

## The complaint

Mr S complains that Scottish Widows failed to ask appropriate questions or otherwise inform him about the option to request a Transitional Tax-Free Amount Certificate (TTFAC) before he fully cashed in his pension plan in April 2024. He believes this error led to him missing out on the opportunity to access tax-free cash from his uncrystallised pension savings with Scottish Widows and Zurich, which has caused him financial loss.

## What happened

I issued my provisional decision on this complaint on 5 November 2025, in which I set out the background and my provisional findings. I've repeated what I said here:

*"For simplicity, figures in this decision are given in pounds with the pence omitted.*

### Background

*During his career, Mr S built up benefits in three different pension arrangements, as follows:*

- 1. Final salary pension scheme provided by his former employer;*
- 2. Scottish Widows pension plan; and*
- 3. Zurich pension plan*

*The Scottish Widows and Zurich pension plans were on a defined contribution basis and intended to supplement Mr S's final salary pension scheme benefits.*

*In 2012, Mr S obtained Fixed Protection 2012 (FP12) which secured a Lifetime Allowance (LTA) of £1.8m. This meant he could take up to 25% of that amount – £450,000 – as tax-free cash.*

*In January 2014, when he was aged 55, Mr S retired and took his final salary pension scheme benefits. He received a letter from the pension scheme confirming the benefits he would receive and how much of his LTA had been used, summarised as follows:*

- An annual pension of £88,096;*
- A tax-free lump sum of £187,203 – it was noted that this was the minimum amount he chose to take; and*
- He exceeded his LTA by using 108.28% of it, which resulted in an LTA tax charge on the portion of his pension savings over the £1.8m threshold*

*Mr S didn't access any benefits from his Scottish Widows or Zurich pension plans at that time – the plans remained uncrystallised and continued to be invested. Because Mr S exceeded his LTA when taking his final salary benefits, he wasn't entitled to any tax-free cash from the Scottish Widows or Zurich pension plans under the LTA tax regime. Instead, the entire amount from these plans would be paid as taxable income when they were eventually cashed in. As a result, Mr S had only taken £187,203 of his total £450,000 tax-free allowance available under his LTA.*

### Removal of the LTA and introduction of the LSA and TTFAC

*In the Spring Budget 2023, the government announced its intention to abolish the LTA. Draft legislation to support this reform was published in July 2023, followed by a consultation period. The draft legislation provided limited detail on transitional provisions for individuals who had previously taken pension benefits under the LTA tax regime. HMRC later issued guidance in its Lifetime Allowance Guidance Newsletter (20 December 2023) and Pension Schemes Newsletter 155 (25 January 2024) which provided more clarity on the transitional provisions.*

*In summary, these publications confirmed that the LTA would be removed from 6 April 2024 and replaced by three new allowances, including the Lump Sum Allowance (LSA). The LSA is the maximum amount of tax-free cash an individual can withdraw across all registered pension schemes from 6 April 2024. The standard LSA is set at £268,275, with higher limits for those holding valid LTA protections.*

*HMRC stated that any tax-free cash received before 6 April 2024 must be factored into the available LSA using a default calculation. This involves deducting 25% of the individual's previously used LTA, based on the assumption that 25% of previously taken pension benefits were tax-free. HMRC recognised that this assumption may not reflect actual tax-free amounts received in some cases. To provide a more accurate reduced LSA in such cases, it introduced the Transitional Tax-Free Amount Certificate (TTFAC). This allows individuals to calculate their reduced LSA using the actual tax-free cash previously received rather than rely on the default (25%) assumption. As a result, with a TTFAC, the reduced LSA is tailored to the individual's circumstances, potentially allowing access to more tax-free cash than compared to the default method.*

