

The complaint

Mr D complains that Scottish Widows Limited (Scottish Widows) made multiple errors in restructuring his Personal Pension Plan, without communicating what was happening and causing financial losses.

Mr D is assisted in bringing his complaint by his IFA, who I'll refer to as necessary.

What happened

Mr D set up his plan with Scottish Widows in 2022 by transferring existing pensions to it, using a different adviser to the one he now deals with. The plan operated as expected until 19 September 2024, when the IFA says Scottish Widows online portal (the portal) suddenly showed a significant reduction in value from around £1,042,873 to around £225,000. The IFA called Scottish Widows. It said there was a problem with the plan, which was being worked on. During this call the IFA noticed the portal now also showed two plans for Mr D. The call handler checked and said the new plan showed a value of around £750,000. The IFA said neither plan showed the correct investment funds or cash balances. Scottish Widows said it would check and would call back that day. The IFA contacted Mr D and updated him, who was very concerned and wanted to know what was happening.

The IFA says Scottish Widows didn't call back that day and didn't seem to have appreciated the seriousness of the issue. The IFA says he checked the portal the next day and the values had changed again, with no underlying investments shown at all. The IFA called Scottish Widows, who said both plans were being worked on, and it would call back. When it did, it apologised for the confusion but couldn't offer any explanation. It later emailed the IFA saying it needed to replace the original plan due to an incorrect start date. It said it would ensure Mr D "*was not financially disadvantaged by this error*" and once the ongoing process was complete it would confirm the details. In the following weeks Scottish Widows sent Mr D a letter saying he'd requested the plan be changed, which he hadn't, but no further details.

The IFA raised a complaint on Mr D's behalf, saying they still didn't know what was happening and couldn't access records for the new plan, despite the original plan now showing a nil value. The IFA said this needed to be resolved urgently, that Mr D should be compensated for the stress he'd been caused, and that its own time costs for dealing with the problem should be paid. Scottish Widows credited £17,755 into the new plan on 20 November 2024, but the IFA said this still left the value lower than on 19 September 2024, despite rising investment markets, by around £7,000 plus growth.

Scottish Widows issued a final response to the complaint on 25 November 2024 accepting it. It said it would pay Mr D £500 in compensation for the distress and inconvenience caused and sent him a cheque for this. It said it had mistakenly set the original plan up with a start date of 8 March 2022 rather than 8 June 2022, which it needed to correct. But that it should have informed Mr D and the IFA before starting the work, and it apologised for not doing so. It agreed its service and communication had been poor. It said following the correction the new plan had been increased in value by £17,557.72 due to investment market movements.

Mr D decided to refer his complaint to our service and our investigator asked Scottish Widows for its file. Subsequently it said it had made an error in its calculations and a further £559.37 was added to the policy on 21 February 2025. It said it didn't know why Mr D and the IFA felt the policy value should be around £7,000 plus growth higher. But that this might relate to the period between 8 March and 8 June 2022, but as no investment existed before 8 June 2022, there was no lost return for that period.

Our investigator looked into the complaint, and she didn't uphold it. She said Scottish Widows had corrected the new plan value as Mr D hadn't been entitled to investment growth before 8 June 2022. She said it accepted it had made errors and failed to communicate properly, but that the £500 compensation paid to Mr D was fair in the circumstances. She said she couldn't tell Scottish Widows to pay compensation to the IFA as it wasn't an eligible complainant under the rules in place.

The IFA said the main issue had been missed. He said the original plan was valued at £1,042,873 on 19 September 2024 but had fallen in value between 8 March and 8 June 2022 by £7,000 and this plus growth would need to be added back in due to the new start date. And he said the value of the new plan after Scottish Widows' additions was still less than on 19 September 2024. Scottish Widows said it still didn't understand where £7,000 the IFA referred to was coming from as its internal team felt the value had increased by around £10,300 between 8 March and 8 June 2022. The IFA said whilst he no longer had access to information about the original policy; this couldn't be possible if there was no actual investment held between those dates.

