

The complaint

Mr S complains that Scottish Widows Limited clawed back premiums it paid into his pension under a waiver of premium clause in his personal pension policy.

What happened

Mr S had a personal pension with Scottish Widows. In October 2024, he asked it to pay him the tax-free cash he was entitled to. He says he experienced numerous issues with Scottish Widows' administration after he made this request and for a period of time he thought that a substantial part of his pension had disappeared. He had to contact Scottish Widows on numerous occasions.

Scottish Widows said the amount it had told him he was entitled to receive under his policy included premiums which he'd received under a waiver of premium clause. It said it had, in error, continued to pay the premiums into his policy after he'd reached age 60. It said the waiver of premium payments should have ceased on his 60th birthday. It clawed back the payments it had made in error. Mr S says this amounted to a reduction of over £8,000 in the value of his pension.

As a result of the issues he experienced, Mr S says he cancelled his request for the tax-free cash. He believed he was entitled to continue to receive the waiver of premium benefit until his selected retirement date which was age 65. He complained to Scottish Widows.

Scottish Widows investigated his complaint. It said that the error had arisen because of a systems migration in 2019. It said the waiver of premium benefit was only payable up to age 60 and it should have been stopped in June 2019. It hadn't detected the error until after Mr S asked for the tax-free cash in October 2024. It said it was sorry for what happened, but it couldn't reinstate the funds to his pension as the waiver of premium was only valid up to age 60.

Scottish Widows acknowledged it hadn't managed Mr S's expectations. It agreed to compensate him if, as a result of what happened, he'd delayed taking his tax-free cash. It said it would carry out a financial loss calculation provided he made his claim within 12 weeks of the date of its letter. Scottish Widows also paid Mr S £500 by way of compensation for the worry and frustration it had caused.

Mr S did not agree. He referred his complaint to our service. He provided an internet search which he said showed that the waiver of premium benefit was payable up to age 70.

Our investigator looked into Mr S's complaint. She said she'd considered the evidence Scottish Widows had provided. It hadn't provided a copy of the policy terms and conditions or the original policy schedule. But it had provided a copy of a policy endorsement dated 16 April 1999. Mr S thought this document may have been "fake." Our investigator said it wasn't within the remit of our service to make a finding that a document provided by a business was fake.

Having considered everything, she thought on balance the 1999 policy endorsement showed

that the waiver of premium benefit was only valid up to Mr S's 60th birthday. She said that the internet search Mr S had provided explained that the specific terms of a policy would require a review of the policy documents. So, she didn't think Scottish Widows had done anything wrong when it clawed back the premiums it had paid after Mr S's 60th birthday.

She did agree that Mr S had suffered a loss of expectation. Mr S had experienced considerable distress and upset at being given incorrect information. And he was inconvenienced by having to call Scottish Widows several times to get to the bottom of what happened. However, our investigator thought that £500 was fair and reasonable in all the circumstances and in line with what our service would generally expect a business to pay in situations such as this.

She didn't think Mr S should be penalised for referring his complaint to our service. So, if he did decide to make a claim on his policy within four weeks of any final decision by our service, she thought Scottish Widows should carry out a loss calculation to determine if he'd suffered a financial loss as a result of the delay. If he'd suffered a loss, it should compensate him accordingly.

Mr S did not agree. He reiterated that all the documentation he held indicated that the waiver of premium benefit was payable up to at least his selected retirement date – age 65. He said there'd been no mention of age 60. He also referred again to the internet search he'd provided.

Because Mr S didn't agree, the complaint was passed to me to decide. I issued a provisional decision in which I said:

What I've provisionally 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.