*TTFACs aren't issued automatically. HMRC has made it clear that the request for a TTFAC should be sent by the individual to the pension scheme that will pay the first benefits after 6 April 2024. The request must be submitted to the pension scheme before any such payment is made – referred to as a Relevant Benefit Crystallisation Event (RBCE). If an RBCE occurs before the TTFAC is granted, the opportunity to apply is lost, and the default LSA transitional calculation is used to determine the individual's reduced LSA. A key point is that the TTFAC process is a matter between the individual and their pension scheme – HMRC isn't involved in this.*

### Events that led to this complaint

*On 23 January 2024, Mr S phoned Scottish Widows to discuss fully cashing in his pension plan as a lump sum, which was then valued at approximately £92,000. During the call he confirmed he had been retired since 2014, at which time he had accessed his final salary pension scheme benefits. He said he used part of his LTA in connection with this but was uncertain about how much. Scottish Widows explained that he'd need to confirm this when submitting the retirement claim form.*

*Also on 23 January 2024, Mr S received an email from the administrator of his final salary pension scheme. Attached to the email was a copy of a letter from January 2014 which confirmed details of his pension benefits paid at that time. The email stated:*

*"The [final salary pension scheme] benefits put into payment were actually in excess of your £1.8 million Lifetime Allowance (LTA) and represented 108.28% of your Lifetime Allowance and you therefore paid a tax charge to the HMRC....LTA's have now effectively been abolished, but one limit that remains is that you can only receive up to 25% of your LTA from all sources as tax free cash. The lump sum you received from [final salary pension scheme] was £187,203.59 which equates to 10.40% of*

*your LTA, so you still may have the option of taking more benefits as tax free cash.”*

#### Retirement claim form

*Following the phone call on 23 January 2024, Scottish Widows sent Mr S a claim form. This form was designed for withdrawals processed under the LTA tax regime that existed up to 6 April 2024.*

*On 1 February 2004, Mr S returned the completed claim form to Scottish Widows. When completing that form, he confirmed he had taken financial advice and wanted Scottish Widows to start processing his request on 8 April 2024. There were sections on the claim form that Mr S didn't complete correctly or failed to provide an answer when he should have:*

- **Exceeding the LTA:** He answered “No” in response to the question, “Do the total pension benefits you have accessed, including this one, exceed the standard lifetime allowance?” – Mr S should have answered “Yes”.
- **LTA previously used:** He answered “Yes” and incorrectly wrote “10.40%” in response to the questions, “Have you taken any retirement benefits and/or made any transfers overseas from a registered pension scheme after 5th April 2006? If you answered 'Yes', please state the total percentage of the lifetime allowance used by those benefits/overseas transfers. Your pension scheme should have given you a certificate which shows the percentage used” – Mr S should have written 108.28%.
- **Previous BCEs:** He didn't answer the question, “if you have had any BCEs after 5th April 2006 please state the date of the first BCE. Where we refer to a “BCE” we mean a Benefit Crystallisation Event – this is when benefits are tested against your lifetime allowance” – Mr S should have answered 28 January 2014.

*In the declaration section signed by Mr S it stated, “If you do not understand the information we've provided or would like to ask any questions, then please contact us, use the guidance available from Pension Wise or speak to a financial adviser before signing and returning this claim form.”*

*On 18 April 2024, Scottish Widows' internal technical team gave the go ahead for Mr S's request to cash in his pension plan – this was based on the information provided in the completed claim form and a copy of Mr S's FP12 certificate.*

*On 30 April 2024, Scottish Widows completed the payment to Mr S. Based on a total fund value of £97,885, he received a 25% tax-free lump sum of £24,471. The balance of £73,414 had £31,414 income tax deducted, which resulted in an amount of £42,000 after tax. With the tax-free cash, the total net amount paid to Mr S was £66,470.*

*After fully cashing in his Scottish Widows pension plan – including taking 25% as tax-free cash – Mr S tried to do the same with his Zurich pension plan. However, Zurich informed him that he couldn't access any tax-free cash from that plan without a valid TTFAC.*

