DRN-5566675

The complaint

Mr B complains about the transfer of his workplace pension to a Retirement Account by SCOTTISH WIDOWS LIMITED (Scottish Widows). He complains that the amount he received was significantly lower than the figure quoted to him by Scottish Widows and that his former plan wasn't disinvested for several days after his claim request.

Mr B also complains about the delay in paying his tax-free lump sum.

What happened

Mr B contacted Scottish Widows about taking tax-free cash from his workplace pension plan.

On 12 August 2024 Scottish Widows wrote to Mr B and indicated he couldn't take tax-free cash with his existing plan, but he could do so, if he transferred to a Retirement Account.

On 27 August 2024 Mr B contacted Scottish Widows and spoke to one of its representatives in respect of transferring his plan and accessing a tax-free cash lump sum.

On 28 August 2024 Scottish Widows contacted Mr B to go through its requirements and confirm he wanted to go ahead with the transfer. On the same day it issued him with a letter summarising the telephone conversation and an illustration.

On 12 September 2024 Scottish Widows sent Mr B a confirmation of payment indicating it had transferred the monies from his pension pot to his new Retirement Account.

On 20 September 2024 Mr B contacted Scottish Widows for an update on the transfer. Scottish Widows informed him it was still waiting for the money to come across from his former plan.

On 21 September 2024 Scottish Widows sent Mr B a policy schedule for his new Retirement Account.

On 24 September 2024 Scottish Widows sent Mr B a supplementary policy schedule which took account of the tax-free cash lump sum being paid out from his Retirement Account.

On 25 September 2024 Mr B contacted Scottish Widows to ask about the payment of his tax-free lump sum.

Mr B then contacted Scottish Widows to query the value of his plan which was lower than he expected. Scottish Widows said this was due to market fluctuation. Mr B said he wasn't informed that this could happen, and he complained to Scottish Widows.

Scottish Widows upheld part of his complaint. It accepted that it had taken too long to pay his tax-free cash lump sum which had been paid on 25 September 2024. It paid Mr B interest of eight percent simple per year on the period from when he should have received his tax-free cash until the date he did receive it. Scottish Widows also paid Mr B £100 for the distress and inconvenience it had caused him by delaying the payment of his tax-free cash.

Scottish Widows didn't uphold Mr B's complaint about the amount he had received when his pension was transferred to a Retirement Account. It said when he contacted Scottish Widows in August 2024, it had been explained to him that his plan was subject to market fluctuations, the documents sent to him would be projections and the final amount would be confirmed in writing once the claim had been completed. Scottish Widows said the illustration sent to Mr B had stated these were projected values at page one of the key facts and that the amounts were not guaranteed at page two. It said the value he received was the value at close of business on 28 August 2024 which was the claim date.

Scottish Widow said its claims process meant that funds were not disinvested immediately but that they were valued at the claim date confirmed on the original request. It said this had meant Mr B's former pension plan was still showing as active until 12 September 2024 which was the point that all its checks were completed, and his plan was transferred to his new Retirement Account.

Scottish Widows also said that the process for his type of investment was to use forward-pricing, so that the price would be determined at the next available pricing point as of the date the claim requirements were met. It said as the markets are open until the end of the business day, any values it was able to access were based on the previous day's bid-price. This meant that Mr B's definitive claim value was not visible until the following working day once the markets had updated. So, the values couldn't be guaranteed because the market fluctuated on a daily basis.

Scottish Widows said that the values it provided on statements and over the telephone were therefore historic prices from previous pricing points.

Scottish Widows said it allowed a 10% tolerance of increase or decrease during a transfer before contacting the policy holder for further instruction. It said as Mr B's policy had decreased by 0.8% his transfer was processed as normal.

Mr B didn't agree with Scottish Widows' conclusions and referred his complaint to our service.

Our investigator considered his complaint but didn't think it should be upheld. She noted that Mr B had contacted Scottish Widows on 27 August 2024, as he wanted to take the tax-free cash from his workplace pension and transfer the remainder of his benefits to a Retirement Account.

The investigator said a second call was required to complete the process of transferring Mr B's plan and Scottish Widows called him back on 28 August 2024 to complete the process. She noted that Scottish Widow's representative gave the value as at the previous day and confirmed it was not guaranteed. The investigator also noted the representative informed Mr B that the value he would receive, would be the value at the close of business on 28th August 2024.

The investigator said that Scottish Widows wouldn't be able to guarantee the transfer value of the policy until after they had received Mr B's claim because the transfer value he would receive would be the value at the close of business on that day and unit prices fluctuate. She also noted that the illustration Mr B received confirmed that the values were not guaranteed.

