

The complaint

Ms P complains that Scottish Widows Limited didn't explain why its enhanced annuity quotation was less than its standard annuity quotation. She also complains about the performance of her pension fund and about the poor service she received from Scottish Widows Limited when she asked it for annuity quotations.

What happened

Ms P had a personal pension policy (which I'll refer to as a legacy policy) and a stakeholder pension policy with Scottish Widows. She contacted Scottish Widows on 16 May 2024 and explained that she wanted information about both policies so that she could explore her options. She was particularly interested in whether she'd be entitled to any enhanced annuities with the policies.

She says Scottish Widows told her it would phone her back to provide the information she was seeking. But she was not contacted. She phoned Scottish Widows again on 26 June 2024 to complain about what had happened and she was told she'd need to arrange an appointment. She was contacted on 5 July 2024 to discuss the quotations she wanted. An appointment with one of Scottish Widows retirement consultants was arranged for 12 July. That appointment was subsequently cancelled and Ms P was contacted on 19 July 2024 with the quotations.

Ms P was told that the enhanced annuity quotations were lower than the standard annuity quotations. She was provided with four quotations for each of her policies and on each occasion she was told she could get a better rate on the open market. Ms P asked for the reasons why the enhanced annuity quotations were lower. She also asked why the open market quotations were higher.

Ms P also expressed her dissatisfaction with how her pensions had performed, and in particular the stakeholder pension. She spoke to Scottish Widows about this on 5 July 2024. She said that when she took out the stakeholder policy she'd been told it would be managed by the adviser who'd sold it to her. She also said Scottish Widows needed to provide further explanations about why its fund management had resulted in a significant fall in the value of her policies.

She complained to Scottish Widows. It investigated her complaint. It said:

- On 16 May 2024, its adviser had not made arrangements to call her back. She was sent an email setting out how to book an appointment.
- Its adviser was not responsible for managing her pension. She was sent information when she took out the policy which confirmed her fund choice was managed by Scottish Widows fund manager.
- The value of her fund was not guaranteed. It had previously explained, in response to a separate complaint, that when she set up the policy it had been agreed that in the five years leading up to her selected retirement date her pension would move into

lower risk funds. However the value of her fund was not guaranteed and performance had been impacted by recent volatility in the markets.

- During the call on 5 July 2024, it had asked her to be more specific about the information she wanted in order to reduce the number of quotations. It believed that too many quotations could be confusing.
- Enhanced annuity rates were not guaranteed to be higher than standard annuity rates.

Ms P remained dissatisfied. She complained to our service. Our investigator looked into her complaint. She said she couldn't look into Ms P's complaint about how one of her pension policies had been mis-sold. An Ombudsman had already issued a final decision about that matter. So, she couldn't comment further.

Our investigator explained that enhanced annuities were not attached to a pension and there was no guarantee an enhanced annuity would provide a higher income than a standard annuity. She was satisfied on balance Scottish Widows had considered Ms P's health conditions and had applied its underwriting criteria. Our investigator didn't think Scottish Widows had done anything wrong.

Our investigator also thought about Ms P's belief that someone was actively managing her pension. She said that was a misconception. Scottish Widows could not advise on or decide what to do with Ms P's pension. So, in the event that there was a fund drop, Scottish Widows wouldn't recommend a customer switch to a different fund. That would be the role of a financial adviser.

In relation to the service Ms P had received, our investigator said it can take some time to obtain quotes to potentially purchase an annuity – especially where enhanced annuity quotes were also requested. She couldn't see any evidence that Scottish Widows had made any mistakes when following its process of obtaining quotes.

Ms P did not agree. She said she'd spoken to her financial adviser and also Moneyhelper and she'd been told an enhanced annuity should be higher than a standard annuity. Because Ms P did not agree the complaint has been passed to me to decide.

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.

At the outset I'd just point out that in this decision, I will only be dealing with Ms P's complaint which is about the points set out below. Her complaint about what happened in 2012 when she opened the stakeholder pension plan has been dealt with separately. So, I will not be commenting on that matter.

In this decision I will be considering the following complaint points:

1. The delays and issues Ms P experienced when she asked Scottish Widows for retirement quotations;
2. The enhanced annuity quotation was for a lower amount than the standard annuity quotation;
3. Her fund had not performed in the way she'd expected.

The delays and issues Ms P experienced when she asked Scottish Widows for retirement quotations

Ms P was told during the calls on 16 May 2024 that Scottish Widows would phone her back

Ms P contacted Scottish Widows on 16 May 2024. She says she was told during these calls that she'd receive a call back within ten days – but that didn't happen.

I've listened to two telephone calls on 16 May 2024.

The first call related to Ms P's stakeholder pension. Ms P explained that due to certain medical conditions she believed her pension would be increased. Scottish Widows said that if she had certain medical conditions then potentially that would enhance her annuity. She asked for details of how much her pension would be increased by. Scottish Widows said that if she wanted specific enhanced annuity quotes she would need to make an appointment and someone would call her back to discuss things in more detail. She'd have to have details of her medical conditions and medication for that call. The call would take around 90 minutes.

