

The complaint

Mrs A complains about SCOTTISH WIDOWS LIMITED (Scottish Widows). She's unhappy it won't allow her to take retirement benefits from her Stakeholder Pension Plan as a cash lump sum.

What happened

Mrs A held a Stakeholder Pension Plan with a Scottish Widows. The date she was set to take benefits from her pension, her retirement date (SRD), was 17 November 2024, when she turned age 75.

In the years leading up to her SRD, Scottish Widows sent Mrs A annual statements and retirement packs, saying that she needed to consider her retirement options. As part of this, it suggested that she access free government guidance and speak with a financial adviser. And it invited her to contact it with any questions she might have. Scottish Widows explained that Mrs A had to let it know before her 75th birthday how she wanted to take benefits. If she didn't do this, it said she'd lose the ability to choose how she took her pension, which would instead automatically be used to purchase an annuity.

Having received no response to the retirement packs it sent, Scottish Widows attempted to call Mrs A three times in July 2024 without success.

As it was still waiting to hear from Mrs A about how she wanted to take her pension benefits, Scottish Widows wrote to her on 22 September 2024. It reminded Mrs A that as her SRD was only a few weeks away, she needed to let it know what she wanted to do with her pension. Again, it invited her to contact it if she had any questions or required more information.

Mrs A responded and called Scottish Widows on 14 October 2024, confirming she wanted to transfer her pension to another provider. Scottish Widows explained that Mrs A would need to get her new provider to request the transfer from it, which she agreed to do.

Scottish Widows sent Mrs A further reminder on 20 October 2024. Again, it asked her to confirm how she wanted to take her pension and warned that if she didn't do so before 17 November 2024, an annuity would be purchased for her using the proceeds of her pension.

As Scottish Widows received no further from contact from Mrs A, the proceeds of her pension were used to purchase an annuity with it on 19 November 2024.

On 26 November 2024, Mrs A called Scottish Widows, asking to take her pension as a cash lump sum. Having not identified that her pension had already been converted to an annuity, Scottish Widows incorrectly took her through its standard retirement process and later sent a letter confirming that another call was required to complete her claim.

Accordingly, Mrs A called Scottish Widows on 3 December 2024 to complete her claim and was advised that she'd receive her pension as a cash lump sum within 15 working days. However, following a review, Scottish Widows identified its error and contacted Mrs A on 10

December 2024. It apologised and explained that the way she wanted to take her pension benefits was no longer available. Mrs A complained.

Scottish Widows issued its final response to Mrs A's complaint on 27 January 2025. It acknowledged it had failed to recognise that the lump sum option wasn't available to Mrs A when she contacted it in November 2024. And it apologised for giving Mrs A the false expectation that she'd receive her pension benefits in the way she preferred. For distress and inconvenienced caused, Scottish Widows paid £500 compensation into Mrs A's bank account. It also asked for Mrs A's bank details so it could start paying her annuity. Finally, Scottish Widows said that despite its mistakes, it had given Mrs A clear information about what would happen if she didn't contact it before her 75th birthday, so it was satisfied that she'd been warned that her pension could be converted to an annuity.

Unhappy with Scottish Widows' response, Mrs A referred her complaint to our Service. One of our investigators considered the matter and didn't think Scottish Widows needed to do anything further. He acknowledged that Scottish Widows had led Mrs A to believe that she'd receive her pension as a lump sum but was satisfied that it had compensated her fairly for the impact of this. And as Scottish Widows had explained what Mrs A needed to do to choose how she took her pension, and she hadn't met this requirement, he didn't think Scottish Widows had done anything wrong when it converted her pension into an annuity.

Mrs A disagreed and made the following points:

- Due to scams, she rarely answered calls from unknown numbers, so Scottish Widows should've emailed her or contacted one of her family members if it was trying to get in touch with her.
- She experienced a fall on 6 September 2024 and the head injury she sustained from this meant she couldn't leave her home for several months. A friend would visit and open letters for her, but they were often too difficult to deal with.
- She contacted Scottish Widows in October 2024, after her friend opened one of its letters, and confirmed that she was interested in transferring her pension. Following this, she'd approached several pension providers, but none were prepared to accept her small fund. She later discussed the matter with Pension Wise, one of the government's free guidance services, which informed her about the option to take her entire pension as one lump sum.
- When she spoke to Scottish Widows in October 2024 about taking her pension, it was clear what her intention was, she just had to decide how she took benefits. On this basis, her pension should still be paid in line with her wishes.
- Scottish Widows' correspondence was confusing and difficult to understand, and she didn't like making calls. She questioned why Scottish Widows wasn't contactable via email.
- She was in financial hardship and struggling to pay her mortgage. She needed her pension as a cash lump sum, so she could pay her share of it.

As no agreement could be reached, the matter was passed 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.