*Mr S says he had three pension policies with Scottish Widows. He says he discovered he had waiver of premium benefit on two of his policies – policy **41Y and policy **104. Scottish Widows has provided further details about policy **104. It has provided a copy of letters it sent to Mr S in October 2017 and July 2019. These letters indicate that this policy did have waiver of premium benefit. However, the policy was a mortgage protection policy and it expired in 2019. Scottish Widows says the only pension policy Mr S had waiver of premium benefit with was policy **41Y. I haven't been provided with any evidence Mr S had waiver of premium benefit on any of his other pension policies with Scottish Widows. So, in this decision I will only be considering the complaint he's made about the waiver of premium benefit on policy **41Y.*

The terms and conditions of policy **41Y

Mr S took out this policy in 1990. He topped up his pension contributions in 1999 and applied for waiver of contribution terms to cover the increase in contributions.

Scottish Widows has provided a copy of a document entitled "The Lloyds TSB Personal Pension Plan Endorsement Plan Schedule Supplement" dated 16 April 1999. It had Mr S's name and his policy number on it. It set out details of an "additional regular premium." It included details of the "charge for waiver of additional premiums" which stated:

"£0.20 payable on the Due Dates of the Additional Regular Premium shown

above up to the Retirement Date but not beyond the 60th Birthday of the Member.”

Mr S thought this document may have been fake. But I've not been provided with any evidence to support what he says. I've also looked at other documentation which Scottish Widows has subsequently provided to our service.

Scottish Widows initially said it wasn't able to provide a copy of the policy terms and conditions. After our investigator issued her view, Scottish Widows has been able to provide further documentation as follows:

- *The schedule for the policy dated 15 November 1990. This is entitled “Black Horse Personal Pension Policy.” It has Mr S's name, date of birth and policy number on it. Attached to this document is another document entitled “Policy Schedule.” The type of policy is described as “Additional Term Assurance for Personal Pensions.”*
- *An application dated April 1999 when Mr S asked to top up his pension contributions and asked for the waiver of contribution to cover the increase in contributions. The application included the policy number and Mr S's personal details*
- *Scottish Widows Personal Pension Policy Provisions dated 1994. This includes a clause setting out details of the “Waiver of Contribution Benefit.” It states that the “period of waiver” will cease*
 - “ a. At the end of the period of disability; or*
 - b. On the earlier of the Member's 60th birthday and the selected retirement date shown in the schedule before any endorsement thereto or such later date as Scottish Widows allows, or*
 - c. On the date of entry on pension under the Arrangement**whichever is the earliest.”*
- *The Black Horse Personal Pension Plan Policy Rules. These are not dated but the publication reference on the document suggests it was dated 1993. This includes a clause setting out details of the “Waiver of premium” benefit. It states that the “Benefit Period” ceases on the earlier of:*
 - “a. the date on which the Incapacity ceases, or*
 - b. The Member's 60th Birthday, or*
 - c. The date of death of the Member, or*
 - d. The Retirement Date selected by the member...”*
- *The Black Horse Personal Pension Plan Policy Rules. These are not dated but the publication reference on the document suggests it was dated 1995. This includes a clause setting out details of the “Waiver of Premium Benefit.” It includes the same wording regarding the Benefit Period as that set out in the 1993 Rules.*

I'd just comment that although the original policy schedule and some of the Policy Rules referred to in the list above refer to "Black Horse" and "Lloyds TSB" the policy is now managed by Scottish Widows and it is responsible for dealing with Mr S's complaint.

I have not been provided with a copy of the policy document which applied in 1990 when Mr S took out the policy. Scottish Widows says it hasn't been able to locate a copy. But it says that all of the above documentation points to the fact that the waiver of premium benefit would have ended when Mr S reached age 60.

Mr S has provided two pages which he says are extracts from his policy and which he holds with his other records. He says this is all the information that he has.

So, I haven't been able to review the original policy document from 1990. In these circumstances I've reviewed all of the other documentation before forming my view of what I think, on balance, it's most likely that the policy terms were.