Scottish Widows said it would book the appointment during the call. The adviser then asked some questions about whether anyone else needed to be involved in the call. He said he could send Ms P an online form or she could speak to someone. She opted to speak to someone. He then said he'd send her the information by email so that she could book the appointment. The email would include a link to the booking form. He confirmed her email address. The adviser said:

"I will send you some information that will explain how to book your appointment. There will be a link that will take you to the booking website. When you are booking you will be asked for a booking reference number [which] will be on the booking form."

The adviser also explained that in order to open the email Ms P would need to use a password. He provided details of the password to her and told her that she should book an appointment to take place at least two weeks later.

There then followed further discussion about the enhanced annuity. Scottish Widows said that she did qualify for an enhanced annuity but couldn't give her any further information, during the call, about how much she might get.

Scottish Widows sent Ms P an email following the call which provided details about how to book her appointment.

Ms P says she expected someone to call her back following the call. Scottish Widows says she didn't book an appointment.

I've thought about what both parties have said. The telephone call was lengthy and Ms P was given a lot of information. So, I can understand why she may have thought that she didn't need to do anything further and that someone would call her back. However, having listened to the call, I'm satisfied Scottish Widows did explain she'd need to click on the link in the email it sent to her in order to book an appointment. She didn't do that. And that's why she didn't receive a call from Scottish Widows. So, I'm not persuaded Scottish Widows did anything wrong when it didn't call her back.

The second call on 16 May 2024 related to Ms P's legacy pension. Ms P said she wanted to

know her options for this policy and she wanted to know if there was an enhanced annuity with it.

The adviser explained the process. Scottish Widows would send her an email with a link to an online form which she could then complete. It would include all of the various options available to her. The adviser said he didn't know how much she might get since that would depend on a number of factors such as her age and medical conditions. He provided an indicative quotation, based on standard rates but explained that if she wanted a personalised quotation she'd need to phone a separate number to arrange that. He provided the telephone number to her.

Having listened to both calls, I'm satisfied, on balance, Scottish Widows told Ms P she'd need to take further action in order to book an appointment before it would phone her back.

Scottish Widows told Ms P it was too much work to provide her with all of the quotations she wanted.

I have been able to review the notes of the call that took place on 5 July 2024 when Ms P detailed the various quotations she wanted. I can see that Ms P wanted a large number of quotations for each of her policies. I can understand why that was important to her since she wanted to see how the different options might impact on her financially.

Scottish Widows says it pushed back on this because it thought that producing a large number of quotations would cause confusion. Instead its notes record that it offered to obtain around 18 quotations. These quotations included various options including with and without tax free cash, level term, with RPI increases and escalating at 8.5%.

Having thought about the quotations it offered to provide I'm persuaded, on balance, Scottish Widows acted fairly and reasonably here. It did offer to provide a wide range of quotations which I'm persuaded, on balance, would've been enough to help Ms P make a decision about the options she wanted to pursue.

The cancelled and delayed appointments

As I've set out above, Ms P thought Scottish Widows would phone her back following the call on 16 May 2024. When she didn't receive a callback she contacted Scottish Widows again on 26 June 2024. She was concerned the delay in progressing the matter could cause her financial loss since she'd heard that annuity rates were good at that time. She wanted an immediate appointment to be booked. The next day Scottish Widows contacted her and suggested an appointment date of 24 July 2024. Ms P thought this was too long to wait. Scottish Widows said it would call her back if an earlier date became available. On 3 July 2024 Scottish Widows said it could arrange the appointment for 5 July 2024

Ms P was contacted on 5 July 2024 and quotations were requested. An appointment with a retirement consultant was arranged for 12 July 2024. However, that appointment had to be rescheduled. Scottish Widows explained to Ms P that the underwriters hadn't been able to conclude their calculations. Scottish Widows said the delay was caused by "workload." Another appointment was scheduled for 19 July 2024. That appointment was able to take place.

I can understand how frustrating the delays would've been for Ms P. She was anxious to make arrangements regarding her pension. She was in discussion with her financial adviser and she needed the information from Scottish Widows in order to progress that discussion. However, it is the case that the process to arrange an annuity can be complex especially where, as here, there were medical conditions which needed to be considered.

As I've said above I don't think Scottish Widows was able to start the process on 16 May 2024. Ms P was required to book an appointment using the link on the email she was sent. She didn't do that. As a result the process didn't commence until after the call on 26 June 2024. I can see that Scottish Widows did try to arrange an appointment for Ms P as a matter of priority and the initial call took place on 5 July 2024. The underwriting process took longer than expected and that resulted in a further delay of 1 week when the call on 12 July 2024 was rescheduled to 19 July 2024.

Although the process did take longer than Ms P expected, I'm not persuaded Scottish Widows caused undue delays here. Overall the process took just over three weeks (between 26 June and 19 July 2024). Scottish Widows did phone Ms P on 12 July 2024 to explain the delay and arranged a new date for the appointment. Having thought about all the circumstances that applied here, I'm satisfied Scottish Widows acted fairly and reasonably.