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Having done so, I'm afraid I won't be upholding Mrs A's complaint. I know Mrs A will be disappointed, but I'll explain why.

Mrs A has provided several arguments to support her case which I've read and carefully considered. However, I trust Mrs A won't take the fact that my findings focus on what I consider to be the issues central to this case, 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.

Scottish Widows accepts it let Mrs A down when it incorrectly told her she'd receive her pension as a one-off lump sum within fifteen days of her call with it in December 2024. It acknowledges that it should've told her the lump sum option was no longer available and explained why. And it concedes that it should've also advised that her pension had already been converted to an annuity due to her not confirming what she wanted to do with it before her 75th birthday.

By not doing these things, Scottish Widows unfairly raised Mrs A's expectations about how she'd be taking her pension. And as she had plans for the money she was led to believe she'd receive; she was confused and ultimately deeply disappointed when she learned she wouldn't be receiving it.

As her pension provider, Mrs A was entitled to rely on Scottish Widows to provide accurate information about her pension. It's unfortunate this didn't happen on this occasion. In recognition of this and the distress and inconvenience it caused, Scottish Widows paid Mrs A £500 compensation.

Taking account of what happened, including our Service's guidelines for awards for distress and inconvenience, I think it's entirely appropriate that Scottish Widows compensated Mrs A with the amount it did. It represents a fair amount and is in line with what I'd have been asking it to pay if no award had been made. It's also in keeping with the level of awards our Service would usually recommend for an error which has caused considerable upset as has been the case here. Consequently, I won't be asking Scottish Widows to do anything further in this respect.

Turning now to the central issue Mrs A appears to be unhappy about. That's to say:

- Whether Scottish Widows' decision not to allow Mrs A to take her pension as a lump sum payment is fair and reasonable.

Mrs A's position is that unforeseen circumstances prevented her from confirming how she wanted to take her pension before the retirement deadline, so Scottish Widows should allow her to take her pension as a lump sum as she intended.

I've reviewed the terms and conditions applicable to Mrs A's pension and these confirm the policy was set up to provide her with a pension from the accumulated pension fund. The policy provisions provided Mrs A with a degree of choice when taking her benefits, including choosing the type of annuity she wanted, transferring to another provider, and taking a cash lump sum.

Specifically, the terms and conditions said:

"You must request to start your pension (...) with instruction as to the option required (...). If the pension start date for the arrangement is the day before your 75th birthday and we have not by then received your instructions (...) then subject to the Rules (...) the whole of the application value will be applied to secure a pension for you unless we agree otherwise (...)

(...) the rules of the scheme. These stipulate that benefits cannot be taken before age 50 (except for certain occupations) and must be taken by age 75.”

Based on the above, I'm satisfied that Scottish Widows applied the terms of the pension Mrs A had with it. Under those terms, if Mrs A wanted to choose how she took retirement benefits, she needed to let Scottish Widows know what she wanted to do before her 75th birthday. If she didn't, her pension would be used to secure retirement benefits for her in the form of an annuity.

The available evidence shows that Scottish Widows wrote to Mrs A on five occasions, at various points, in the lead up to her 75th birthday – including, two years, one year, and six months prior – to explain what she needed to do ahead of this deadline. It also attempted to call her on three occasions to discuss the matter. Scottish Widows' correspondence drew Mrs A's attention to the need for her to choose how she took her pension and the implications if she didn't meet the deadline for doing so. The content was consistent, and I don't think there was any ambiguity about what action Mrs A needed to take, and by when, if she wanted to take her pension as a lump sum.

Specifically, Scottish Widows' correspondence said:

“WHAT WE'RE ASKING YOU TO DO (...)

- Review your retirement options now, read the enclosed guides (...)*
- Access free government advice or speak with a financial adviser (...)*
- Call us to let us know what you'd like to do with your pension (...)*”

And it warned:

“IMPORTANT: DON'T LOSE CONTROL OF YOUR PENSION

Please get in touch with us before your 75th birthday (...). If you don't contact us by 17 November 2024, we'll automatically buy an annuity for you. This will give you a guaranteed income for life, but you'll lose the opportunity to take tax free cash or another option that may better suit your needs (...)”

All of Scottish Widows' correspondence repeatedly encouraged Mrs A to *“take action soon”*.

Mrs A has said she found Scottish Widows' letters confusing. She suggests this, and her circumstances at the time, meant she was unable to contact it and confirm how she wanted to take her pension before the required deadline. I've considered what Mrs A has said, but I'm conscious that when she first contacted Scottish Widows on 14 October 2024 about taking benefits, she was doing so in response to its 22 September 2024 letter.

