

complaint

Mr B complains that Scottish Widows ("SW") set up an annuity without his knowledge and agreement even though he told it that he did not want an annuity. He wants it cancelled. SW has also not properly responded to his information requests.

background

On 27 September 2013, SW wrote to Mr B as his 75th birthday was approaching. It set out his options for taking his pension benefits. Several were available. SW recommended that he talk to a financial adviser about these. SW also said Mr B could call it if he wanted further information.

SW wrote to Mr B again on 25 February 2014 to remind him of the options as his Normal Retirement Date (NRD) was approaching. SW again recommended that he speak to a financial adviser to discuss the options.

On 3 April 2014, SW wrote to Mr B again. They asked him to make contact with them given the imminence of his NRD. SW said that if they didn't receive instructions from Mr B he could lose his entitlement to a Pension Commencement Lump Sum (tax free cash). SW also said that without any instruction an annuity would be set up.

No instructions were received from Mr B. So on 11 April 2014, his fund was disinvested.

On 21 May 2014, Mr B told SW that he did not want an annuity. And that he was seeking advice from an independent financial adviser.

On 9 June 2014 Mr B's IFA contacted SW to request details of their transfer process. SW wrote back on 11 June 2014. Documentation confirming that Mr B's policy had been disinvested as he had reached age 75 was provided.

On 12 August 2014 SW wrote to Mr B again to ask him how he wanted to proceed with his pension fund. Another recommendation to discuss this with an independent financial adviser was made.

On 26 August 2014 another IFA retained by Mr B was emailed a copy of the letter sent to Mr B before his retirement date which set out his options. That IFA was then sent the transfer documentation that they had asked for.

SW received a call from the proposed receiving provider to say that because the IFA was reviewing Mr B's affairs the transfer was not going ahead. Mr B also called SW on the same day to confirm that the transfer was to be put on hold. SW heard no more about the transfer after this.

In March 2015, as no instruction and no further information about the transfer was given to it by Mr B, SW followed the policy provisions and set up an annuity. It transpired the bank details they had on record for him were incorrect. In May 2015 Mr B contacted SW to say he was unhappy about the annuity. He asked for it to be cancelled.

SW have offered Mr B £450 compensation for administrative errors.

my findings

I have carefully considered all the evidence and arguments to decide a fair and reasonable outcome to this complaint. Having done so, I have reached the same conclusions as the adjudicator and for the same reasons.

Mr B has said that he repeatedly told SW that he did not want an annuity. But I have not seen evidence to show that he did this before his fund was disinvested in April 2014. In fact, the evidence I have seen shows that Mr B did not respond to any of the three requests SW sent him before his retirement date asking for his instructions. It was only in May 2014, a month after disinvestment, that Mr B told SW that he did not want an annuity. Mr B also told SW then that he was seeking advice from an IFA about how best to proceed.

Between then and August 2014, SW were contacted by two IFA's in respect of a possible transfer of Mr B's funds. SW wrote again to Mr B in mid-August 2014 asking for instructions on how to proceed. But in September 2014, Mr B told SW that the mooted transfer was to be put on hold. SW then had no further contact from Mr B until May 2015, a month after the annuity had been set up on Mr B's 76th birthday.

In other words, Mr B had, between September 2014 and April 2015, the opportunity to issue further instructions to SW, including telling it not to set up an annuity because he had decided on an alternative course of action.

But Mr B did not issue further instructions to SW during that period. In those circumstances I do not think it unreasonable that the default option of setting up an annuity was implemented by SW. The default option was clearly set out in the plan terms and conditions and repeated in the pre-retirement information sent to Mr B before he reached retirement age. And SW advised MR B to take independent financial advice on several occasions before disinvesting his fund and again before setting up his annuity. But Mr B only appears to have done this in respect of a transfer of funds which he subsequently cancelled.

Mr B has said that he should have been sent an annuity illustration before it was set up by SW. But I do not agree. As the pre-retirement information sent to Mr B showed, there are many different types of annuity. I do not consider it fair or reasonable to conclude that SW, in the absence of any instructions from Mr B, should have given him tailored illustrations of all the various annuities available. Had Mr B responded to the pre-retirement correspondence requesting annuity illustrations, including on an enhanced basis, they would have been given to him based on the personal information SW requested.

I understand why Mr B is unhappy. He not only has an annuity he does not want but by not responding to SW's requests for instructions, he has also lost the opportunity to take a tax free cash sum. I do not underestimate the distress this has caused him.

But in the circumstances set out above, I do not find SW acted in error in respect of the main aspect of Mr B's complaint, namely setting up an annuity on his 76th birthday.

I note that SW has offered Mr B £450 for various administrative errors it made in the course of events set out above. For the avoidance of doubt, I do not find that any of these errors should influence my decision in respect of why the annuity was set up.

But I do find that these errors will have caused Mr B a degree of distress and inconvenience. £450 is consistent with what this service would award in similar circumstances.

my final decision

I do not uphold Mr B's complaint in respect of his annuity.

But for its acknowledged administrative errors, Scottish Widows Plc must pay Mr B £450 less any amount, if any, already accepted by Mr B in respect of his complaint.

Under the rules of the Financial Ombudsman Service I am required to ask Mr B to accept or reject my decision before 29 December 2015.

Terry Connor
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