DRN-5649026

Financial Ombudsman Service

The complaint

Mrs R is unhappy about how Phoenix Life Limited has distributed death benefits from her husband's pension.

What happened

Mrs R's husband (Mr S) passed away in January 2023.

In April 2023 Phoenix Life sent Mrs R a death benefit claim form and asked for supporting documents including a death certificate, Mr S's will (if one was made) and a grant of representation.

The form was completed and returned to Phoenix Life on 1 December 2024. The form recorded Mrs R as Mr S's wife and that he had two children (one under the age of 18) who both lived with Mrs R. It also noted that Mr S's parents were both alive and that there were no other potential beneficiaries.

On 6 December 2024, Phoenix Life wrote to Mrs R. They said they had noted she and Mr S were not living together and asked her whether they were separated or legally divorced. They also asked her to provide evidence to confirm there was an element of ongoing financial interdependency between them, for example a joint mortgage, joint bank account or shared utility bills.

On 17 December 2024, Mrs R provided Phoenix Life with her marriage certificate and the birth certificates of the children. She explained in a letter that her in-laws had disapproved of the marriage between her and their son and that they had been abusive towards her. It was hard for her husband to cut ties with his family. Mr S suffered from alcoholism and he abused Mrs R. He eventually moved back in with his parents, however he and Mrs R never divorced. Mrs R noted that she was aware that Mr S had told a friend he wanted to make sure his money came to her and their children.

On 30 December 2024, Phoenix Life informed Mrs R that they had considered the information provided by her and Mr S's family and their intention was to pay 50% of the death benefits to her as the mother of Mr S's children and 50% to Mr S's parents who he was living with. They asked Mrs R to confirm if this settlement was acceptable to her or to provide any further information or supportive evidence she felt needed to be considered by the administrators.

Mrs R called Phoenix Life on 10 January 2025 to advise she wasn't happy with Mr S's parents receiving part of the policy claim. She emailed Phoenix on 11 January explaining the controlling behaviour of Mr S's parents and their abuse towards her. She said they had cleared out Mr S's bank accounts and had left her to pay off his debts. She provided evidence in the form of letters she received with regards to Mr S's debts. She also explained that her husband had returned to live with his parents as he was told he would otherwise lose his share of their large house and land abroad. Mrs R asked Phoenix Life to reconsider awarding the money to their children.

On 5 February 2025, Phoenix Life informed Mrs R that the scheme administrators had reviewed the additional information she had provided, however their decision to settle the claim by paying 50% to her and 50% to Mr S's parents remained the same. They asked her for identification documents and her bank details so they could make payment to her.

Mrs R called Phoenix Life on 12 February to inform them she still didn't agree with the decision. On 15 February Phoenix Life wrote to Mrs R in response to her phone call. They repeated that their decision remained the same and asked for ID and bank details again to settle the claim.

Mrs R remained unhappy so she referred her complaint to us. One of our investigators explained that Mr S's pension policy allowed the scheme administrators discretion who to pay death benefits to. They could take into account the deceased's or any potential beneficiary's wishes, but they weren't bound by them.

The investigator explained that we could only consider whether Phoenix Life exercised their discretionary duty reasonably. We couldn't require them to change the basis on how they would settle the claim. We could only ask them to review their decision if we felt they hadn't considered any information that was available or ought to have been reasonably available to them.

The investigator concluded that Phoenix Life had considered the information provided by Mrs R regarding the very difficult family situation. Mr S had not provided an expression of wish and Phoenix Life ultimately had decided to settle the claim by paying 50% to her and 50% to his parents who Mr S had been living with.The investigator felt Phoenix Life had exercised their discretionary duty reasonably and so she didn't ask them to do anything else.

Mrs R has asked for a second opinion, so her complaint has been referred to me for an ombudsman's 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've carefully read all of Mrs R's submissions and I can see that her relationship with her late husband and his family has been -and continues to be- incredibly difficult and traumatic. I have great sympathy for Mrs R's situation and I fully understand that she finds it difficult to accept Phoenix Life's decision to pay out half of her husband's pension death benefits to his parents. I appreciate she considers that this goes against what Mr S would have wanted and that her children are in more need of these benefits than her in-laws.

However, I agree with the investigator that it's at Phoenix Life's discretion who they consider the appropriate beneficiaries to be and how to distribute benefits between them. Phoenix Life confirmed that Mr S had signed no expression of wish form. Mr S's pension scheme rules allowed potential beneficiaries to be relatives and dependants. A spouse, children and parents of a deceased were all possible beneficiaries according to the policy.

I see no evidence that any submission or evidence from Mrs R was ignored. Phoenix Life were aware of Mrs R's testimony about why she and Mr S weren't living together and the difficult nature of the family relationships involved. They also considered the evidence Mrs R submitted with regards to the debts she was asked to pay on behalf of her husband after his death. However, they did also consider that Mr S had been living with his parents and not with Mrs R and her children. So they made the decision to split the benefits between Mrs R and Mr S's parents.

Before making their decision, they did ask Mrs R further questions and also allowed for further comments after they informed her of their intended decision. I consider these were reasonable steps to ensure a fair process.

I appreciate their decision is disappointing for Mrs R. I want to be clear that my decision isn't about whether I agree with the decision Phoenix Life made or whether I think the decision itself is fair. It wouldn't be appropriate for me to fetter with Phoenix Life's discretionary power. My decision is limited to whether they exercised their powers in this regard in a reasonable manner. Based on what I've seen I'm satisfied Phoenix Life were entitled to make their decision as they did. They acted in line with the pension scheme rules and they exercised their discretion in a reasonable way.

My final decision

I don't uphold Mrs R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 8 September 2025.

Nina Walter
Ombudsman