that I think would be likely to be made worse by stress. So I do think it right that Scottish Widows should pay some further compensation to Mr B for his distress and inconvenience. Scottish Widows has offered Mr B a total of £275 compensation in that regard. Having thought carefully about all the circumstances here, I think that amount of compensation is fair and reasonable.

I appreciate that this decision will be disappointing for Mr B – he thought that a much higher payment for his distress and inconvenience was warranted. But I am satisfied that the steps I am asking Scottish Widows to take (actions it already offered to perform) will ensure that Mr B doesn't lose out as a result of the delay. And I think the payment Scottish Widows has offered for Mr B's distress and inconvenience is fair.

Putting things right

Scottish Widows has agreed that each transfer should have been completed by 31 July.

So for each transfer Scottish Widows should perform a hypothetical reconstruction of the transfer including a calculation of the value of Mr B's pension savings had they been transferred earlier and a calculation of whether the investments Mr B actually made would have been valued differently had they been made with the revised transfer amounts and on the alternative timeline.

If the actual value of Mr B's new pension investments is less than the hypothetical value calculated above Mr B has lost out. Scottish Widows should pay into Mr B's pension plan to increase its value by the total difference in value. The amount paid should allow for the effect of charges and any available tax relief. Compensation should not be paid into the pension plan if it would conflict with any existing protection or allowance.

If Scottish Widows is unable to pay the total amount into Mr B's pension plan, it should pay that amount direct to him. But had it been possible to pay into the plan, it would have provided a taxable income. Therefore the total amount should be reduced to notionally allow for any income tax that would otherwise have been paid. This is an adjustment to ensure the compensation is a fair amount – it isn't a payment of tax to HMRC, so Mr B won't be able to reclaim any of the reduction after compensation is paid.

The notional allowance should be calculated using Mr B's expected marginal rate of tax at his selected retirement age. I think it reasonable to assume that Mr B is likely to be a basic rate taxpayer at the selected retirement age, so the reduction should equal the current basic rate of tax. However, as Mr B would have been able to take a tax-free lump sum, the reduction should be applied to 75% of the compensation.

It isn't clear whether Mr B has cashed the cheque Scottish Widows sent him for the original £75 compensation it offered. Scottish Widows should pay further compensation to Mr B so that he has received a total of £275 for the distress and inconvenience he has been caused.

My final decision

My final decision is that I uphold a part of Mr B's complaint and direct Scottish Widows Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 22 May 2025.

Paul Reilly
Ombudsman