The investigator said it was not unusual for a claim to take some time to be processed and therefore Scottish Widows hadn't disinvested Mr B's funds immediately.

The investigator said Scottish Widows was correct to use the transfer value at the claim date. So, she wouldn't expect it to pay the transfer value on the date the funds were disinvested.

The investigator agreed that it had taken too long for Scottish Widows to pay Mr B his tax-free cash lump sum, but she thought the compensation of interest for the late payment so that he was not financially disadvantaged was fair and reasonable in the circumstances.

Mr B didn't agree with the investigator's conclusions. In summary he said that his concern was that the sale took place on 12 September not 28 August and the welcome letter for his new account dated 28 August showed a different amount. So, he said Scottish Widows had accrued additional value on his pension account from 28 August to 12 September.

Mr B said if the new account had opened when the funds were sold then he wouldn't have made the complaint. However, he said there were several conflicting amounts: the amount he was advised, the amount transferred to Scottish Widows and the actual value of the funds when sold.

Mr B also said that the use of the word "will" in the illustration issued by Scottish Widows indicated that was the amount that would be transferred to his new pension plan.

Mr B also disagreed with the way the cut-off time for the valuation had been applied by Scottish Widows.

As no agreement could be reached Mr B's complaint was referred to me for review.

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've taken into account any relevant law and regulations, the regulator's rules, guidance and standards, codes of practice and (where appropriate) what I consider to have been good industry practice at the relevant time.

To recap, Mr B is unhappy that the amount he received when his pension benefits were transferred to a Retirement Account was less than the amount quoted in the illustration produced by Scottish Widows dated 28 August 2024, and the value of his former pension plan before the holdings were disinvested.

I can see that Scottish Widows wrote to Mr B on 12 August 2024 and said:

"*Youve told us you are interested in taking your tax-free cash, which isn't an option available within your current pension. To take your tax-free cash with us you need to transfer to a new pension product called Retirement Account.*

You will need to tell us how you would like the rest of your money to be invested. Please read the helpful guides below to help with the decisions you will need to make. "

Mr B spoke to Scottish Widows on 27 August and 28 August 2024. I have listened carefully to those telephone conversations and considered what was discussed. I note Mr B was informed by Scottish Widows' representative that he would be sent a summary of the call together with the relevant legal declarations, an illustration and associated documents.

Scottish Widows sent Mr B a summary of those discussions in a letter dated 28 August 2024, although I note Mr B has said he doesn't have a copy of that letter.

The letter is about his former pension plan. It starts:

"This letter confirms the outcome of the recent conversations you've had with us about taking benefits from your pension policy."

And then gives a policy value where it states " *Your existing policy value as at 27 August 2024 is…"*

It then goes on to say:

""*Please note the values contained in this letter are not guaranteed*"

Even though Mr B doesn't have a copy, I think the contents of that document demonstrates that the value used by Scottish Widows when it produced the illustration for the Retirement Account was the value of his former plan at close of business on 27 August 2024. I note the documents are both issued on the same day, and the value is the same down to the pence.

I think that this is, more likely than not, because the illustration was issued before the value at the claim date of 28 August 2024 was available, which I consider is in line with the information given to Mr B in the telephone call with Scottish Widows on 28 August 2024. The representative gave Mr B a value and explained it was the value from the close of business on 27 August 2024 and said that values are not guaranteed.

In answer to a question from Mr B, the representative confirmed that if he proceeded on that day, the value would be that at close of business on that day - namely 28 August 2024. Mr B then agreed to go ahead answering several questions and making declarations as per the process. The representative then explained again that when claiming his pension, the value was based on the next available pricing point, which was close of business that day – 28 August 2024.

The representative also explained that whatever the value was at the close of business that day, that would be the value Scottish Widows would reserve and the value it would use but he said it could take a couple of days for the old policy to close. The representative said the value at close of business on 28 August would be available the next day.

So, I consider Scottish Widows informed Mr B that the value that would be transferred would be the value at the close of business on 28 August 2024 and that value wasn't available at that time. I think Mr B agreed to go ahead and he had been made aware that he didn't have a definitive valuation because that value wasn't available.

I also note that in the telephone conversation on 27 August 2024, Scottish Widows' representative quoted Mr B a value from the Friday before, which was several thousand pounds different to the value quoted on 28 August 2024 and I think that demonstrates the value could fluctuate over a small period.