*Mr S then contacted Scottish Widows to request a TTFAC. It responded that it couldn't issue one because he had already had an RBCE when he fully cashed in his pension plan in April 2024. Mr S subsequently complained to Scottish Widows, stating that it had failed to ask appropriate questions or inform him about the option to request a TTFAC before he fully cashed in his pension plan.*

#### Scottish Widows' position

*Scottish Widows didn't uphold Mr S's complaint. It stated, in summary:*

- It wasn't authorised to give Mr S financial advice. It relied on his declaration that he had received financial advice and therefore assumed he had been advised about the tax implications of fully cashing in his pension plan.*
- Mr S's contact with Scottish Widows occurred between January and February 2024, before the LTA was abolished on 6 April 2024. At the time of their contact, referencing or issuing TTFACs was neither part of its process nor required by legislation. It updated its phone scripts and documentation to include reference to TTFACs but only from 6 April 2024. As such, it believed it wasn't reasonable to expect it to have referenced or discussed TTFACs with Mr S before that date.*
- Mr S incorrectly declared on the claim form that he had used only 10.40% of his LTA. Had he correctly stated that he had used 108.28%, it would have indicated he wasn't entitled to any tax-free cash under the default LSA transitional calculation. This may have prompted it to inform him to consider requesting a TTFAC when it started to process his request after 6 April 2024. It relied on the incorrect information provided and didn't accept responsibility for Mr S's error. Therefore, it didn't consider it fair or reasonable to place Mr S in the position he might have been in had a valid TTFAC been obtained before he cashed in his pension plan.*
- Due to Mr S's error about how much of his LTA he had used, it paid him a 25% tax-free lump sum of £24,471 on 30 April 2024. It said this payment was made in error, as he had already used 108.28% of his LTA, meaning he had no tax-free cash rights under the default LSA transitional calculation. It requested repayment of £11,012 to correct the reporting to HMRC. Mr S repaid this amount on 7 October 2024.*

*Scottish Widows paid Mr S £200 for the delay in responding to the complaint.*

#### *Investigator's findings*

*Our investigator acknowledged that Mr S made an error about how much LTA he had used when completing the claim form. Overall, however, he thought Scottish Widows should have done more to highlight the potential need for a TTFAC to Mr S. This was because despite Mr S incorrectly stating on the claim form that he had only used 10.40% of his LTA, this was enough information to alert Scottish Widows to the fact that Mr S had previously taken pension benefits before 6 April 2024 and therefore may have benefitted from requesting a TTFAC. The investigator concluded that had Scottish Widows given Mr S sufficient information about TTFACs to be able to make an informed decision, he likely would have applied for one based on his circumstances and the risk of losing access to tax-free cash under his Scottish Widows and Zurich pension plans.*

*To put things right, the investigator recommended that Scottish Widows provide an undertaking to compensate Mr S for any financial loss suffered on the basis he had a valid TTFAC before he cashed in his Scottish Widows pension plan. In addition, he recommended that Scottish Widows pay Mr S £200 compensation for the distress and inconvenience caused by not informing him about TTFACs.*

#### *Follow-up and escalation*

*Scottish Widows disagreed with the investigator's findings and submitted further comments, most of which repeated its previous comments. The investigator considered these but*

*remained satisfied with his conclusion and recommended remedy. As no resolution was reached, the complaint has now been escalated to me for further review.*

*While waiting for an ombudsman's decision, Mr S fully cashed in his Zurich pension plan on 3 September 2025. Based on a total fund value of £97,671, income tax of £42,330 was deducted. The net amount paid to Mr S was £55,341. No tax-free cash was paid as part of this since Mr S doesn't have a valid TTFAC.*

### **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.*

*I've also considered all relevant laws, regulations, regulatory rules, guidance, standards, and codes of practice, as well as what I believe represented good industry practice at the time. Where the evidence is unclear or conflicting, I've made my decision based on the balance of probabilities – that is, by weighing the available evidence and surrounding circumstances to determine what I believe is more likely to have happened.*

