DRN-5368234

The complaint

Mr L complains that Scottish Widows Limited set up an annuity when he reached aged 75 without his authority. He further complains that it would not allow him to reverse this.

What happened

Mr L had a personal pension with Scottish Widows. In early June 2022, around two years before his 75th birthday, Scottish Widows wrote to Mr L saying:
"DON'T LOSE THE CHOICE OVER WHAT TO DO WITH YOUR PENSION"

The correspondence said if Scottish Widows didn't hear from Mr L before his 75th birthday, it would purchase an annuity on his behalf. The letter explained, in these circumstances, he would receive an income during his lifetime, but not any tax-free cash (TFC).

A few months before his 75th birthday, Mr L was sent another letter by Scottish Widows reminding him to act.

Around a month before his birthday a further reminder was sent by Scottish Widows pointing out that if he didn't tell Scottish Widows what he wanted to do with his pension before his 75th birthday, it would purchase an annuity on his behalf.

Twenty days before his 75th birthday, Mr L's advisers, RetireInvest, emailed Scottish Widows attaching Mr L's Letter of Authority (LOA) authorising Scottish Widows to provide RetireInvest with details of his pension.

Fourteen days before Mr L's birthday, RetireInvest called Scottish Widows to check it had received the LOA. RetireInvest was told to call back in a few days' time, as it was likely the LOA had been received, but not yet scanned on to Scottish Widows' system

RetireInvest called back six days before Mr L's birthday. Scottish Widows said the LOA had not been received and asked for it to be resent. RetireInvest sent the LOA to Scottish Widows that same day, along with the original email attaching the LOA.

The day before Mr L's birthday, Scottish Widows called him as he was turning 75 the next day. It explained that his pension policy was reaching its maturity date.

Mr L acknowledged receiving Scottish Widows' correspondence, but said RetireInvest was dealing with this on his behalf. Scottish Widows told Mr L that it did not have a record of anyone getting in touch instructing it what to do with his pension and so as he was reaching 75 the next day it would purchase an annuity on his behalf.

Mr L told Scottish Widows he wanted to take 25% TFC and make provision for his wife if he passed away before her. Scottish Widows explained that if the transfer process had started before he was 75, that process could continue. Scottish Widows told Mr L it would let the servicing team know of his intentions. Mr L said he would get in touch with RetireInvest.

The day after his 75th birthday Scottish Widows wrote to Mr L pointing out that as he had reached 75, and as it had not heard from him, the value of his pension fund (around £43,000) had been used to provide him with an annuity: It said his annual pension of (around £4,000) was payable monthly, it was guaranteed for five years and payable for life after that. It said if he wanted to amend the annuity options selected for him, he should contact Scottish Widows within the next 30 days, and it would amend the annuity as per his instructions.

Ten days after Mr L's birthday, RetireInvest called Scottish Widows. Scottish Widows said it approved a three-month extension to enable Mr L to submit a form to transfer his pension.

Fifteen days after his birthday Scottish Widows issued the requested plan information and transfer form to RetireInvest.

Mr L signed the transfer form, it was returned via RetireInvest. on 16 September. Scottish Widows received it on 19 September.

Mr L complained to Scottish Widows. He did not want an annuity. Scottish Widows would not allow the annuity to be rescinded.

In November 2024, Scottish Widows upheld Mr L's complaint concluding that, in summary, it had incorrectly told RetireInvest that Mr L could have a three-month extension. But, it said, as Mr L had failed to provide instructions prior to his 75th birthday, it could not reverse the annuity. To apologise for the inconvenience caused, Scottish Widows offered Mr L £250 compensation. Mr L did not accept this offer and complained to this service.

When submitting its response to this service about Mr L's complaint, Scottish Widows offered to pay Mr L and additional £150 in compensation (£400 in total) to recognise its shortcomings. Mr L again did not accept this offer of settlement.

Our investigator looked into Mr L's complaint and concluded that Scottish Widows did not need to do anything else to put matters right. Mr L asked for his complaint to be referred to an ombudsman. Mr L's complaint comes to me for a 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.

I have read all the representations made by Scottish Widows and Mr L and his representatives.

Did Mr L receive clear information from Scottish Widows about what he needed to do?

I've looked carefully at the correspondence Mr L acknowledges receiving from Scottish Widows.