Scottish Widows said it hadn't backdated the investments to the incorrect start date, as these had only been made on 9 June 2022. It said loss calculations were needed because to correct the problem it had to sell and then repurchase the investments. And this time spent out of the market could have caused a loss. It provided screen shots from its system of the original plan on 8 March 2022 showing it had no value then. The IFA said Scottish Widows should show its calculations, because the new plan had initially shown a value of around £905,000 on 19 September, which increased to £1,017,004.77 by 19 October 2024, still less than the original plan on 19 September 2024, despite the fund prices increasing.

Scottish Widows said the original investments bought (on 9 June 2022) cost £770,096.00 and when the mistake was noted were worth £787,641.60. The investments were sold and later repurchased. It said the £17,557.71 was the growth in the original plan which it added to the new plan (on 20 November 2024) rather than being any loss that had been calculated. But it said it had now completed the out of market loss calculations and a further £3,205.84 had been credited to Mr D's plan.

Our investigator said Scottish Widows now appeared to have fully corrected everything and as the compensation was fair there was nothing further for it to do. Mr D and his IFA didn't agree. They said Scottish Widows still hadn't explained its calculations and the new plan value after the corrections was still lower than it had been on 19 September 2024.

As Mr D doesn't agree it has come to me to decide.

My provisional decision

I issued my provision decision on; 23 October 2025, I explained the reasons why I was planning to uphold the complaint. I said:

When I considered the evidence, I thought Scottish Widows' explanations about what had happened and how this had been put right were incomplete, contradictory and difficult to follow. Despite that, it was still clear that it had made several errors. These caused Mr D significant inconvenience, exacerbated by poor communication and the incomplete explanations of how it had resolved its own error around the plan start date. Our service isn't the regulator, which means I can't tell Scottish Widows to change the way it does things or sanction it for failings. But I can award compensation for any losses and for any distress and inconvenience suffered. As our investigator has already said, under the complaint rules our service doesn't have the power to award compensation to the IFA.

Scottish Widows says the initial problem was due to an input error of the plan start date on its system. Unfortunately, mistakes do happen. It hadn't explained why that made it necessary to, clearly laboriously, rework the plan into a new one, rather than just changing the start date. And as Mr D and his IFA were confronted with dramatically changing valuations on the portal, without proper explanation then or since, I think they were understandably alarmed. So, it was important that a full and clear explanation was provided by Scottish Widows to confirm that everything was now correct, as it claimed. As noted, the details provided to date hadn't done that.

So, I asked Scottish Widows some questions about what had happened and around its calculations. Because I thought establishing the base value of the original plan was central to the remaining disputed points. I asked it if it could provide a transaction history for the original plan which might help explain things. Scottish Widows provided further details but said a transaction history wasn't available. It said the original transfer to Mr D's plan was £783,096.00, received on 8 June 2022. This was incorrectly input as being 8 March 2022, when it received the transfer application. Once funds were received, it deducted £13,000 in adviser charges and invested the net value the next day. The value on 10 June 2022 was £770,096.00.

Scottish Widows says a sell trade was processed in July 2022 for £3,000 to provide cash to cover ongoing charges. It says once it realised the error with the start date during 2024, the original investment had increased by £17,557.71 to a total value of £787,641.60. I thought this sounded too small an increase, given the investment funds shown. As the investments weren't in Scottish Widows' own funds, it said to make the correction it had needed to sell the investments, move the money to the new plan and then rebuy the investments. Then it would calculate whether any losses had been incurred whilst the money wasn't invested. The original £770,096.00 was moved to the new plan and reinvested. Subsequently the £17,557.71 gain was also added and reinvested. Scottish Widows says it later realised it hadn't completed the necessary loss calculations for being out of the market. This resulted in a further £559.37 being credited on 21 February 2025, followed by £3,205.84 on 2 June 2025, when another error was noted. It provided copies of the calculations, which it said had been "double checked".