*This decision doesn't address every individual point raised by the parties. If I haven't commented on a specific issue, it's because I don't consider it to have a material impact on the outcome of this complaint. I've reviewed all the evidence carefully, including Mr S's and Scottish Widows' additional comments in response to our investigator's view.*

### **Has Mr S suffered a financial loss?**

*It's not in dispute that Mr S is in a worse financial position because of not obtaining a valid TTFAC before he fully cashed in his Scottish Widows pension plan in April 2024. I'll explain why.*

*When Mr S retired in 2014, he received a tax-free lump sum of £187,203 which was less than his tax-free cash allowance of £450,000. Because he exceeded his LTA of £1.8m by 6 April 2024, his LSA was set to zero under the default LSA transitional calculation – this is because the calculation assumes he took 25% (£450,000) of his full LTA of £1.8m as tax-free cash.*

*In its guidance notes, HMRC stated that a TTFAC should only be applied for where individuals can provide complete evidence that they have received, as of 6 April 2024, a lower amount as tax-free lump sums than that provided for by the default LSA transitional calculation – I'm satisfied that Mr S had complete evidence to demonstrate this. Had he obtained a valid TTFAC before he cashed in his Scottish Widows pension plan, his reduced LSA would have factored in the actual amount of tax-free cash of £187,203 he had previously taken rather than the assumed figure of £450,000 under the default LSA transitional calculation. This would have provided the following bespoke reduced LSA based on his personal circumstances:*

- *LSA used: £187,203 before 6 April 2024*
- *LSA remaining: £450,000 - £187,203 = £262,797 available after 6 April 2024*

*Properly informed, I consider it more likely than not Mr S would have requested and obtained a valid TTFAC before cashing in either of his Scottish Widows or Zurich pension plans. By not obtaining one, his LSA was set to zero under the default LSA transitional calculation, meaning he couldn't access any tax-free cash under his Scottish Widows or Zurich pension plans. Therefore, I'm satisfied that Mr S has suffered a financial loss because of not obtaining a valid TTFAC before he fully cashed in his Scottish Widows pension plan in*

April 2024.

*Having considered all the available evidence, it's my opinion that both Mr S and Scottish Widows could have done more to prevent the financial loss from occurring. Both parties made errors that contributed to the financial loss and are therefore jointly responsible. I've set out my reasoning below.*

### Mr S's errors

*A key piece of evidence is the claim form completed by Mr S on 1 February 2024. I think it's important to consider the information available to him at the time he completed that form. On 23 January 2024, Mr S received an email from the administrator of his final salary pension scheme which included a letter dated January 2014 – this confirmed that when he retired in 2014 he had used 108.28% of his LTA of £1.8m and had incurred a tax charge. This information was in his possession at the time he completed the claim form.*

*I've reviewed the claim form and consider the instructions and questions to be clear. It's my view that Mr S had sufficient information available to accurately complete the form. Nevertheless, he made several errors, the most significant being his incorrect declaration that he had used only 10.40% of his LTA rather than the correct figure of 108.28%. Scottish Widows has stated that this error had a consequential impact when it processed his request after 6 April 2024 – this is because it incorrectly led it to believe Mr S had sufficient LSA available to be able to pay him 25% tax-free cash.*

*In my view, the claim form included sufficient prompts that should have led Mr S to question whether 10.40% was the correct answer. He also incorrectly answered "No" to a question asking whether he had exceeded the LTA, despite knowing he had and as a result paid an LTA tax charge. I acknowledge that in that email of 23 January 2024, the administrator stated that when Mr S took his tax-free cash payment of £187,203, it used 10.40% of his LTA – but I think the administrator was making the point that 10.40% is less than 25%, indicating that Mr S may be entitled tax-free cash from other pension plans; in that same email the administrator clearly stated that Mr S had used 108.28% of his LTA when his pension benefits were put into payment in 2014. The questions on the claim form are clearly asking how much of the individual's LTA has been used by all previously taken benefits – not just the tax-free cash.*

