

The complaint

Mr H complained that SCOTTISH WIDOWS LIMITED (Scottish Widows) has not given him sufficient compensation for number of errors it made when collecting his regular monthly pension payments through a direct debit arrangement. This included both missing payments and attempting to take large, unauthorised payments.

He would Like Scottish Widows to increase the compensation it has offered him as well as his pension fund to be topped up to meet the value it should have grown by. He would also like Scottish Widows to undertake some other actions.

What happened

Mr H held a personal pension with Scottish Widows. He decided to set up a direct debit to automate his regular monthly payments, providing the necessary documentation to Scottish Widows on 2 August 2023. This instruction gave authority for Scottish Widows to take payments of £240 per calendar month (pcm).

Scottish Widows wrote to Mr H on 17 August 2023 to inform him that it intended to deduct £960 in respect of outstanding payments on 18 September 2023 before reverting to £240 pcm from 18 October 2023.

Mr H contacted Scottish Widows on 24 August 2023 to inform it that he didn't want to make the contribution of £960 in September, and that such a payment would cause him financial difficulties.

Scottish Widows, however, still deducted £960 from his account on 18 September 2023, causing his bank account to go into overdraft. Mr H contacted Scottish Widows on the same day to complain about this.

The following day, Scottish Widows wrote to Mr H to confirm the direct debit payment of £960 had been returned by his bank. It also informed him that it wouldn't take any more direct debits unless he provided a new direct debit nomination form.

Mr H contacted Scottish Widows on 20 September 2023, to raise further complaint points. He informed it that he had a health condition and that it's mistake had had an impact on his health.

Scottish Widows sent Mr H an email on the same day to apologise for the attempt to take a higher amount than £240 in September. It confirmed the direct debit instruction would be amended and the agreed amount of £240 pcm would be taken from October 2023. It also offered him £100 for the distress and inconvenience it's mistake had caused him, before increasing the amount to £200 having considered the impact on his health.

Scottish Widows responded to Mr H's complaint on 29 September 2023. It acknowledged and apologised for the mistakes it had made and paid the £200 compensation to Mr H for his distress and inconvenience. Scottish Widows also confirmed the direct debit issue had been resolved and it would only take £240 pcm from 18 October 2023.

However, Mr H became aware that no payment was taken on 18 October. He contacted Scottish Widows once more to complain about this failure on 19 October 2023. He asked that it did not take payments for October and November simultaneously in November and asked for confirmation that the payments would now be processed correctly.

Mr H also contacted his bank, to be told that Scottish Widows had registered direct debit mandates on 22 September 2023 and 3 October 2023 but had subsequently cancelled them. A further direct debit mandate had been registered on 27 October 2023 and was still active. Mr H passed this information to Scottish Widows about this. He also told Scottish Widows that he had received a notification of a payment of £480 in November 2023 to make up the missed October payment.

Scottish Widows responded saying that in order to only take £240 in November, it would have to set up a new direct debit. It also offered Mr H another £100 in respect of his further distress and inconvenience. Mr H, however, agreed to Scottish Widows taking the missed October contribution as well as the November contribution in one payment.

The November payment of £480 was made on 18 November with no further incident. The December 2023 payment, however, was not taken. Scottish Widows tried to take another £480 in respect of contributions for December and January on 18 January 2024, but Mr H blocked this payment and made a payment in respect of January 2024 instead.

Scottish Widows wrote to Mr H again on 26 January 2024 to confirm that single monthly payments would start in February 2024 and paid Mr H a further payment of £300 for the distress and inconvenience caused together with a taxable interest of £5 for the time he was without the £480 in January 2024. It then issued a final response to Mr H's complaint dated 5 February 2024 to confirm this.

Unhappy with this response, Mr H brought his complaint to this service.