The enhanced annuity quotation was for a lower amount than the standard annuity quotation

When Scottish Widows contacted Ms P on 19 July 2024 it told her the enhanced annuity quotation on both of her policies was working out at a lower amount than the standard annuity quotations. Ms P expressed her surprise that this should be the case. She asked for explanations of how an enhanced annuity could possibly be worth less than a standard annuity. Scottish Widows explained that an enhanced annuity was a separate product to a standard annuity. An enhanced annuity was not an "add on" to a standard annuity. Ms P remained dissatisfied with this explanation.

I've looked at the information on the Scottish Widows website. It states:

"Scottish Widows offers two types of annuities: Standard and Enhanced.

A Standard Annuity means the amount of income you receive is based on the average life expectancy of a person your age, the value of your pension and where you live.

An Enhanced Annuity works in the same way, but usually pays a higher income because of your health and lifestyle. For example, if you have certain health conditions or smoke, then you could qualify for an Enhanced Annuity."

The Moneyhelper website also sets out details of the various types of annuity that are available. In relation to Enhanced Annuities it states that if someone has been diagnosed with an illness or other health problem that could reduce their life expectancy they might be able to get a higher retirement income.

Neither the information on the Scottish Widows website nor the information on the Moneyhelper website state that an enhanced annuity will always offer a higher income than a standard annuity. There were no guarantees. Nevertheless, I can understand why, given the fact that she'd been told she qualified for an enhanced annuity, Ms P reasonably expected that she would be offered a higher amount than the standard rate.

I asked Scottish Widows to provide further explanations. It said that the underwriting criteria it applies is commercially sensitive and confidential. I can understand why that is the case. Scottish Widows has confirmed that Ms P did declare various medical conditions on her application form and all of this information was sent to its underwriters who considered her application in line with the usual underwriting criteria. She was entitled to an enhanced annuity. But, on this occasion, this did not result in an income which was greater than the standard annuity it was able to offer. Scottish Widows explained that although an enhanced annuity usually pays a higher income, that is not always the case.

I've thought about the explanation which Scottish Widows has provided. Having done so, I'm satisfied, on balance, Scottish Widows did apply its usual criteria when assessing Ms P's application and it did consider all of the information she'd provided before it reached its decision about what annuity income it was prepared to offer her. Although it came as a disappointment to Ms P that the enhanced annuity was not for a higher amount than the standard amount, I'm satisfied on balance that the explanation provided by Scottish Widows here is reasonable. It's also the case that Scottish Widows informed Ms P she could get a better annuity income on the open market than it was able to offer and Ms P subsequently decided not to proceed with Scottish Widows.

So, having considered everything, I'm not persuaded, on balance, Scottish Widows did anything wrong when it told Ms P the enhanced annuity it could offer her was lower than its standard rate.

Her fund had not performed in the way she'd expected

When speaking to Scottish Widows Ms P told it that the value of her pension had fallen significantly over the period since 2021. She thought Scottish Widows hadn't been managing it properly. She was particularly concerned about the performance of her stakeholder pension which had been invested on a medium risk basis.

As set out above Ms P has complained about what happened when she took out this pension in 2012. That complaint has already been dealt with and in this decision I cannot comment any further about what happened in 2012. What I can consider is the explanation Ms P was given about the performance of her pension in the period since 2021. She was given that explanation during a call on 5 July 2024 and further information was provided in the final response letter she was sent. I have listened to the call on 5 July 2024.

Scottish Widows explained how the annual management charges worked. It said these charges were for the administration of the policy. Scottish Widows was not acting as her financial adviser. As our investigator said, Scottish Widows was not actively managing Ms P's pension. So, in the event of a fund drop it could not recommend that she switch to another fund – that would have been the role of a financial adviser.

Scottish Widows also explained that in the five year period leading up to Ms P's selected retirement date, in line with the terms and conditions for her policy, the funds were invested in its Cash Fund and its Pension Protector Fund. It explained how these funds were made up and that they included cash, gilts and bonds. The value of these funds was not guaranteed. The value had been negatively impacted in the period since 2021 by various market factors (including external factors and economic outlook). Scottish Widows pointed out that the value of her pension funds did go up and down. Scottish Widows said the funds were managed by fund managers.

Having thought about the information Scottish Widows provided to Ms P, I'm satisfied, on balance it gave her clear information about how her funds were invested and the general reasons why the value of her fund had performed in the way that it had. It is the case that all funds come with a level of risk and don't always perform in the way that's expected. I think the explanation Scottish Widows provided here was fair and reasonable.

Ms P thought the problem lay with the fund managers. However, I've not been provided with any information which indicates that the fund managers mis-managed the funds or failed to manage the funds in line with the fund objectives. There was no guarantee that the funds would increase in value. So although I can understand Ms P's disappointment that her funds had fallen in value in the period since 2021, I'm not persuaded, on balance, that was because Scottish Widows had done anything wrong.

My final decision

For the reasons set out above, I do not uphold this complaint about Scottish Widows Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 1 July 2025.

Irene Martin
Ombudsman