DRN-5358191

The complaint

Mrs M is unhappy with how Scottish Widows Limited (SWL) handled her request to take a lump sum withdrawal from her pension. Mrs M said she wanted to take a partial encashment, but the full tax-free cash amount was processed and paid instead. She feels this has impacted her financial planning and caused her a financial loss.

What happened

The history leading up to this complaint is well known to the parties and therefore I have only summarised events below.

Mrs M has a retirement account with SWL. At the beginning of each tax year, she withdrew a lump sum from her pension. Mrs M said she personally calculates the amount to withdraw each year to avoid paying income tax.

In April 2024 Mrs M phoned SWL to request a "*a Partial Encashment on* [her] *Retirement Account*." The transcript of the call shows that the call handler asked Mrs M "*so how much is the tax free total you're looking to take*" from the amount requested. Mrs M responded that she thought all should be tax free.

The call handler then in order for the entire amount to be paid tax-free this would mean she would be taking a 'Partial Designation' rather than a 'Partial encashment'. When asked, Mrs M confirmed this was what she wanted to do and wanted the full 25% tax-free cash amount.

The call handler then goes on to explain the options available to Mrs M to ensure she was still happy to take the full tax-free cash amount. "Encashment" was explained as taking 25% tax-free cash and the other 75% of her funds would be taxable.

The other option, "designation", was explained to be where some or all the tax-free cash entitlement can be taken and then having flexible access to the remainder of the funds. The call handler notes "any money you take from that will be subject to tax." The call handler also mentioned the option of an annuity.

Mrs M wasn't interested in that option and doesn't appear to ask any questions at that time.

She then confirmed that she wanted to take the full 25% tax-free cash lump sum. The call handler further explained that after taking the tax-free cash, the remainder of Mrs M's funds would be moved to the retirement income part of her policy and any income taken from that "*will then be taxable*."

The call handler then asks: "*are you happy with all those details, and you want to continue with taking your tax-free cash today?*" Mrs M responds yes once again.

The request for the 25% tax-free cash payment was then processed. After receiving the paperwork from SWL confirming her selection Mrs M said she became aware that she had now taken all her tax-free cash entitlement, which was not was she wanted. Mrs M then promptly complained to SWL.

SWL looked into her complaint but didn't agree that they had done anything wrong in processing her claim as they had. Unhappy with this response, Mrs M brought her complaint to this service for an independent assessment.

One of our investigators considered her complaint but ultimately didn't think that SWL had acted unfairly. He said that the call handler provided a clear and accurate summary of the available options, and he didn't think SWL needed to do more.

Mrs M didn't agree, so her complaint has come to me for a final 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 have reached the same conclusions as the investigator and for broadly the same reasons.

When considering what is fair and reasonable, I have taken into account relevant law and regulations; regulator's rules, guidance and codes of practice; and what I consider to have been good industry practice at the time.

In order to uphold a complaint, I would need to find the business responsible for something having gone wrong and that the complainant has lost out as a result. I would then ask the business to put things right by placing the complainant, as far as is possible, in the position they would have been if the problem hadn't occurred.

Where the evidence is incomplete, inconclusive, or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in the light of the available evidence and the wider circumstances.

It's clear to me that Mrs M has strong feelings about this complaint. She has provided detailed arguments to support her case which I can confirm I've read and carefully considered. However, I trust Mrs M will not take the fact that my findings focus on what I consider to be the central issue, as a discourtesy. The purpose of my decision isn't to address every point raised, but instead to set out my conclusions and reasons for reaching them.

I appreciate Mrs M feels that the call handler used "jargon" which wasn't clear. But having carefully reviewed the call transcript, I am unable to agree. Although terms like "designations" and "encashment" were used during the call, these terms were also explained in plain language.

And when the call handler asked how much of the withdrawal Mrs M wanted tax-free, she answered all of it should be paid without tax. From there, the call handler explained her options, including that if the entire sum Mrs M wanted to take (which amounted to 25% of her overall fund value) was taken tax-free then the remainder would be moved to a different part of her policy and those funds would be fully taxable. A legal declaration stating that she was fully exhausting the tax-free cash element of her pension was read to her and Mrs M confirmed she wanted to proceed. I'm satisfied SWL made Mrs M aware of her options and the consequence of taking the full tax-free cash entitlement. In these circumstances, I am not persuaded that SWL made a mistake which caused Mrs M a loss. Therefore, I am unable to uphold this complaint.

Finally, I understand that Mrs M is also unhappy with the way Scottish Widows handled her complaint. The investigator was satisfied by Scottish Widow's complaint handling, and it is unclear if Mrs M wanted this conclusion reviewed by an ombudsman as well. But for completeness, complaint handling is not a regulated activity under the dispute resolution rules (DISP) set by the regulator, the Financial Conduct Authority (FCA), specifically DISP 2.3.1. And considering what I know about how Mrs M's complaint was handled, I am not persuaded her concerns here are sufficiently linked to her complaint about the tax-free cash payment as to be ancillary to it, so I am unable to investigate this part of her complaint further.

For all these reasons, I am satisfied that Scottish Widows provided helpful and accurate information to Mrs M. I know this with be a disappointment for her as I can see that she feels very strongly that she has been let down. I hope my decision has helped to explain why SWL's actions weren't unfair or unreasonable.

My final decision

For the reasons given above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 25 April 2025.

Jennifer Wood
Ombudsman