Point of valuation

I consider it reasonable and practicable for Scottish Widows to have a valuation point for its pension plans because it will take time to process claims and so it provides consistency in the value provided to its customers. Scottish Widows has explained the valuation point was the close of business on the claim date, which in Mr B's case was 28 August 2024. It doesn't seem unreasonable to use close of business on that date as share prices can fluctuate throughout the day and the close of business gives a definitive point for valuation.

I note the point Mr B has made about the time of his telephone conversation with Scottish Widows and the information he was provided in relation to the valuation. He says, in effect, that Scottish Widows should have provided him with a definitive value.

I am satisfied that the representative clearly indicated the valuation point that would be used to Mr B in the telephone call of 28 August 2024 and explained that the value was not available at that time but would be available the next day. That was because Scottish Widows would not be able to access the value as at the close of business that day until the markets had updated.

I don't think Scottish Widows withheld information from Mr B or applied the valuation point in an arbitrary way, I think it simply applied its process which was dependent on when the claim was made, and I don't think therefore that it acted incorrectly or unfairly.

Status of illustration

Mr B points out that the illustration document he received said that:

"The amount being invested in The Retirement Account — Retirement Income plan will be…"

He says the use of the word "will" indicated that the amount being invested was the amount quoted in the illustration, which was higher than the amount that was transferred to his Retirement Account.

Scottish Widows points out that that document talked about "projected values" on the first page and at page two of the illustration key facts said:

"The amounts shown aren't guaranteed."

The section Scottish Widows has referred to says:

"The Financial Conduct Authority (FCA) is a financial services regulator. It requires us, Scottish Widows, to give you this important information to help you to decide whether our Retirement Account is right for you.

You should read this illustration together with the Key Features of the Scottish Widows Retirement Account for Retirement Income so that you understand what you are buying, and then keep them safe for future reference.

This illustration shows the income you can take from the Retirement Income part of your Retirement Account, until you decide to buy an annuity. An annuity is a plan that gives you an income for life. Figures shown are for illustrative purposes only and do not form an offer.

The amounts shown aren't guaranteed."

I note the illustration document originally provided by Mr B contains that section although Mr B hasn't included it with the extract of the illustration he provided recently. I think that this is because he has referred to the part of the document he considers to be of primary importance, namely page one of the illustration key facts.

I consider Mr B, is saying in essence, that the illustration doesn't specifically say that <u>the amount being invested</u> isn't guaranteed.

Although I don't think this is in dispute, for the sake of completeness I think it is more likely than not that the document issued to Mr B contained additional pages with this section because the cover letter said

"Please find enclosed:

- *Illustration(s) for Retirement Income.*
- *Key Features of the Scottish Widows Retirement Account for Retirement Income*. "

And the illustration would have to cover additional information such as which portfolio the new plan was being invested in, the growth rates used and the charges.

In any event, I think it is important to consider the status of this document. An illustration is a document produced by a financial business to "illustrate" to a consumer what they might receive from a particular investment depending on different assumed growth rates and shows the consumer the impact of charges on their investment. It is valid at the date of illustration. In Mr B's case, the date of illustration was 28 August 2024.

If I am looking to invest a particular sum in an investment, then the amount that "will" be invested for the sake of the illustration, is the amount I decide to invest. However, where the source of the investment is another investment, as was the case here, then that amount can fluctuate and will change depending on the date you choose, up until the date the value of that investment is crystalised - in other words the valuation point.

So, if an illustration is issued on X date and the source of the funds is another investment, the business will use the most up-to date information available at that time, which is more likely than not going to be the value of that investment at the close of business on the working day before X date. And I think that is corroborated here by the documentation issued by Scottish Widows which gives the same value in the summary of conversation letter dated 28 August 2024 (which states the value as that of 27 August 2024) and in the illustration dated 28 August 2024.

I think it is important to note that this is an illustration for the new Retirement Account – not an illustration for the pension plan that was being transferred. So, it isn't a valuation of Mr B's former pension plan, and I don't think therefore that it constitutes a contractual promise that the amount quoted there, is the amount that will be invested, or a valuation of the former plan.

I also note the key facts illustration refers to projected values, so I think that language indicates that these figures are not to be regarded as fixed.

So, overall, I don't think I can consider this illustration to constitute a contractual promise by Scottish Widows to transfer the amount quoted in the illustration to Mr B's Retirement Account or that it constitutes evidence of the value of Mr B's plan at the claim date.