*I don't think specialist pensions knowledge was required to complete the claim form accurately. It's my view that a reasonably diligent individual, with access to the information Mr S had, should have been able to provide correct responses on the claim form. If Mr S was uncertain, he should have contacted Scottish Widows or his financial adviser before submitting the form.*

*Overall, it is my view that Mr S was negligent in completing the claim form, and this contributed to the financial loss incurred.*

### Scottish Widows' errors

*Scottish Widows has stated that when Mr S contacted it between January and February 2024, referencing or issuing TTFACs was neither part of its process nor required by legislation. It updated its phone scripts and documentation to include reference to TTFACs but only from 6 April 2024. As such, it believed it wasn't reasonable to expect it to have discussed TTFACs with Mr S before that date.*

*However, Scottish Widows started processing Mr S's request after 6 April 2024 when the LTA tax regime had been replaced and TTFACs became potentially relevant for individuals*

*who had previously taken pension benefits – like Mr S, who retired in 2014. It's my view that when Scottish Widows started processing Mr S's instruction during April 2024, it should have been aware of HMRC's Lifetime Allowance Guidance Newsletter (20 December 2023) and Pension Schemes Newsletter 155 (25 January 2024) which provided information about transitional arrangements including the availability of TTFACs.*

*Scottish Widows processed Mr S's withdrawal request using a claim form designed for use under the LTA tax regime that existed up to 6 April 2024. I acknowledge that Mr S incorrectly stated he had used only 10.40% of his LTA on that form (rather than 108.28%) but it's important to note that, in doing so, he flagged to Scottish Widows that he had previously taken pension benefits before 6 April 2024 – in my view, this was enough information to alert Scottish Widows that a TTFAC may have been potentially relevant for Mr S. And so I think this should have prompted it to contact him and provide sufficient information about TTFACs so that he could make an informed decision about whether to apply for one or not. But it didn't and instead proceeded to process Mr S's request without asking him appropriate questions or otherwise informing him about the option to request a TTFAC.*

*Scottish Widows has made the point that it relied on Mr S's declaration that he had received financial advice and therefore assumed he had been advised about the tax implications of fully cashing in his pension plan. Mr S has confirmed to me that after the government announced its intention to abolish the LTA and that this would change the rules around tax-free cash, he briefly spoke to his financial adviser in late 2023 about his intention to cash in his Scottish Widows and Zurich pension plans but didn't receive a personal recommendation in connection with this. So it was more of an informal chat rather than a personal recommendation. But I don't think it's relevant whether Mr S was advised or not when considering what Scottish Widows' regulatory obligations were to him. These included paying due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading and to act honestly, fairly and professionally in accordance with the best interests of its client.*

*So regardless of whether Mr S had taken financial advice, it's my view that Scottish Widows was responsible for providing Mr S with accurate and timely information to enable him to make an informed decision.*

*Despite his incorrect answers on the claim form, it's my view that Mr S was aware that when he retired that he had exceeded the LTA and paid an LTA tax charge. Properly informed and realising his LSA would be set to zero under the default LSA transitional calculation, I consider it more likely than not Mr S would have requested and obtained a valid TTFAC before cashing in his Scottish Widows or Zurich pension plans so that he could access tax-free cash available under these plans.*

### ***Fair compensation***

*The Law Reform (Contributory Negligence) Act 1945 is relevant for me to take into account in this complaint. It allows for the apportionment of liability in the case of contributory negligence. It says that where any person suffers damage as the result partly of his own fault and partly of the fault of any other person, a claim in respect of that damage shall not be defeated by reason of the fault of the person suffering the damage, but the damages recoverable shall be reduced to such extent as the court thinks just and equitable having regard to the claimant's share in the responsibility for the damage.*

*I've taken this into consideration when looking at the actions taken by Mr S because I consider this complaint raises similar issues to a legal claim in negligence.*