I've looked at the two page extracts provided by Mr S. It's not indicated on the pages what policy they refer to or what date they were issued. It's also the case that the two pages appear to differ from each other in terms of the font used and the style in which the information is presented. So, I'm not persuaded, on balance, that the two pages are extracts from the same document or that they relate to Mr S's personal pension plan with Scottish Widows. When reaching that view, I've taken the following into account:

- The first page Mr S has provided indicates that the charge for waiver of premium benefit is payable up to the policy anniversary date before the Life Assured's 65th birthday. This is at variance with the policy schedule referred to above and the policy endorsement – both of which state that the charge for waiver of premium benefit is payable up to the 60th birthday of the Member.*
- The second page Mr S has provided refers to waiver of premium benefit and defines the "Claim period" as ending immediately before the relevant life's 65th birthday or the expiry date ... whichever is earlier. However, as I've noted above there is nothing on this page which indicates what policy this relates to.*
- Both pages use language about the "Life Assured" – whereas the policy schedule and the endorsement referred to above refer to the Member.*

*I have also noted that Mr S did have other policies with Scottish Widows – including a mortgage protection policy (numbered **104) which I've mentioned above. So, although I cannot be certain, it may be that the extracts he's provided relate to a different policy or policies which Mr S held.*

Mr S sent us a copy of an internet search he carried out which he says shows that a Scottish Widows Waiver of Premium policy purchased in 1999 will generally continue until the policy holder reaches age 70. This extract forms part of a Google AI (Artificial Intelligence) generated overview. However, the extract he's provided also includes wording which states that specific terms of a policy would require the policy document to be reviewed. So, I'm not persuaded that the information in the search he's provided is compelling evidence that the waiver of premium benefit on his policy was payable up to age 70.

Mr S has also sent information about policies which he says Scottish Widows currently offer which provide "premium protection." He's referred us to a policy which

includes premium protection where Life and Critical illness cover has been taken out. However, I've not been provided with any evidence to support the view that the waiver of premium benefit Mr S had with his pension policy offered the same terms and conditions.

Having considered everything, I'm persuaded, on balance, it's likely the terms and conditions for Mr S's policy provided that the waiver of premium benefit period ended when he reached age 60. That's consistent with the terms and conditions which Scottish Widows has provided for subsequent years. And, as set out in both the original schedule and the endorsement in 1999, it's also consistent with the fact that the additional premium for waiver of premium benefits was only payable up to age 60 – even though the selected retirement age was 65.

Scottish Widows' decision to clawback the overpaid premiums

For the reasons set out above, I've decided that Scottish Widows wasn't required to continue to pay premiums for this pension policy after Mr S reached age 60. In these circumstances I don't think Scottish Widows did anything wrong when it informed him in 2024 it had been paying these premiums in error since 2019, and it had removed any contributions made into his pension after his 60th birthday.

Scottish Widows accepts that it made an error here when it continued to pay the premiums after Mr S reached his 60th birthday. When a business makes an error it's not our role to fine or punish it. We look to see what it's done to try to put things right and whether the actions it has taken are fair and reasonable in all the circumstances of the case.

Although Mr S's pension value fell as a result of Scottish Widows' decision to clawback the premiums it had paid in error, Mr S didn't suffer a financial loss because of that. For the reasons stated above, I'm not persuaded he was entitled to have received the premiums after he reached age 60. By clawing back the premiums Scottish Widows was putting the policy back to the position it would have been in if the error hadn't occurred.

I've then thought about the distress and inconvenience Mr S experienced because of what happened. It took Scottish Widows over five years to detect the error it had made. It had given Mr S incorrect information when he telephoned it to enquire about the value of his pension and the amount he'd receive in tax-free cash.

He submitted his claim in October 2024. After several weeks had passed, he says he saw information on his App which worried him. He expected that after the tax-free cash had been deducted there'd still be over £100,000 left – however that was not the case. He had to phone Scottish Widows on several occasions to try to get to the bottom of things and didn't receive an explanation until January 2025. Because of the delays and the uncertainty, Mr S had cancelled his claim. So, I think the impact of Scottish Widows' error caused considerable distress, upset and worry and significant inconvenience to Mr S. He had to spend a lot of time and effort to try to resolve the matter.

Scottish Widows has acknowledged it caused worry and frustration. It paid Mr S £500 by way of compensation. And it also agreed to pay him further compensation if it turned out he'd suffered a financial loss because he'd had to delay his claim. It said it would do this if he submitted a claim within 12 weeks of its letter.

