

The complaint

Mrs J complains that Scottish Widows Limited failed to make a pension commencement lump sum payment to her in a timely manner.

What happened

Mrs J holds pension savings with Scottish Widows. On 3 March 2025 Mrs J got in touch with Scottish Widows to discuss taking a pension commencement lump sum (“PCLS” – generally known as tax free cash) from her pension savings. She asked Scottish Widows to provide her with three illustrations showing different investment approaches for the remainder of her pension savings after the PCLS had been paid.

Scottish Widows sent an illustration for one of the investment approaches the following day (4 March). Mrs J decided to proceed on that basis and so sent her acceptance back to Scottish Widows. The next day (5 March) Scottish Widows asked Mrs J to call the firm so that it could confirm her choice. Mrs J called on 6 March and was told that the disinvestment of her pension savings to pay the PCLS would take place that day.

But Mrs J’s pension plan also received a scheduled contribution from her employer at that time. So Scottish Widows needed to wait for that transaction to be completed before the disinvestment could start. Scottish Widows set up the disinvestment on 7 March and her remaining pension savings were invested in the new fund two working days later on 11 March. Scottish Widows confirmed to Mrs J that the PCLS had been paid, and the investment switch completed, on 13 March.

Mrs J complained to Scottish Widows about the time it had taken for the PCLS to be paid. She said that during the delay the value of her pension savings (and hence the amount of PCLS she could be paid) had fallen. Scottish Widows accepted that its communication with Mrs J had fallen short of what she should expect. So it paid her £125 for the inconvenience she’d been caused. But Scottish Widows said that it thought it had processed the PCLS payment in line with its normal timescales. So Scottish Widows didn’t think it was responsible for any falls in the value of the pension savings. Unhappy with that response Mrs J brought her complaint to us.

Mrs J’s complaint has been assessed by one of our investigators. He thought that Scottish Widows had paid the PCLS to Mrs J within a reasonable timeframe. He thought it had been reasonable for Scottish Widows to wait until the processing of the regular contribution had been completed before starting the disinvestment process. And the investigator thought that the compensation Scottish Widows had paid to Mrs J for the inconvenience in how it had responded to some of her communications was fair.

Mrs J didn’t agree with that assessment. So, as the complaint hasn’t been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mrs J and by Scottish Widows. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words, I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead, this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

Scottish Widows has explained its normal timescales for processing a PCLS instruction. It says that it would normally complete the disinvestment of the pension savings within two days of the completed instruction being received. And it would then take up to another two days for the reinvestment to be completed and the PCLS payment calculated. Scottish Widows says that it would expect to complete the whole process, including the payment of the PCLS, within ten working days. I think that sort of timeline is fair and reasonable and in line with what I know of good industry practice.

So, on the face of things, I think Scottish Widows paid the PCLS in line with its normal processing expectations, that I have found to be fair and reasonable. But there are a couple of aspects that I think warrant some closer inspection.

When Mrs J first asked for the payment of the PCLS she requested three different illustrations showing alternative investment approaches for the residual pension savings. It appears that only one of those illustrations was sent to Mrs J, although she says she took a pragmatic decision to proceed with that illustration knowing that her investment approach could be changed in due course.

When Mrs J returned her application confirming her selection, Scottish Widows asked that she get in touch by phone to discuss her choice. Scottish Widows accepts that it could have been clearer when it made that request. But Mrs J did respond to Scottish Widows the following day and confirmed her choice. I understand her frustration with the additional request by Scottish Widows. But I don't think that additional check added to the processing timeline. And I think it might be considered prudent given the irreversible nature of Mrs J's request to take a PCLS, and that she had previously looked at other alternatives.

When Scottish Widows received Mrs J's completed application, and it had completed its telephone verification of her intentions, it should have been in a position to complete the processing of the PCLS payment. But Scottish Widows noticed that it had received a contribution to Mrs J's pension that day from her employer. It decided it needed to await the processing of the contribution before it could proceed with Mrs J's PCLS payment.

I don't think the approach taken by Scottish Widows was unreasonable. In order for the PCLS to be paid Mrs J was asking that all her pension savings were first disinvested into cash. That couldn't be achieved whilst the routine investment of the employer's contribution

was ongoing. And if Scottish Widows had not disinvested the contribution, the amount of the PCLS that could be paid to Mrs J might have been affected.

So, taking all the circumstances into account I think it was reasonable that Scottish Widows started the disinvestment process on 7 March. But I have also looked at the incorrect information given to Mrs J about when that process would start – she was told by Scottish Widows that the process would start the day before.

Scottish Widows accepts that it gave incorrect information to Mrs J. But I don't think that means the date was something that Scottish Widows needs to honour. As I've said earlier, my aim would be to put Mrs J into the position she would have been had nothing gone wrong. Doing that would mean that her PCLS payment followed the same timeline that it actually did. And I haven't seen anything that makes me think, if Scottish Widows had given Mrs J the correct timeline information, she'd have decided to not take the PCLS at that time.

I appreciate how disappointing this decision will be for Mrs J. Unfortunately during the time it took for the PCLS payment to be processed the value of her pension savings fell. And whilst those falls might be expected to be recovered in respect of her residual reinvested pension savings, it did mean that her PCLS was smaller than it might have been. But sadly that is simply a reflection of the risks in market movements. I think Scottish Widows processed her instruction against a fair and reasonable timeframe – so I don't think it was responsible for any reduction in the value of the PCLS Mrs J received.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against Scottish Widows Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 24 February 2026.

Paul Reilly
Ombudsman