In May 2024, Scottish Widows wrote saying:

"WHAT WE'RE ASKING YOU TO DO
Review your retirement options now
Carefully consider the 'open market option' quotation we previously provided
Access free government guidance
Call us to let us know what you'd like to do with your pension
DON'T LOSE CONTROL OF YOUR PENSION
* Please get in touch with us before your 75th*

birthday
 If we don't hear from you, you may lose the ability to choose how you take your pension
WHAT THIS MEANS FOR YOU
As long as you contact us before your 75th birthday, you can take advantage of the full range of retirement options available, and you'll be able to shop around to make sure that you don't miss out on a higher income that maybe available elsewhere.
If we don't hear from you by your 75th birthday, we'll automatically buy an annuity for you."

In my view, this correspondence was clear about what Mr L needed to do.

Letter of Authority

I cannot know what happened to the original correspondence from RetireInvest attaching the LOA. It's possible this got lost somewhere in Scottish Widows' system. I can understand why Mr L was concerned about this.

However, I note that even had this LOA been logged on the system and the information sent out, at most there would have been twenty days for RetireInvest to obtain the information, Mr L to make a decision and communicate that to Scottish Widows and for Scottish Widows to action his request. It took around three months for Mr L to communicate what he wanted to do after his 75th birthday. Twenty days was unlikely to have been enough time for the transfer to have been processed. Scottish Widows did say however, that if the transfer process had begun before his 75th birthday it could have continued. But, Mr L would have known that the transfer process had not begun before he was 75 from the telephone call he had with Scottish Widows the day before his birthday.

The missing plan information was not followed up until fourteen days before the plan maturity date. Knowing that was still outstanding and the urgency of the situation, it was then not followed up again until six days before Mr L's 75th birthday. It is unlikely that a transfer decision could have been made within that period, given how long it took Mr L to make the decision after his 75th birthday.

Did Scottish Widows do anything wrong when it bought Mr L an annuity?

Having not received Mr L's instructions about what to do with his pension, Scottish Widows called Mr L the day before his birthday to inform him that it would be purchasing an annuity for him. He did indicate he wanted to take TFC. But this was not in my view an *'instruction',* because Mr L said he would contact RetireInvest because it was dealing with it for him.

The plan rules said the following:

"7.1 RETIREMENT BENEFITS
Deciding to take retirement benefits
You must request to start on pension in respect of the whole or a specified proportion of any arrangement, with instructions as to the options required, in a form acceptable to us. However, if the pension start date for the arrangement is the day before your 75th birthday and we have not by then received your instructions in accordance with provision 7.1, then subject to the Rules and to provision 11 the whole of the application value will be applied to secure a pension for you unless we agree otherwise."

On the basis that Mr L had not provided Scottish Widows with clear instructions *before* his 75th birthday or asked for an extension *prior* to his 75th birthday, I don't think Scottish Widows acted unfairly or unreasonably when it annuitized his pension. It had clearly told him in advance this is what would happen.

Three-month extension

Scottish Widows has accepted erroneously telling Mr L's representative he could have a three-month extension after his 75th birthday to decide how to take his pension benefits. This was wrong.

Mr L's representative said the three-month extension was given until 6 September. Scottish Widows said the purported extension expired on 17 September. I understand that RetireInvest sent the transfer form to Scottish Widows on 16 September. This was after the date Mr L's representative said the extension was granted to. Scottish Widow's refusal to rescind the annuity was not because of this difference in dates however, it was because Mr L had not said what he wanted to do with his pension *before* he was 75.

Irrespective of whether the extension was given until 6 or 17 September, my view is that Mr L did not detrimentally rely on Scottish Widows mis-statement *prior to* the maturity date of his pension. As a result, I do not consider that he has been caused any financial loss arising from this mis-statement made *after* his birthday.

Putting things right

Scottish Widows has accepted that it did provide erroneous information and that this will have caused Mr L some trouble and upset. My view is that it created a wrong impression after the event and likely false hope, in Mr L's mind, about the options available.

In the circumstances I agree that £400 is a fair and reasonable amount of compensation to reflect what went wrong. It is in line with other awards made by this service. This was an isolated incident.

I am sorry Mr L has found himself with an annuity he doesn't want. But I can't fairly say that that is because of Scottish Widows' shortcomings.

Scottish Widows do not have to do anything else to put matters right. It should pay Mr L the £400 compensation offered, if not already paid, and if Mr L wishes to accept it.

My decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 26 August 2025.

Kim Parsons
Ombudsman