

The complaint

Mr P complains Scottish Widows Limited has provided him with inaccurate values for his personal pension, causing him uncertainty, distress and financial loss.

What happened

For many years Mr P has held a personal pension with Scottish Widows. In about 2003 part of his pension's value was settled and transferred to his occupational pension, but some was retained with Scottish Widows because it had a 'former protected rights' element.

In 2015 Mr P's then financial adviser asked Scottish Widows about a transfer value quotation it had provided, as there was a discrepancy in the figures and Mr P didn't understand why it had said *"the policy has been part settled as part of a pensions review"*.

In response, Scottish Widows clarified his pension's current transfer value was £8,085 (which included a terminal bonus of £2,424) and gave details of the 2003 part settlement. It explained this part settlement caused the discrepancy in figures because where a policy had been partially settled its automated systems couldn't accurately calculate the terminal bonus value as they incorrectly included terminal bonus figures for units that had in fact been settled and transferred away, meaning the total transfer value quoted was higher than it should be. It explained its staff should be aware of this issue and refer any part settled cases for manual calculation, but it apologised that its staff hadn't noticed in this case.

Mr P has told us about some of the values Scottish Widows provided him with over the years, including £10,987 (2019), £11,731(2021) and £46,164 (2022). And Scottish Widows has provided documentary evidence of some of the values it sent him, including £50,441 (January 2023) and £52,186 (July 2023).

In June 2024 Scottish Widows responded to a complaint from Mr P that its correspondence had given incorrect opening times and had failed to include the total value of his pension inclusive of the terminal bonus. Scottish Widows' letter accepted these errors and sent Mr P a £50 cheque for the inconvenience they'd caused him.

Mr P has told us a bit more about this 2024 complaint; he says Scottish Widows' pension valuations had varied greatly between February 2022 and June 2024. And that it had told him the higher value was correct, that the problem was due to the terminal bonus not being included correctly, and that it expected the issue to be resolved once its systems were updated in November 2024. So he'd believed the higher value was the correct one.

In February 2025 Mr P asked Scottish Widows for a new pension valuation, but the one it provided was much lower than he thought it should be. Thinking the valuations were still being affected by its systems, Mr P complained again to Scottish Widows.

In response, Scottish Widows said the 2003 part settlement meant it should have carried out manual calculations when providing him with a pension valuation. But it had investigated again and found that human error by its staff meant it had on several occasions given him incorrectly high valuations, because those staff hadn't taken account of the part settlement

and arranged for manual calculation. Scottish Widows sent Mr P a £250 cheque as compensation for the distress and inconvenience its conflicting information and delayed clarification had caused him, and it assured him feedback was given to the staff involved and he wouldn't receive incorrect valuations in future as his pension had now been migrated to its new system which recorded the part settlement correctly. Scottish Widows said the correct value of his pension was £17,766 (including a terminal bonus of £10,768).

Mr P referred his complaint to the Financial Ombudsman Service. He said the uncertainty over his pension's value left him unable to plan, which was even more important now he was retired. That he didn't trust Scottish Widows' most recent values and thought it unlikely so many staff over such a long period would've had the same training issues as Scottish Widows had suggested, so there must be a more significant underlying issue. And that if he'd crystallised his pension in June 2024 when Scottish Widows upheld his complaint and said the higher value was correct, he'd have received much more from his pension than he could now. So Scottish Widows should honour the higher pension valuation given in June 2024.

In its submissions to our Service, Scottish Widows said that on reviewing the matter again it was offering Mr P a further £300 compensation for his distress and inconvenience. But it said the valuations provided from February 2025 were correct as they had been assured by multiple sources within Scottish Widows. And it explained that new staff regularly joined Scottish Widows and when being trained, they sometimes didn't know of more obscure or uncommon scenarios and so valuations were produced in the standard manner which meant they included incorrect values, as had happened in Mr P's case - only when the values were questioned had a resolution been possible.

Ultimately, an Investigator at our Service thought the lower pension values provided to Mr P had been the correct ones, so Mr P wasn't entitled to receive the incorrect higher values. But that Scottish Widows had caused him uncertainty, frustration and loss of expectation, and the further £300 it had offered was fair and reasonable compensation for that. However, she also thought that to avoid similar problems in future, Scottish Widows should add a clear marker to his account to alert staff of the part settlement and valuation issue.

Scottish Widows accepted what the Investigator had said.

Mr P thought the Investigator's analysis was generally reasonable but couldn't accept she'd resolved his complaint because he thought she hadn't identified the underlying cause of the problem. He didn't think Scottish Widows' explanation of staff training issues was plausible as it had provided him with widely different values over the years, each involving different staff. Further, it had told him at least twice that the underlying issue was a problem with its system. And its June 2024 investigation had concluded that the higher value was the correct one. He added that he'd cashed the £50 cheque, but not the £250 one as he'd instead referred the matter to our Service. And that he thought there might be other instances of Scottish Widows giving incorrectly high or low values for policies.

As agreement couldn't be reached, this matter has been passed to me for a 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 know Mr P believes other Scottish Widows customers might also be affected by the issues he's experienced. But I hope it's helpful for me to explain that my role here is to consider the

particular circumstances of Mr P's complaint and make a decision about his individual case. So I won't be considering matters more widely than that.