*There are three questions I need to think about here:*

1. *If Mr S had acted as a reasonable person – by reading the instructions on the claim form and looking after his own interests in a reasonable way – would this have prevented the financial loss from occurring?*
2. *If there were errors by both Mr S and Scottish Widows that led to him not requesting and obtaining a valid TTFAC, can it be said that one party's fault was a more potent cause of the loss than the other?*
3. *What was the relative degree of fault of any failure by Mr S to take steps he should reasonably have taken compared with Scottish Widows' failure to take steps it should have taken?*

*On the first question, it's my view that a reasonably diligent individual, with access to the information Mr S had, should have been able to provide correct responses on the claim form. Had he completed the form correctly, confirming that he had exceeded the LTA and used 108.28%, I find on balance that this would have prevented the financial loss occurring. I say this because even though Scottish Widows' actual approach was not to discuss a TTFAC with Mr S, the disclosure of such information would have alerted Scottish Widows to the fact that Mr S's LSA would be set to zero under the default LSA transitional calculation – and made it much more likely that he was a potential candidate to benefit from a TTFAC.*

*But, even with the incorrect information on the form, it's also my view that Scottish Widows, as a regulated firm, should have done more in the best interests of its client which may also have prevented the financial loss occurring. As noted above, Scottish Widows started processing Mr S's request after 6 April 2024 when TTFACs became relevant and was aware he had taken benefits before that date. I say this as even though it was less likely that someone who had only used 10.40% of their LTA, and holding the relatively small amount of funds Mr S held with Scottish Widows, would then exceed the LTA in future and cause further tax-free cash to be restricted, Scottish Widows didn't know what funds Mr S held elsewhere. The only way it could be sure of acting in his best interests was to have provided Mr S information about TTFACs so that he could make an informed decision.*

*Turning to the causative potency and blameworthiness of both parties' actions, I've taken into account that Scottish Widows was a professionally experienced pension operator who should have ensured it was familiar with the new TTFAC provisions before it processed Mr S's payment after 6 April 2024. And Scottish Widows should have known that the TTFAC process takes place between the individual and a pension scheme only – and doesn't involve HMRC. So the onus was on Scottish Widows to make Mr S aware of the new TTFAC provisions bearing in mind it knew he had previously used some of his LTA.*

*I haven't considered that Mr S had any particular expertise in this area that is comparable with Scottish Widows'. But at the same time the errors he made on the claim form were significant and without reasonable explanation. Taking all of this into account and based on what I think is fair and reasonable in the circumstances, I propose to reduce Mr S's compensation by 50%. I think this is a fair way to account for Mr S's own contribution to the financial loss he's suffered."*

*In summary, my provisional decision was that Mr S had suffered a financial loss and it was fair and reasonable to uphold this complaint based on the available evidence. I explained why I believed it was fair to reduce Mr S's compensation by 50% to account for own contribution to the financial loss he's suffered. I then set out my proposal on how Scottish Widows should put things right, taking into account that 50% reduction.*



I asked Scottish Widows and Mr S for any further comments or evidence they wanted me to consider before I made my final decision:

- Scottish Widows had no further comments and confirmed that it agreed with my provisional decision and the proposed compensation approach.
- Mr S provided further comments. He acknowledged entering an incorrect figure of 10.40% on the claim form. He explained that this figure represented the tax-free cash previously taken and was provided by his employer at the time of his original retirement in 2014. Mr S believes the mistake stemmed from earlier discussions with Scottish Widows, which influenced his thinking when completing the claim form. He argued that clearer guidance on the importance of this figure and the TTFAC process would have prevented the error. Therefore, he feels it's unfair to be considered equally responsible with Scottish Widows for the errors which led to his financial loss and to have his compensation reduced by 50%, as proposed.