The content of the September 2024 letter was almost identical to that found in correspondence Mrs A was sent by Scottish Widows in 2022, 2023, and on 19 May 2024. So, if she understood enough from Scottish Widows' September 2024 letter to know it was important for her to contact it and decide about taking her pension, it seems plausible that she would've understood the same from its other letters. Therefore, while I accept that Mrs A may not have fully grasped all the information Scottish Widows shared with her, I'm satisfied that her options were expressed in clear and simple terms which she would've sufficiently understood in good time for her to act.

I appreciate Mrs A would have preferred Scottish Widows to correspond with her by email, but I can't see where she asked it to do so. Notwithstanding this, this Service isn't able to

direct a business as to how it should communicate with its customers. The regulator sets out what information should be provided to customers in the lead up to retirement, and I can see that the information required was contained within Scottish Widows' letters.

Mrs A has said that Scottish Widows should've contacted one of her family members when in July 2024 when it wasn't able to contact her by telephone to discuss taking her pension. But I've seen nothing to suggest that she previously gave Scottish Widows instructions (and appropriate permissions) to this effect, that she alerted it to the fact that she rarely answered calls due to concerns about scams, or that this action was necessary in the circumstances.

Mrs A successfully received and understood a least one of Scottish Widows' pre-retirement letters (she has confirmed others were received and opened by a friend on her behalf), outlining what she needed to do to take her pension on her own terms before her 75th birthday deadline. So, I don't think the way Scottish Widows communicated with her prevented her from confirming how she wanted to take her pension in time.

Mrs A has explained that she experienced a fall on 6 September 2024, which resulted in a moderate head injury and meant she couldn't go out for several months. I'm very sorry to hear about the accident she had, and I have no doubt that she experienced challenges in the months that followed as a result. But as Mrs A was able to call and speak with Scottish Widows after her accident, on 14 October 2024, confirming that she wanted to transfer to another provider and agreeing to let the new provider know that it needed to request a transfer from Scottish Widows, I'm not persuaded that her circumstances, as difficult as they may have been at the time, meant she was unable to meet the deadline for confirming how she wanted to take her pension.

Further to her October 2024 conversation with Scottish Widows about transferring, I understand that Mrs A made enquiries with several pension providers, but none were prepared to accept her pension due to its size. Following this, she discussed her other options with Pension Wise, which she says drew her attention to the option of taking her pension as a lump sum. For reasons unknown, and despite a chaser from Scottish Widows on 20 October 2024, Mrs A didn't go back to Scottish Widows to confirm she wanted a lump sum instead of transferring until 26 November 2024, nine days after her retirement deadline. By this stage, in line with the terms of her policy and Scottish Widows' repeated warnings in the lead up to Mrs A's retirement date, the lump sum option was no longer available and so her pension had been converted to an annuity.

As I've said, it's not clear why Mrs A didn't contact Scottish Widows once she decided she wanted to take her pension as a lump sum. From what I've seen, this is something she would likely have been able to do by telephone with relative ease. So, while I have sympathy for the fact that Mrs A didn't get to take her pension as she wished, it's clear to me that she didn't meet the requirements to do so. Therefore, I can't say that Scottish Widows acted incorrectly or unfairly when it wouldn't agree to unwind Mrs A's annuity or allow her to take her pension as a lump sum.

Mrs A says Scottish Widows should pay her pension in line with her wishes as she made it clear in October 2024, before the deadline, that she intended to take her pension. But this isn't the same as providing Scottish Widows with the instruction it required under the terms of her policy which say:

"You must request to start your pension (...) with instruction as to the option required (...)"

Mrs A explained why she wanted her pension paid as a lump sum, saying she needed it to make a payment towards her mortgage and other living expenses. I'm pleased to see that Scottish Widows explored whether there was any basis on which it might be able to make

the payment she was seeking; however, it wasn't something it was ultimately able to agree to due to its strict criteria and the tax implications under HMRC's rules.

Although current legislation and HMRC rules allow, under limited circumstances (and subject to certain conditions being met) an annuity to be converted into a cash lump sum, Scottish Widows isn't under any obligation to do this. Scottish Widows has taken a decision not to allow this, especially as it made no error prior to Mrs A's 75th birthday, and this is its discretion. So, it isn't for me to interfere with Scottish Widows' decision in this regard.

In saying that, I have considered Mrs A's personal circumstances. But while I have every sympathy for her, I don't see that there is any basis on which I can direct Scottish Widows to take a different approach in her particular case. I realise that this will be very disappointing for Mrs A.

For the reasons I've outlined above I don't think that Scottish Widows is acting unfairly or unreasonably, when it says it won't permit Mrs A to convert her annuity to a lump sum. So, whilst I sympathise with Mrs A, for the reasons I've given above, I'm not upholding her complaint, and I won't be asking Scottish Widows to take any further steps than it has already taken to put things right.

My final decision

For the reasons I've given, my final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 13 August 2025.

Chillel Bailey
Ombudsman