

The complaint

Mr B complains that Scottish Widows Limited failed to provide him with timely information about the value of some pension savings that he had transferred into a new drawdown arrangement and used to provide a pension commencement lump sum (“PCLS” – otherwise known as tax free cash.)

What happened

I issued a provisional decision on this complaint last month. In that decision I explained why I thought a part of the complaint should be upheld, and what Scottish Widows needed to do in order to put things right. Both parties have received a copy of the provisional decision but, for completeness, I include some extracts from it below. In my decision I said;

Mr B holds pension savings with Scottish Widows. Those pension savings were held across two separate pension plans. In October 2023 Mr B asked Scottish Widows to consolidate his pension savings into a new flexi-access plan, and to pay him the maximum PCLS that he was entitled to receive.

Mr B’s request was confirmed in a phone call he had with Scottish Widows on 31 October. The transfer of his pension savings to the new plan, and the payment of the PCLS was completed around three days later. And on 7 November Scottish Widows wrote to Mr B to confirm the completion of the transfer and to advise him that he had a statutory 30-day period during which he could request the cancellation of the transfer. But it reminded Mr B that, due to the nature of the transaction he had undertaken, his cancellation options were limited to buying an annuity with Scottish Widows or another provider or transferring his pension savings to another provider’s flexi-access plan.

Mr B wrote to Scottish Widows on 27 November. He told the firm that he was disappointed the value of his transferred pension savings was much lower than he was expecting. He asked Scottish Widows to provide him with a full breakdown of the valuations that gave rise to the transfer amounts. Mr B noted that the 30-day cooling off period would soon be expiring.

Scottish Widows accepts that it failed to respond to Mr B’s request for the information. So it wasn’t until Mr B chased matters, in February 2024, that it provided the requested information. Scottish Widows offered Mr B £200 for the inconvenience he had been caused. And later Scottish Widows offered a further £100 for the way in which it had dealt with some subsequent correspondence. Unhappy with that response Mr B brought his complaint to us.

When it submitted its file to us, Scottish Widows said that it had reviewed what had happened once again. And whilst it still thought it had dealt with the transfer correctly, it was clear that it hadn’t explained things properly to Mr B, either at the time or in answering his subsequent questions. So it said it would offer a further £350 in compensation to Mr B.

I think it would be first helpful to set out the basis of the relationship between Mr B and Scottish Widows. Mr B did not receive any advice or a recommendation from the firm. He was simply given information about the choices available to him so that he could make a considered decision about when, and how, to use the retirement savings that he held. So the decision to transfer the funds to a new retirement account, and take a PCLS, was something that Mr B needed to decide for himself.

The use of retirement savings is generally an irreversible decision. So it is right that Scottish Widows ensures consumers have as much information as they need before making that decision. Scottish Widows invited Mr B to a telephone consultation on 31 October during which he could further consider his options before making a final decision. So I don't think it would be reasonable to consider Scottish Widows to have received any final instructions from Mr B before that call was completed.

So that means that the value of Mr B's pension savings would be set as at the date Scottish Widows received his final instructions – 31 October. I appreciate that Mr B had received valuations from Scottish Widows in the lead up to that date. But those valuations would have all clearly told Mr B that they weren't guaranteed. Scottish Widows has provided us with details of the unit prices that applied to Mr B's pension investments. From those I can see they fell by around 2.66% between 17 and 31 October.

I can appreciate that fall in value would have been very disappointing for Mr B. But I don't think it is an indication of something that Scottish Widows has done wrong. Instead it simply reflects changes in market sentiment at that time. And Scottish Widows has told us that it clearly set out the prices that it would be applying to Mr B's instruction on its call with him on 31 October.

So on balance I think the valuation that Scottish Widows applied to Mr B's pension savings when he asked for them to be consolidated and his PCLS paid was fair. But I now need to consider whether Scottish Widows treated Mr B fairly in the months after that request was made, and whether any failings have caused Mr B to lose out.

As I've said earlier, the nature of Mr B's instruction provided him with some limited rights to cancel the transaction. But its nature didn't mean that Mr B could be placed back into the exact position he would have been – Scottish Widows was under no obligation to reinstate the pension investments that Mr B had sold before the transfer could proceed. So the decision that Mr B had taken to disinvest his pension savings was relatively set in stone.

There is no doubt that Mr B made a reasonable request for more information about the underlying values of his pension investments in late November 2023. And Scottish Widows accepts that it failed to provide that information to Mr B in a timely manner. But that information would simply have explained to Mr B that Scottish Widows had correctly calculated the value of his pension savings, and that they were lower than previously due to market movements.

Given what I have said above, about the limited nature of Mr B's cancellation rights, I'm not persuaded that he has lost out as a result of Scottish Widows not providing him with a timely answer to his questions. The fall in the value of his pension savings due to market movements was by then irreversible. At best he could have moved his pension savings to an annuity, or another provider. But the amount he could have moved elsewhere would be the same as he held in his Scottish Widows retirement account.

