

## The complaint

Mr S complains that Scottish Widows Limited didn't inform him about an additional voluntary contribution (AVC) policy he had with it in a clear, timely and fair way.

He says this led to an annuity being automatically purchased on his behalf by Scottish Widows when he reached aged 75, rather than him being given an option as to how he could take his pension benefits. Mr S complains that he has lost out as a result, as he would have preferred to take his pension benefits a different way.

## What happened

Mr S had two AVCs through Scottish Widows, policies ending 095 and 598. Although these were personal pensions, these were set up by Mr S' employer, to run alongside his occupational pension scheme. Scottish Widows said that Mr S' registered address for these policies was his employer's.

In January 2006, the scheme administrator wrote to Scottish Widows instructing it to transfer the benefits from policy 095 to another provider so Mr S' pension could be put into payment. The scheme administrator did not mention policy 598 at that time and nor did Scottish Widows.

Following the transfer of 095, Scottish Widows continued sending correspondence pertaining to policy 598 via Mr S's employer. However, it seems the employer's contact details had changed. Scottish Widows were not made aware of this and continued to send correspondence to this registered address.

In a letter sent in December 2018, Scottish Widows said:

*'If we don't hear from you by your member's 75<sup>th</sup> birthday, we will automatically buy an annuity for them. This will give them a guaranteed income for life but would lose the opportunity to take tax free cash or to get a flexible retirement income. [Mr S] would also miss out on the ability to shop around as he may get a better deal elsewhere.'*

A letter in similar terms was sent the following year, in 2019. In December 2020, just before Mr S' 75<sup>th</sup> birthday, Scottish Widows bought the annuity referred to, not having heard from Mr S or received any other instruction.

Scottish Widows obtained Mr S' contact details from HMRC in 2022, the annuity payments having mounted up and not been paid out. It wrote to Mr S direct in February 2022. The letter asked Mr S to verify his identity as he had a policy with it.

Mr S told this service he was under the impression that his two AVC policies were in payment, following his retirement, until he was contacted by Scottish Widows.

Mr S promptly contacted Scottish Widows back by phone in February 2022, and returned the paperwork requested by Scottish Widows more than once. It then took Scottish Widows around another year, until January 2023, to provide Mr S with details of his remaining AVC

policy with it. In the intervening period, Mr S contacted Scottish Widows a number of times to try to resolve the situation, without success.

In February 2023, Mr S was finally provided with details of the policy and he was paid the backdated annuity payments. He learnt his policy was worth around £10,500 when the annuity was purchased.

Scottish Widows correspondence to him also led Mr S to believe that he had a 30 days cooling off period from the date of its letter, to exercise his option to take his benefits in a different way. This was incorrect. The option to take tax free cash and/or to exercise the other options was only available up to Mr S' 75<sup>th</sup> birthday.

Our investigator recommended that Mr S complaint should be partially upheld and he should be awarded £250 for the trouble and upset caused by Scottish Widows' handling of this situation. Scottish Widows agreed. Mr S did not, he said, in summary:

- he felt the amount of compensation was small for the effort he was put to and the inconvenience caused; and
- he had other correspondence from 2014 about his pension where it said that the administrator had changed.

Mr S' complaint comes to me to 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 agree with our investigator, I cannot reasonably hold Scottish Widows responsible for the fact that in 2006 both his AVCs were not transferred to be put into payment. The instruction from the scheme administrator to Scottish Widows only related to one policy. I don't consider that Scottish Widows acted inappropriately by not establishing what Mr S intended to do with the second policy. Scottish Widows said that given the background circumstances of the AVC schemes it communicated through the employer or scheme administrator or trustees, rather than with the employee direct. Given that the instruction to transfer Mr S' other AVC came via the scheme administrator, I think this was likely the accepted position.

I also don't consider that I can fairly hold Scottish Widows responsible for correspondence going to the wrong address when the administrators changed. I think Scottish Widows did make it clear in correspondence sent what would happen if it did not hear from Mr S before his 75<sup>th</sup> birthday. I accept that Mr S was unaware of that correspondence, but as I've said before, I don't consider that Scottish Widows has done anything wrong in relation to that. The letter that Mr S refers to from 2014 appears to relate to his occupational pension, rather than this AVC.

I do consider however that Mr S was put to some inconvenience by Scottish Widows' poor communication after it obtained his contact details from HMRC. Its responses were not timely and what it communicated was not always accurate leading to further frustration. In addition, it asked him to return paperwork he had already returned. It is understandable therefore, that Mr S was confused about whether he still had the option to rescind the annuity and take his benefits in a different way and was frustrated by the service received.

I consider that Mr S should be compensated for Scottish Widows' poor handling of this situation. Scottish Widows accepts this and the recommendation of our investigator that it should pay Mr S for the trouble and upset caused.

I consider £250 to be a fair and proportionate amount and in line with other awards made by this service in comparable circumstances. I have taken into account that even if Scottish Widows had communicated with Mr S in a more effective way, after it obtained his details from HMRC, this would not have changed his situation. The annuity had been in place for 14 months by then and wasn't capable of being rescinded.

### **Putting things right**

Scottish Widows should pay Mr S £250 compensation for the trouble and upset.

### **My final decision**

I partially uphold this complaint and order Scottish Widows Limited to pay Mr S £250 compensation for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 7 August 2024.

Kim Parsons  
**Ombudsman**