It clearly took Scottish Widows too long to carry out these corrections – it was still making changes in June 2025 nearly nine months after it commenced the exercise to correct the plan. In that time, it provided sporadic updates. And it might have averted a lot of uncertainty by explaining it needed to sell the investments held and then rebuy them to achieve the correct cash value. But even considering this new information, I still didn't think it was clear that Mr D's plan was now as it should have been, or why a full reconstruction was necessary to correct the start date.

So, I asked Scottish Widows some further questions. I said to resolve the complaint, I thought it should set out all the calculations it had undertaken on a simple basis from start to finish. Because the current explanations made little sense without the background details being provided. I said Mr D's IFA remained adamant that the original plan was worth around

£1,042,873 on 19 September 2024 and had provided a valuation from the portal from 1 June 2024 showing a similar figure. I said the further corrections made by Scottish Widows explained some of the difference in the value disputed by Mr D and his adviser, but not all. Scottish Widows said it would prepare a full explanation.

After some delay Scottish Widows said everything had been referred to a specialist in the relevant team, who had reviewed the entire process. It provided a five-page history and explanation of what had happened. It said during this review it had identified that another calculation hadn't been undertaken properly, and this had now been corrected. As a result, it said it had increased the value of Mr D's plan by £119,049.66 on 24 September 2025.

Scottish Widows said a further calculation was also required and it would confirm if any further payments were due. It apologised for these further errors and said it appreciated the additional concern this would cause Mr D. It said in recognition of this it wanted to make a further compensation payment of £500, to give £1,000 in total. These details were shared with Mr D and the IFA. A few days later Scottish Widows updated the explanation with the final calculation. This increased the plan value by a further £10,116.21. This was shared with Mr D and his IFA, and I asked for their comments.

Given its length, I'll only briefly summarise the explanation Scottish Widows provided, but unsurprisingly it showed that there had been other errors beyond using the incorrect start date. These included initially purchasing the correct investment funds but in the wrong allocations, which had resulted in the mysterious £17,557.71 "gain" referred to previously. Mr D had subsequently paid contributions and made a further transfer into the plan. These were correctly invested, but also needed to be unwound, by selling and then rebuying, because of the initial problems.

In seeking to correct these issues Scottish Widows says it had mistakenly used the wrong investment dates. Calculations using the correct dates showed the total value was £136,607.37 higher. But it said as Mr D had never been entitled to the £17,557.71 "gain" from being in the wrong funds, it had now deducted that, and the difference of £119,049.66 was added to the plan. I think this deduction is fair, as this is in keeping with the objective of putting Mr D back into the position he should have been in, but for the errors made. It said the final calculation adding another £10,116.21 was due to a further loss caused by a delay in rebuying investments when money was moved to the new plan on 20 September 2024, where the investment funds weren't purchased until 4 February 2025.

Mr D and the IFA said they agreed with the revised plan valuation and now considered that matter closed. But they said the total compensation offered of £1,000 for the distress and inconvenience Mr D had been caused was inadequate. They said the problem had persisted for over a year with continual reassurances from Scottish Widows that everything was correct. They said given the huge size of the error made, and the time taken to resolve it, compensation of £5,000 was appropriate. The IFA said he'd spent a considerable amount of time seeking to resolve the issues with Scottish Widows. And despite having submitted invoices to it for around 23 hours work only £500 had been paid as a "fob off" payment. The IFA said whilst he understood it was outside our services remit; he intended to submit a claim for £15,000 of time costs against Scottish Widows.

I haven't checked Scottish Widows' calculations but the explanation and chronology it has now provided appears to be both comprehensive and logical. Both Mr D and the IFA consider that the plan value is now correct. That does put Mr D back into the position he should have been in, which is what our service would direct Scottish Widows to do, if it hadn't already done so. So, unless either party has further points to make here, I think this part of the complaint is now fairly resolved.

That leaves the issue of compensation for the distress and inconvenience Mr D has been caused and the IFA's costs in assisting and progressing resolution to the complaint.