Disinvestment of former pension plan

Mr B has pointed out that his funds remained invested for some time after 28 August 2024 and that he was able to access his former plan value on 11 September 2024 and the value shown then, was higher than the value he received.

The funds were moved on 12 September 2024, and a confirmation of payment was issued to Mr B on that date with confirmation that his pension pot value was as at the claim date of 28 August 2024.

Scottish Widows has said the claim process it uses when transferring a pension plan to another plan means that disinvestment doesn't happen on the same day. But in order to have a clear process and valuation point, the value that is transferred is the value at the claim date.

In Mr B's case the value of the investments in his pension plan increased after he decided to transfer his plan and access his tax-free cash lump sum, so I can understand that would be frustrating for Mr B to see. However, conversely the value could have decreased over that period and in that instance, he still would have received the higher amount as at the claim date.

I don't think it is unreasonable for Scottish Widows to need some processing time when dealing with a transfer and claim, because Scottish Widows will be dealing with numerous claims at any one time. It will also have to carry out any relevant checks and in Mr B's case, it additionally needed to set up the new Retirement Account which was the account the money was to be transferred to.

So, I don't think it was unreasonable that Mr B's funds weren't immediately disinvested as the point of valuation was the claim date not the point of disinvestment.

Mr B has explained that his complaint is primarily about the value he received for his former pension plan, which was lower than he had expected and lower than the value he could see when accessing his former plan, rather than the time it took to transfer his former pension plan. I don't think the time taken was unreasonable in the circumstances but in any event, Scottish Widows has confirmed that his investment in the Retirement Account started on the claim date of 28 August 2024. This was also confirmed in the policy schedules sent to Mr B which showed a contribution date of 28 August 2024. So, although the funds weren't immediately disinvested and the monies weren't immediately transferred to the new account, the effective investment date for his new plan was the date the claim was made.

Decrease in value and impact on the processing of the transfer and claim

Mr B says that the 10% tolerance referred to by Scottish Widows was extremely unlikely to occur and says, in effect, it should have contacted him to ask whether he wished to proceed with the transfer given the decrease in value since the last pricing point.

Scottish Widows has said that the 10% tolerance is an industry practice whereby if the change in value reached that level, it would contact a consumer. I think if a customer, in this case Mr B, gives a valid instruction to transfer, then the expectation is that Scottish Widows will carry out that instruction unless there is a good reason not to, because the customer may well be relying on that transfer or payment and pausing the transfer and using a new valuation point wouldn't necessarily result in a better outcome. Here, Scottish Widows has explained that what it considers to be a good reason in line with industry practice is a difference of 10% in value and I don't think that is unreasonable and as Scottish Widows applies this policy consistently to all customers, I don't think it is treating Mr B unfairly by doing the same here.

Summary

I am satisfied that Scottish Widows transferred the value of Mr B's former pension plan as at the close of business on the claim date and that it informed him in advance of the date that would be used. I don't consider it has acted incorrectly or unfairly in using the valuation at the claim date or in taking some time to disinvest the investments in his former pension plan when processing the claim and transfer.

Delay in payment of tax-free cash sum

Mr B has said that the crux of his complaint is about the value he received for his former pension plan, not the time it took to transfer to the Retirement Account and pay him his tax-free lump sum, and he hasn't therefore expected or sought interest.

However Scottish Widows has acknowledged, and I agree, that it took too long to pay Mr B his tax-free cash lump sum and I note that Mr B had to contact Scottish Widows to chase this up. I also note that the representative had indicated to Mr B during their telephone call, that he would ask for the processing of the tax-free lump sum to be expedited. So, I think Scottish Widows has caused Mr B a financial loss and distress and inconvenience by delaying that payment.

Scottish Widows has said the payment should have been made on 18 September 2024 and has awarded interest from that date to the date of payment, at eight percent simple per year. I consider that is a fair and reasonable way of compensating Mr B for being deprived of that cash. As I have said, it would reasonably take some time for Scottish Widows to carry out checks and administrative processes to disinvest his former pension plan and then set up the new Retirement Account and make the payment. I think the time frame Scottish Widows has identified is reasonable in the circumstances and in line with the timeframe given to Mr B in the phone call of 28 August 2024, where the representative indicated the usual timeframe was about three weeks.

So, as I consider the compensation it had paid to Mr B is fair and reasonable in the circumstances, I won't be asking Scottish Widows to do anything further and I don't therefore uphold the complaint.

My final decision

My final decision is that I don't uphold Mr B's complaint against SCOTTISH WIDOWS LIMITED

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 27 October 2025.

Julia Chittenden
Ombudsman