### **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.

The findings I made in my provisional decision and set out above form part of this final decision. I've carefully considered the further comments provided by Mr S in response to my provisional decision. However, my view remains unchanged. As previously noted, Mr S made several errors on the claim form, not just the one about entering the figure of 10.40%. He hasn't provided an explanation for the other errors he made.

The most significant error was Mr S's incorrect declaration that he had used only 10.40% of his LTA rather than the correct figure of 108.28%. He's explained that he entered the incorrect figure of 10.40% because that was the information supplied to him in an email by the administrator of the final salary pension scheme. I acknowledged this in my provisional decision and expressed my view that the administrator was simply making the point that 10.40% is less than 25%, indicating that Mr S may be entitled tax-free cash from other pension plans. In that same email the administrator clearly stated that Mr S had used 108.28% of his LTA when his pension benefits were put into payment in 2014. And the questions on the claim form were clearly asking how much LTA had been used by all previously taken benefits – not just the tax-free cash.

It remains my view that the multiple errors Mr S made on the claim form were significant and without reasonable explanation and had a consequential impact when Scottish Widows processed his withdrawal request. Taking all of this into account and based on what I think is fair and reasonable in the circumstances, it remains my view that Mr S's compensation should be reduced by 50%. This is a fair way to account for Mr S's own contribution to the financial loss he's suffered. His further comments haven't changed my view on this.

### **Putting things right**

My aim is that Mr S should be put as closely as possible into the position he would probably now be in had he obtained a valid TTFAC before cashing in his Scottish Widows pension plan, considering that he shares responsibility for his financial loss.

Mr S has fully cashed in his Scottish Widows and Zurich pension plans which means his financial loss has crystallised. In summary:

Plan Provider	Payment	Gross	Income Tax	Effective tax	Net Amount
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	Date	Amount	deducted	rate	Paid to Mr S
Scottish Widows	30/04/24	£97,885	£42,426	43.34%	£55,459
Zurich	03/09/25	£97,671	£42,330	43.34%	£55,341

Mr S had complete evidence to be able to obtain a valid TTFAC – this would have provided the following bespoke and reduced LSA based on his personal circumstances:

- LSA used: £187,203
- LSA remaining: £262,797

This means that with a valid TTFAC Mr S would have been able to take 25% of the gross amounts as tax-free cash up to his reduced LSA of £262,797. Bearing this in mind, the revised net amounts payable to Mr S would have been as follows:

Plan Provider	Payment Date	Gross Amount	25% tax-free amount	Income Tax deducted from residual fund	Effective tax rate (assumed)	Net Amount Paid to Mr S if 25% tax-free	Difference
Scottish Widows	30/04/24	£97,885	£24,471	£31,817	43.34%	£66,068	£10,609 since 30/04/24
Zurich	03/09/25	£97,671	£24,417	£31,747	43.34%	£65,924	£10,583 since 03/09/25
<b>Additional assumed net amount payable to Mr S if he had a valid TTFAC</b>							<b>£21,192</b>

This comparative analysis shows that with a valid TTFAC, Mr S would have received an assumed additional net amount of £21,192. However, he has been deprived of this additional money since the dates he cashed in his Scottish Widows and Zurich pension plans. So for each plan, interest should be added to the *Difference* at the rate of 8% per year simple from the *Payment Date* until the date compensation is settled. Once the total compensation figure is determined taking into account interest, it should be reduced by 50% to account for Mr S's own contribution to the financial loss he's suffered.

The following assumptions apply to the comparative analysis and notional alternative outcome:

- The same payment dates and gross amounts apply
- 25% of the gross amount is paid tax-free
- For simplicity, the remaining 75% is taxed at the same effective rate of 43.34%
- Mr S doesn't have any other uncrystallised pension savings
- Mr S will not make any further pension contributions during his lifetime

### My final decision

I uphold this complaint. My decision is that Scottish Widows Limited should calculate and settle any compensation due based on the steps set out above. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 4 January 2026.

Clint Penfold  
**Ombudsman**