Having considered everything, although I know it will disappoint Mr S, I've

provisionally decided that £500 is fair and reasonable in all the circumstances that applied here and in line with our guidance for awards of this nature.

Our investigator thought it was fair and reasonable to require Scottish Widows to pay Mr S further compensation if it turns out he would suffer a financial loss because he'd delayed making his claim – provided he made his claim within four weeks of any final decision. I also am of that view. Scottish Widows accepted what our investigator said. In these circumstances, I don't intend to require it to have to do anything further.

My provisional decision

For the reasons set out above, my provisional decision is that I intend to uphold this complaint about Scottish Widows Limited.

Scottish Widows Limited has already paid Mr S £500 by way of compensation for distress and inconvenience which I think is fair in all the circumstances. I don't require Scottish Widows Limited to have pay him anything more by way of compensation for distress and inconvenience.

Scottish Widows Limited has also already agreed to carry out a financial loss calculation should Mr S decide to make a claim on his pension which I think is fair in all the circumstances that applied here.

So, my provisional decision is that, should Mr S decide to make a claim on his pension within:

- *four weeks of the date when we tell Scottish Widows Limited that Mr S has accepted our final decision; or*
- *within four weeks of the date when we inform Mr S that both parties have accepted this provisional decision*

(whichever is earlier)

Scottish Widows Limited should carry out a financial loss calculation to determine whether Mr S has suffered a financial loss as a result of the delay in making his claim. If Mr S has suffered a financial loss as a result of the delay in making his claim, Scottish Widows Limited should pay him that amount by way of compensation. I think that is fair and reasonable in all the circumstances that applied here.

Scottish Widows said it accepted the provisional decision.

Mr S responded to the provisional decision. By way of summary, he said:

- he selected waiver of premium from “day one” in 1990.
- he found it hard to believe that Scottish Widows could not provide a copy of the original pension policy dated 1990.
- he'd not been given any information by Scottish Widows for months and he eventually worked out for himself that Scottish Widows had stopped the payments at age 60.
- he'd been caused months of stress and hadn't been given a proper apology. He'd spent much time and effort and had been “passed on from one person to another” to try to get the matter resolved. He didn't think £500 was enough to cover the distress and inconvenience he'd been caused.

After receiving the responses to the provisional decision, our service wrote to both parties to

clarify that in the provisional decision the Ombudsman had upheld Mr S's complaint, in part only.

We wrote to both parties as follows:

"In her provisional decision [the Ombudsman] explained that she didn't think Scottish Widows had done anything wrong when it decided to clawback the premiums it had paid after Mr S reached age 60. She remains of that view. So, for avoidance of doubt the Ombudsman wishes to make clear that her provisional decision was that this part of Mr S's complaint had not been upheld.

Scottish Widows had acknowledged it made errors in terms of how it managed Mr S's expectations. It paid Mr S compensation for that and offered to carry out a financial loss calculation in circumstances where he makes a claim within certain time periods.

The Ombudsman's provisional decision was that Scottish Widows had made errors. For example, she noted that it hadn't corrected its error regarding the premiums it had paid until after Mr S made his claim, it gave Mr S incorrect information when he initially telephoned it to make his claim, he'd had to contact it multiple times and it had caused worry and frustration. So, her provisional decision was that that part of his complaint was upheld. Mr S thinks the compensation amount is not enough, but the Ombudsman is not currently minded to change her view about that. She has asked me to refer you to the information to our approach to awards for distress and inconvenience available on our website."

Both parties were invited to provide any further comments. Mr S hasn't provided any further comments. Scottish Widows said it had nothing further to add.

So, I now need to make my 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 thought about Mr S's responses to my provisional decision. He says he had waiver of premium "from day one" in 1990. I've not seen anything to suggest that was not the case. However, the main issue which I had to consider was the date the waiver of premium benefit was payable up to. Mr S thought it was payable up to at least age 65, whereas Scottish Widows argued it was payable up to age 60.