I'd also like to reassure both parties that I have carefully considered all of the comments and evidence they have provided to our Service in relation to Mr P's complaint. However, my decision won't set out or address every point made or every piece of evidence. I mean no discourtesy by this, it's simply that my decision will instead only set out and address what I see to be relevant in reaching a fair and reasonable outcome to Mr P's complaint against Scottish Widows.

From the evidence provided, I can see that Scottish Widows has provided Mr P with valuations for his pension that vary significantly, with some being several tens of thousands of pounds higher than others. Mr P believes the higher ones are correct, and says Scottish Widows reassured him of this in around June 2024. But Scottish Widows' current position is that the lower valuations are the correct, not the higher ones. So I need to consider which set of valuations are the correct ones.

Mr P's Scottish Widows pension is invested in a with-profits fund. As Scottish Widows explained to Mr P in its response to his February 2025 complaint, his pension's value is determined by the number of units multiplied by the unit price, to which a terminal bonus is added to provide the full total. So while market forces don't directly affect his with-profit fund investment, they would likely affect the annual and terminal bonuses applied.

I've not been provided with the exact calculations that underpin the various valuations in question. But I don't think I need these. Because apart from the discrepancy that was questioned and clarified in 2015, it seems that up to 2021 Scottish Widows provided lower valuations (and terminal bonuses) that were not radically higher than might be expected, given the value of Mr P's remaining former protected rights pension. Whereas I don't think this remaining former protected rights pension is likely to have led to terminal bonuses of around £40,000, which is what would have been required for the higher valuations to be correct.

Further, while I appreciate Mr P doesn't believe the underlying cause of the valuation problem has been found as he says Scottish Widows has blamed both staff training and its system, I don't think Scottish Widows' explanations of the underlying issue have been contradictory. Rather, I think the system and staff issues it has described go hand in hand. Because the evidence is that Mr P's pension was part settled many years ago, and that Scottish Widows recently migrated his pension to its new system. And Scottish Widows has explained that its old system didn't automatically account for the part settlement when calculating valuations, and that new staff joining it weren't always aware of this system issue and so didn't always refer such valuations for manual calculation as they should have done. I don't find this implausible.

So I think the likely issue in Mr P's case is that on occasion, some Scottish Widows staff failed to spot that the part settlement meant his valuations should be referred for manual calculation, and so they were instead automatically calculated by its systems and this caused him to be provided with incorrectly high valuations. The explanations Scottish Widows has given Mr P and his financial advisers over the years has been consistent with this. And I note Scottish Widows says the lower, correct, values for Mr P's pension have now been assured by multiple sources in its business; I note that in February 2025 the value stood at £17,766 (including a terminal bonus of £10,768).

So taking all this into account, I'm satisfied that the lower valuations provided to Mr P, and not the ones that are many tens of thousands of pounds higher, are the correct valuations.

I know Mr P says that if he'd accepted the higher valuations he'd received in around June 2024, which Scottish Widows at that time told him was correct, he'd have received much more from his pension than he now could. I've not been provided with any documentary evidence to support that Scottish Widows told him then that a higher valuation was correct, but I accept Mr P's testimony about this given he also recalls being told plausible details about there being a system issue that was due to be fixed in November 2024. However, I think it's more likely than not that if Mr P had accepted that valuation, Scottish Widows would either have identified the valuation error before it made any payment, or would have sought repayment of any overpayment at a later date.

I appreciate that Mr P wants Scottish Widows to honour the incorrect higher valuations. But for the reasons I've explained, the lower valuations were the correct ones and so I don't think it would be fair or reasonable for Scottish Widows to pay Mr P a higher amount than he was ever entitled to. So I'm not asking Scottish Widows to honour any higher, incorrect, valuation.

However, I'm satisfied that Scottish Widows has provided Mr P with incorrectly high valuations on several occasions, and Scottish Widows itself accepts this. And I'm satisfied these errors caused Mr P confusion about the actual value of his pension, uncertainty about how he could therefore accurately plan his retirement income, and loss of expectation because he would at times have thought his pension was worth more than it was. Scottish Widows itself already initially offered Mr P £250 compensation for this; I understand Mr P has not cashed this cheque and I think the time passed means the cheque will no longer be valid. And Scottish Widows has now offered Mr P a further £300 compensation. In the circumstances, I think this total of £550 is fair and reasonable compensation for Mr P's distress inconvenience.

I note that Scottish Widows has said that Mr P's pension has now been migrated to its new systems so he shouldn't receive any further incorrect valuations. As I say, the role of our Service is to investigate individual complaints. So it isn't for me to tell Scottish Widows how its wider systems and staff training should work. But given that this matter of incorrect valuations appears to have been an ongoing issue in relation to Mr P, I think it's fair and reasonable to ask Scottish Widows to take an extra step in his particular case by adding a clear alert or marker to Mr P's account regarding the part settlement and the valuation issue (in whatever way its system allows) so that this is easily visible to its staff. And I note that Scottish Widows has agreed to this.

My final decision

For the reasons set out above, I uphold this complaint. Scottish Widows Limited should pay Mr P the total of £550 compensation it has itself already offered but not yet paid to him, and it should also add a clear alert or marker to Mr P's account regarding the part settlement and valuation issue.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 27 March 2026.

Ailsa Wiltshire
Ombudsman