

The complaint

Mr P complains about the service provided by Scottish Widows Limited (Scottish Widows) when he tried to take his small pot pension lump sum. He said there was no clear process, the questions asked were not specific to his claim and so he couldn't complete the process. He complains that the Retirement Pack Scottish Widows eventually sent him didn't include information about small pot claims.

Mr P says that he has lost out because Scottish Widows' processes took up too much time and have delayed his small pot pension claim.

What happened

Mr P contacted Scottish Widows on 18 May 2024. He emailed about taking his small pension pot and going into drawdown, Scottish Widows responded asking him to call them to discuss.

Mr P rang Scottish Widows on a few occasions, he was generally unhappy with the information he was being asked for and given by Scottish Widows. He made a complaint about Scottish Widows small pot claims process and asked for copies of the call recordings.

The call recordings were emailed to him, but due to the size of the files it seems he didn't receive them. Scottish Widows tried to provide these call recordings a different way, but it seems this also failed.

Mr P then also complained about Scottish Widows' complaint handling.

Scottish Widows issued their final response on 20 June 2024. It didn't uphold his complaint about their small pot claims process.

Following further communication with Mr P, on 26 July 2024, Scottish Widows issued a further final response letter. Whilst Scottish Widows did not uphold Mr P's complaint about their small pot claims process or the customer service provided by the manager handling his complaint about their service, it did accept it could have provided clearer information about the timescales involved.

Scottish Widows offered to pay Mr P £100 in compensation for its shortcomings. They asked for Mr P's bank details to pay the compensation into. Mr P continued to communicate with Scottish Widows after that about the small pensions pot option.

Scottish Widows maintained their position that Mr P would need to call them when he was ready to take his pension - and they would take him through the regulatory information as well as information about the small pot claim. Scottish Widows said Mr P would then be sent the web claim form to complete and return.

On 9 August 2024, Mr P queried what would happen if he returned the form. The complaint

manager said they would review the information provided and check to see if they needed any additional information. But if they had all the information needed, they would process his claim.

Scottish Widows wrote to Mr P on 16 August 2024 enclosing a cheque for £100 as compensation as he had not provided his bank details.

Mr P responded to this on 19 August 2024. He said:

*"You will review it to see if your [sic] require anything more!
Your service and your processes are quite simply a joke and designed to prevent customers from accessing their money!
I have followed a process with 4 other pension companies, and this is the most unacceptable and ridiculous.*

I require you to send me a form with ALL of the information that you need to fully process my claim end to end in one go and with no further phone calls - please send me this by return".

Mr P later referred his complaint to our service. It was considered by our investigator who did not recommend upholding it. She considered that Scottish Widows had acted fairly and reasonably in the circumstances.

Mr P did not accept our investigator's view and asked for it to be referred to an ombudsman. So, Mr P's complaint comes to me to consider.

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.

Process for claiming small pot

As our investigator explained, Scottish Widows is regulated by the Financial Conduct Authority (FCA). It must follow the FCA's Handbook. The Principles for Business and the Conduct of Business Sourcebook (COBS) apply. These Principles require regulated firms to adhere to a minimum set of standards. Scottish Widows therefore had to adhere to these principles when conducting its business. As communicated by our investigator, based on Mr P's concerns, the following Principles are particularly relevant.

- Principle 2 – A firm must conduct its business with due skill, care, and diligence.
- Principle 6 – A firm must pay due regard to the interests to its customers and treat them fairly.
- Principle 7 - A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.

Mr P is unhappy that the process for claiming his pension wasn't as streamlined as he expected it to be, particularly given his interactions with other providers when claiming small pots. Mr S thinks Scottish Widows ought to have sent him a Retirement Pack and a form to claim his small pot from the outset.

This service can't tell a business to change its internal procedures. We can consider whether in the context of an individual those internal processes were fairly and reasonably applied in their individual circumstances.

When Mr P contacted Scottish Widows initially, on 18 May 2024, he asked:
*"Can you please advise what process I need to follow to place my "small pot" (less than £10,000) into a drawdown and take my 25% Tax Free Cash upfront.
Please confirm that my SW BlackRock World ex UK Equity Index CS1 fund is available in the drawdown account."*

I don't think it's clear from this message what is important to Mr P, taking his small pensions pot, going into drawdown, taking tax free cash or access to specific investments. Where the fund is less than £10,000 it is not possible to go into drawdown. And a small pot lump sum payment can only be taken where the pot does not exceed £10,000. So, as a whole, Mr P's request could not be met. Scottish Widows asked Mr P to call them to discuss the options available in more detail. This was their standard procedure.