In my provisional decision I explained that neither Scottish Widows nor Mr S had been able to provide a copy of the original (1990) policy document. In these circumstances, I reviewed all of the other documentation that had been provided to me in order to form a view about what I thought, on balance, it was most likely the policy terms had been.

I set out the reasons why I thought it was likely, on balance, the terms and conditions of Mr S's policy provided that the waiver of premium benefit period ended when he reached age 60. I haven't been provided with any new or additional information that causes me to change my view, or the reasons for my view, about that. So, I remain of the view that Scottish Widows wasn't required to continue to pay the premiums on Mr S's pension policy after he reached age 60. And I remain of the view that Scottish Widows didn't do anything wrong when it clawed back the premiums it had paid in error. So, I haven't upheld this part of Mr S's complaint.

Scottish Widows accepted it made errors here. It shouldn't have continued to pay the premiums after Mr S reached age 60; it had given Mr S incorrect information about the policy value when he telephoned it; and it hadn't managed his expectations when he'd submitted his pension claim. It paid him £500 by way of compensation for the worry and frustration it had caused.

Having considered everything my provisional decision was that £500 by way of compensation for distress and inconvenience was fair and reasonable in all the circumstances that applied here.

In response to my provisional decision, Mr S said he didn't think £500 was enough compensation for the time and effort he'd had to expend to try to resolve this complaint. And he also explained how stressful the situation has been for him.

In my provisional decision I had considered these matters. Mr S was given incorrect information when he initially phoned Scottish Widows. He was worried and concerned when the information on his App appeared to indicate that his funds had gone missing and he had to phone Scottish Widows on several occasions to try to get to the bottom of things. He then discovered that Scottish Widows had made an error, and the value of his pension was less than what he'd initially been told. Ultimately, he decided to cancel the claim he'd submitted to Scottish Widows.

As stated above, Scottish Widows paid Mr S £500 by way of compensation for distress and inconvenience. It says it thinks that is a fair and appropriate amount. It also offered to carry out a financial loss assessment, should Mr S decide to proceed with the claim on his pension, to determine if Mr S had suffered a loss because of the delay.

As I said in my provisional decision, when thinking about whether the compensation which Scottish Widows had paid Mr S was fair, I had taken into account our guidelines for awards of this nature. Further information about our approach to awards where a business's error has caused distress and inconvenience is available on our website.

I noted, in my provisional decision, that the impact of Scottish Widows' mistake on Mr S caused considerable distress, upset, and worry and it needed a lot of extra effort on his part – over several months – to try to resolve the matter. So, although I know it will disappoint Mr S, I'm satisfied, on balance that, in these circumstances, and in line with our guidelines, a payment of £500 for distress and inconvenience is fair in all the circumstances.

I also remain of the view that it's fair and reasonable to require Scottish Widows to carry out a financial loss assessment, should Mr S decide to proceed with making a claim on his pension - provided he makes his claim within four weeks of the date that we tell Scottish Widows he accepts my final decision.

My final decision

For the reasons set out above, my final decision is that I uphold this complaint, in part, about Scottish Widows Limited.

Scottish Widows Limited has already paid Mr S £500 by way of compensation for distress and inconvenience which I think is fair in all the circumstances. I don't require Scottish Widows Limited to have to pay him anything more by way of compensation for distress and inconvenience.

Scottish Widows Limited has also already agreed to carry out a financial loss calculation should Mr S decide to make a claim on his pension within certain timeframes - which I think

is fair in all the circumstances that applied here.

So, my final decision is that, should Mr S decide to make a claim on his pension within four weeks of the date when we tell Scottish Widows Limited that Mr S has accepted my final decision, Scottish Widows Limited should carry out a financial loss calculation to determine whether Mr S has suffered a financial loss as a result of the delay in making his claim.

If Mr S has suffered a financial loss as a result of the delay in making his claim, Scottish Widows Limited should pay him that amount by way of compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 15 October 2025.

Irene Martin
Ombudsman