

## **The complaint**

Mr W has complained that Scottish Widows Limited gave him incorrect information regarding a partial transfer of his pension funds he held with it into an annuity. Mr W has said that, as a result, he unnecessarily incurred the expense of using an independent financial adviser (IFA) to facilitate the transfer.

## **What happened**

The investigator who considered this matter set out the background to the complaint in her assessment of the case. I'm broadly setting out the same background below, with some amendments for the purposes of this decision.

On 19 August 2024 Mr W called Scottish Widows to discuss taking part of his pension as an annuity, but he was told this wasn't an option. He was given the same information again on 21 August 2024 by phone and by email.

Because of this, Mr W used an IFA to buy an annuity with partial funds. During this process, however, Mr W learned that Scottish Widows had in fact been able to process a partial transfer into an annuity.

On 2 September 2024, Mr W emailed Scottish Widows a copy of its Immediate Vesting Personal Pension (IVPP) application form which said that the option to take a partial transfer of his current pension pot to buy an annuity was available.

Mr W enquired of Scottish Widows as to why he'd been initially told that this option wasn't available and asked it to offer a resolution, as he'd paid his IFA to facilitate this transfer. So, Scottish Widows logged a formal complaint on 3 September 2024.

Scottish Widows issued its final response on 8 October 2024. Scottish Widows accepted that it had incorrectly advised Mr W that a partial transfer of his pension funds into an annuity wasn't possible. It further said that a partial transfer was possible, but it didn't have a process in place to arrange this directly with customers.

Scottish Widows said it should have informed Mr W that this option was available through a financial adviser.

As an apology for the incorrect information, and the distress and inconvenience this had caused, Scottish Widows offered Mr W £250 compensation.

Mr W was unhappy about this, however, as he felt it was unreasonable for Scottish Widows to only offer a partial transfer to an annuity through a financial adviser, when he could complete the process himself. As he'd had to pay an additional £1,000 to his IFA to facilitate this, he wanted Scottish Widows to reimburse this cost to him.

Therefore, Mr W referred his complaint to our service in October 2024.

Having considered the matter, our investigator didn't think that it should be upheld, saying the following in summary:

- Scottish Widows accepted it gave Mr W incorrect information in August 2024 and explained that a partial transfer to buy an annuity was an option, but this option was only available through a financial adviser.
- To compensate for the misinformation, Scottish Widows offered Mr W £250 for the distress and inconvenience this caused. This was a fair amount in the circumstances as, even if Scottish Widows had given Mr W the correct information from the start, he would still have been required to use an IFA in any case. £250 was in line with the award this service would typically make where there had been repeated small errors or a large mistake that required reasonable effort to sort out.
- On the IVPP application form, one of the questions was as follows:  
  
*“Scottish Widows has not given advice on this transfer, including whether it is right for you or not. Have you received a personal recommendation from a financial adviser in respect of this application to transfer?”*  
  
*If you've answered no, Scottish Widows cannot accept your application to transfer.”*
- Scottish Widows was therefore correct in saying an IFA would be required in order to facilitate the partial transfer.
- From Mr W's submissions to our service, he'd acknowledged that Scottish Widows may require proof that he'd received financial advice before proceeding with a transfer, but he felt that it wasn't in consumers' interest for Scottish Widows to mandate that a financial adviser be used for a partial transfer when he could do this himself. But it wasn't within the power of this service to ask a business to change or adapt its processes.
- When a business's mistake has caused a financial loss, our service would ask it to put a customer back into the position they would've been in, but for the business's mistake. But as the need to involve an IFA was a part of Scottish Widows' process, it wouldn't be reasonable to ask Scottish Widows to reimburse Mr W the cost of paying his IFA. This was because, if Scottish Widows had given Mr W the correct information on 21 August 2024, he would still have needed to pay for the services of his IFA.
- It wasn't disputed that Scottish Widows had given Mr W incorrect information, but it had accepted that it made an error and the amount it had offered in compensation was fair in the circumstances.
- If Scottish Widows had given Mr W the correct information, he would still have had to pay an IFA to process his annuity, as this was its process.

Mr W disagreed, however, saying the following in summary:

- It was absurd that Scottish Widows would have allowed him to make a full transfer without engaging an IFA, but that it required an IFA's assistance to facilitate a partial transfer.

- He'd answered "yes" to the question of whether he'd received a personal recommendation from an IFA in respect of the application to transfer. This was because he'd taken advice on transferring part of his pension to an annuity from his IFA earlier in the year. If Scottish Widows required evidence of this, then it could have been provided. He didn't need his IFA to act as an intermediary with Scottish Widows and he could easily have completed the form himself.
- Before engaging his own IFA, he contacted an online annuity provider to check that Scottish Widows was the best annuity option for him. It confirmed that Scottish Widows was and that this annuity provider would charge 3% (approximately £3,000) for setting up the annuity. He was informed that 2-3% is what a typical person would have to pay for this service.
- So, in addition to providing incorrect information, which SW had provided compensation for, Mr W's main dispute was its requirement to use an IFA as an intermediary for a partial transfer from a Scottish Widows pension plan to a Scottish Widows annuity. This was unnecessary as the forms to be completed were straightforward. If evidence of financial advice was required by Scottish Widows, this could be provided without the significant cost of engaging an IFA to act as his intermediary.

As agreement couldn't be reached on the outcome, it was referred to me for review.

At my request, the investigator has enquired further of Scottish Widows as to whether Mr W's confirmation that he had already received advice from IFA would have sufficed for the purposes of the application.

But Scottish Widows confirmed that this wouldn't have sufficed - the actual request to transfer needed to originate from the IFA.

### **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.

And having done so, I've reached broadly the same conclusions as the investigator and for similar reasons.

As noted by the investigator, it's not in dispute that Scottish Widows initially gave Mr W incorrect information, but it has offered £250 in respect of this mistake, which taking into account the types of award which this service might make in similar situations, I think is appropriate.

Further, that misinformation didn't result in a different outcome to that which in any case transpired. Mr W has said that he'd identified that Scottish Widows offered the best annuity and he would always have needed to use an IFA to facilitate the partial transfer to the annuity. As confirmed by Scottish Widows, the prior recommendation wouldn't have sufficed for this purpose.

I acknowledge what Mr W has said about the different approach between a full and partial transfer into an annuity, but as set out by the investigator, this would have been a commercial decision taken by Scottish Widows and not one which this service would seek to influence.

**My final decision**

For the reasons given, my decision is that the amount of £250 offered by Scottish Widows Limited is appropriate here.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 24 July 2025.

Philip Miller  
**Ombudsman**