I've listened to the first call. Scottish Widows asked whether he wanted to be taken through the available options to access his benefits. Mr P confirmed he wanted to take the pension while it was still a small pot. The call handler then proceeded to ask questions. This is the initial part of Scottish Widows claims process, which is referred to as "Call 1".

Mr P considered the "Call 1" process unnecessarily laborious and question heavy. He felt the questions asked were not relevant or necessary to meet his objective, taking his small pot pension.

In my view, the call handler was polite with Mr P and appeared to be following a call handling script. He was met with a degree of frustration from Mr P. I don't consider it unreasonable that Scottish Widows had a systemised process for making pension claims, including small pot claims. Scottish Widows said that every consumer had to complete the same process to claim their pension.

COBS 19.7.7, requires pension providers to follow specific steps. As explained by our investigator, even for small pot claims. There is a requirement for firms to provide the appropriate retirement risk warnings COBS 19.7.9AR(2). It is incumbent on the provider where the consumer wants to take their pension, to help the consumer make an informed choice on the options available and the implications of a decision, even for small pot claims or where they have received pensions guidance or taken advice. Providers must exercise due skill, care, and diligence, during this process to ensure consumers are provided with enough information to make a fully informed decision.

Mr P did need some information to take his small pension pot, because it was not possible for him to do what he originally said he wanted to do.

I don't consider that it is unreasonable that Scottish Widows opted to carry out part of the process over the phone. I've not been told there was a particular reason why Mr P found telephone calls difficult, such that he might reasonably require Scottish Widows to make reasonable adjustments and vary their standard process to meet his specific needs.

I've listened to a follow up call Mr P had with Scottish Widows. Again, it is evident Mr P is frustrated by the whole process. There were fairly long delays during this call whilst the call handler went off to contact others, or to review information, but I think this was done to try and move things forward. The call handler remained polite throughout, and the reason why the call could not progress in the end was because Mr P did not want to go through Scottish Widows' standard process and wanted to circumvent this, which the call handler was not able to do.

Mr P made it clear during the call made on 28 May 2024 that he wanted to take his pension as a small pot and didn't want to go through a series of "*ridiculous*" risk assessment questions.

Mr P spoke to Scottish Widows again on 4 June 2024 clearly saying he wanted to take his small pot lump sum. Mr P did not however, complete this part of the call, so again Scottish Widows couldn't issue the Retirement Pack that Mr P wanted.

Mr P considers Scottish Widows process out of kilter with other providers. I can't comment on the arrangements these other businesses may have in place. I can't see however that the process Mr P was asked to participate in by Scottish Widows was an unfair or unreasonable one.

Taking him through the required steps would not in my view have taken an inordinate amount of time. The process in place was to protect consumers and balance the risks involved when accessing pension benefits. Mr P may have been more familiar than most with what was involved in taking a small pension pot, because he said he had done it before. But even he seemed to need some assistance with understanding what was possible. I think, overall, in this case the delay has largely arisen through Mr P being reluctant to allow the standard process used by Scottish Widows to be followed.

Customer service

Having listened to the calls, I am satisfied that a reasonable level of service was provided to Mr P by the call handlers.

I understand Mr P was unhappy with the customer service provided by the Complaints Manager. It seems the complaint was dealt with promptly, and, in my view, fairly. They continued to listen to what Mr P was saying after issuing their final response. They took this on board and revised the outcome, issuing compensation for the part of his complaint they agreed with.

So, like our investigator, I don't consider that any compensation is warranted for this aspect of his complaint.

Call recordings

I appreciate there were some issues with sending Mr P the calls he'd requested. The call handler could have requested the call recording sooner.

Scottish Widows was slow to send the call recordings to this service when I requested them recently. So, this is an aspect they may want to keep under review.

Scottish Widows has paid Mr P £100 compensation for shortcomings in the service they offered. I consider this to be a fair and reasonable response in the circumstances and one that corresponds with our guidance on reasonable levels of compensation.

Overall, I do not consider that Scottish Widows needs to do anything further to put things right.

My final decision

For the reasons given I do not uphold Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 9 July 2025.

Kim Parsons
Ombudsman