As Mr D has been caused significant inconvenience and distress over a considerable period, it's fair that he be compensated for that. The failure to prewarn Mr D and the IFA that corrections were required was a poor start and things only got worse. Ultimately the sums involved were substantial and multiple further errors were made. Once contacted by the IFA, Scottish Widows did confirm it was reworking the policy and that it would ensure there was no financial loss to Mr D. But in the end, it was due to the persistence of Mr D and his IFA that this was finally achieved.

The issues here were complex, with multiple errors made and the IFA's role in helping resolve matters was significant. As I've already said, our service doesn't have the power to award compensation to Mr D's adviser for inconvenience as he isn't an eligible complainant. And I can't tell Scottish Widows to pay the IFA's time costs, although we do in limited cases say that reasonable professional costs that are necessarily incurred in resolving a complaint should be re-imbursed.

Putting things right

I said that our website has a guide to our approach to awards for distress and inconvenience and examples of typical awards we might make based on the impact the problem has had on the individual consumer.

I thought the impact on Mr D was substantial, but he hasn't said that he has been caused other problems, such as it preventing him from accessing his benefits, resulting in direct financial hardship. So, taking everything into account I think that the total compensation of £1,000 now offered by Scottish Widows is fair and in keeping with what our service would award in similar circumstances. I said I understood that Mr D will likely consider that to be inadequate. But our awards for distress and inconvenience aren't intended to fine or punish a business, as that isn't our role.

I asked both parties to send me any further information or comments they would like me to consider.

Response to provisional decision

Mr D and his IFA didn't respond to my provisional decision.

Scottish Widows accepted my provisional decision. It said it had been in touch with the IFA around its costs and that it's Terms of Business (with advisers rather than customers) provided for reasonable hourly rate time costs to be reimbursed on an ex-gratia basis where additional adviser time had been taken up by errors. It said it had asked for a further breakdown of the IFA's time and its hourly rate.

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.

Having done so, I've decided to uphold the complaint.

As set out in my provisional decision Scottish Widows made a number of errors over a sustained period of time. But despite reassuring Mr D on several occasions that all was now in order, very large discrepancies remained in his plans quoted fund value. Mr D is

happy that the various compensatory payments now made have fully resolved those issues and the fund value quoted by Scottish Widows is correct. So, the main part of Mr D's complaint has been resolved fairly.

But Mr D has also been caused significant distress and inconvenience for more than a year by the errors and problems, and as noted the sums involved have been significant. So, it's also fair that Mr D be compensated for that. As I explained in the provisional decision our service's awards for distress and inconvenience aren't intended to punish or fine a business for any errors or failings that it may have made. Instead, they are to compensate the individual for the impact the problem has had on them. And I appreciate the confusion, uncertainty and frustration that has been caused by the way Scottish Widows went about things and the errors it made. But Mr D hasn't said he has been caused further problems, such as being prevented from accessing his pension benefits and so on by what happened. So, I do think the further £500 in compensation, to give £1,000 in total is fair in the circumstances of the complaint and is in keeping with what our service would award in similar circumstances.

As also explained in the provisional decision I can't tell Scottish Widows to pay the IFA's costs. But it has confirmed it will consider reasonable time costs arising from its errors and has been in touch with the IFA for further details around this.

Putting things right

With Mr D's plan now corrected to his satisfaction, he has been put back into the position he should have been in but for the errors. But Scottish Widows should pay him a total of £1,000 in compensation for the distress and inconvenience caused by the multiple errors, which I think is fair in the circumstances of the complaint.

My final decision

For the reasons I've given above and in my provisional decision, my final decision is that I uphold this complaint against Scottish Widows Limited.

I direct Scottish Widows Limited to pay a total of £1,000 in compensation to Mr D for the distress and inconvenience he's been caused, it may make allowance for any payment already made in respect of this.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 18 December 2025.

Nigel Bracken
Ombudsman