In recognition of the distress and inconvenience he had suffered, which was exacerbated by his medical condition he asked for:

- a full investigation into the failures of Scottish Widows to meet their obligations as a pension provider and their extremely poor levels of customer service. He wanted this to be undertaken by a board of director of Scottish Widows.
- a full explanation and apology from the board of Scottish Widows.
- a full refund of all professional fees applied to his fund by Scottish Widows for the period of poor service.
- full and appropriate compensation for the effect on his health.
- a fixed financial penalty on all future errors on his account and professional fees and
- charges to be reduced if he is self-managing payments into his pension.
- a full investigation into how his funds have been managed to ensure that best practice and service levels are being met.

Our investigator reviewed the information provided by both parties and formed the view that Mr H's complaint should not be upheld as the compensation he had been given was

appropriate in the circumstances of the complaint. Consequently, the case has been passed to me to make a final 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.

Having done so, I agree with our investigator and do not uphold this complaint.

I can appreciate that this will be disappointing to Mr H, so I will explain how I have reached my decision.

Firstly, I think it's important to reflect upon the role of this service. Our role is to impartially review the circumstances of a complaint and make a decision on whether a business has made errors or treated a customer unfairly. Where it has, we expect a business to compensate a customer for any financial loss and distress and inconvenience they have suffered as a result. These are not punitive charges, but a reflection of making sure that a customer is put back into the position they would have been in had the mistakes not happened. This is an arbitration service, not a court of law, and as such there are clear limits on what we can and cannot compel a business to do.

In the circumstances of this complaint, it is also important to note that Scottish Widows agrees that it has made mistakes which have caused Mr H distress and inconvenience which it has acknowledged and apologised for. It has also paid Mr H £600 compensation in respect of these mistakes, so I must decide whether I think he has been fairly compensated.

To do this, I've considered the mistakes Scottish Widows have made and the effect these have had on Mr H, particularly in light of his medical condition. When deciding if I believe that a proposed level of compensation is appropriate, I have to consider the guidelines this service have published to ensure consistency and fairness of awards as well as the impact the mistakes have had on Mr H and his wellbeing. In the circumstances of this complaint, I find that the payment of £600 that Scottish Widows has already made to Mr H is fair and reasonable in the circumstances and also in line with the guidance this service has published.

In addition to this payment for distress and inconvenience, Scottish Widows has also agreed to make good any financial loss as a result of loss of tax relief or pension growth, if Mr H agrees to make good the pension contributions that have been missed. I can see that Mr H has agreed to do this, so I am satisfied that its offer to make good any financial loss Mr H has suffered is appropriate and in line with what this service would expect.

Mr H has also asked for a refund of the management charges on his pension for this period of time. Having considered this, I agree with our investigator that although Scottish Widows made some mistakes in the administration of Mr H's direct debit and pension contributions, he would still have received other substantial elements of service such as fund management and general administration. As I previously mentioned, my aim is to put Mr H back into the position he would have been in had Scottish Widows correctly processed his direct debit when taking his pension contributions. As I find that if he were to receive a refund of his fund charges, he would be put into a more advantageous position than he would have been, I don't think this is an appropriate course of action.

It also follows that I agree with our investigator that it would not be appropriate to ask Scottish Widows undertake to pay him a financial penalty on all future errors it may make to his account or to provide him with lower future fund charges. If he were to suffer any future

problems, they could be the subject of a future complaint, with a decision made on the circumstances that apply at that time.

Turning now to Mr H's request that he receive an apology from a director of Scottish Widows, and that someone of that level of seniority conduct a thorough review of the circumstances of his complaint. As I explained above, this is not something that is within the remit of this service.

I am satisfied overall that Scottish Widows has accepted responsibility for its mistakes, acknowledged them and compensated Mr H appropriately.

Given this, I won't be asking it to do any more than it has already offered to resolve this complaint.

My final decision

For the reasons explained above, I do not uphold Mr H's complaint.

Scottish Widows Limited does not need to take any more action than it has already offered to resolve this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 26 July 2024.

Bill Catchpole
Ombudsman