But there is little doubt that Scottish Widows' failure to answer what were pertinent and reasonable questions will have caused some distress and inconvenience to Mr B. As I have said earlier, Scottish Widows has offered Mr B a total of £650 for its failures in dealing with his original request for information, and his later comments on its assessment of his complaint. On balance I think that is a fair amount of compensation in all the circumstances here. So, unless it has already done so, I intend to direct Scottish Widows to pay that compensation to Mr B.

I appreciate that these findings will be disappointing for Mr B. But the cancellation rights he held at the time of his letter to Scottish Widows wouldn't have allowed Mr B to reinstate the pension investments he had sold to allow the transfer to the new retirement account. So I don't currently think Scottish Widows' failure to provide the requested information in a timely manner has caused Mr B to lose out.

I invited both parties to provide us with any further comments or evidence in response to my provisional decision. Scottish Widows has said that it agrees with my findings. Mr B has provided some further comments to explain why he doesn't agree with my provisional decision. Although here I am only summarising what Mr B has said, I want to reassure him that I have read, and carefully considered, his entire response.

Mr B says that the end-to-end time for the transfer to complete was significantly in excess of a similar transfer he did with another firm. He says that he first discussed the transfer with Scottish Widows on 12 September, but the transaction didn't complete until 10 November.

Mr B says that he was given verbal information about the "cooling off" period during the telephone call he had on 30 October. But he says he wasn't told about the restrictions that I set out in my provisional decision. And he says no information about any cooling off period was provided in the letters he received from Scottish Widows on 12 and 19 October. Mr B says that his letter of 27 November should have been sufficient to trigger the provisions of the cooling off period.

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.

As I set out in my provisional decision, 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 Mr B 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.

And I repeat my reflections 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.

I have thought carefully about the additional comments that have been made by Mr B. I am sorry to tell him that his additional comments haven't caused me to alter my opinion of his complaint. But I would like to give some further explanations on the matters he has raised.

I explained in my provisional decision why I thought it was important that decisions such as these are made after a full explanation is given by Scottish Widows. So I think it reasonable that Scottish Widows asked Mr B to discuss his situation by telephone so that appropriate information could be provided. And I'm satisfied that a reasonable timeline applied to those discussions. Although Mr B first asked Scottish Widows about taking some of his pension benefits in September 2023, he didn't firm that request up until the following month. And the call during which his instructions were confirmed took place just a couple of weeks later.

When Mr B completed the transfer of his pension savings he was sent a letter by Scottish Widows – a letter that was dated 7 November. In line with its regulatory responsibilities it was that letter that set out Mr B's limited rights to cancel the transfer. I don't think Scottish Widows was under any obligation to set out those rights, either verbally or in writing, before the transaction was completed. It would seem somewhat perverse to me for a consumer to enter into a transaction such as this in the expectation of it being cancelled. The cancellation rights allow for unforeseen circumstances that arise after, or at the time of, a transfer.

The letter that Mr B was sent setting out his cancellation rights asked that he return both the cancellation form, plus provide an indication of his alternative retirement decision. So even if I thought that Mr B's letter of 27 November should have been treated as a cancellation request (which for the avoidance of doubt I don't) he still hadn't completed the other half of the cancellation process and provided his alternative instructions.

But as I set out in my provisional decision, the matter that seems to be of greatest concern to Mr B – the fall in the value of his pension investments – was already irrevocably set in stone by the time the cancellation rights became effective. To complete the transfer Scottish Widows needed to sell those investments. And the cancellation options open to Mr B did not provide for any backdating of reinvestments – to do so would allow consumers to “play the market” with the benefit of hindsight.

I don't think it is necessary for Scottish Widows to provide Mr B with further details of the change in value of his pension investments. That is information Mr B can readily access for himself by simply looking at the unit price of the fund in which his pension investments were held. That fund was the “Lloyds TSB Managed Pension Fund.” And a review of its performance clearly shows the fall in value between 17 and 31 October that I described in my provisional findings.

So I'm not persuaded that Scottish Widows did anything wrong in the way it valued the pension investments Mr B held. And the cancellation rights he held at the time of his letter to Scottish Widows wouldn't have allowed Mr B to reinstate the pension investments he had sold to allow the transfer to the new retirement account. So I don't think Scottish Widows' failure to provide any requested information in a timely manner has caused Mr B to lose out.

But I still think that Scottish Widows' failure to respond to Mr B's reasonable requests will have caused him some distress and inconvenience. So I will confirm my direction that Scottish Widows should pay Mr B the £650 it has offered in that regard. I have noted that Mr B has asked that this amount not be paid since he may wish to take matters to the Courts. He is free to reject this final decision in which case Scottish Widows will not be bound to make any payment.

Putting things right

Scottish Widows should pay the compensation it has already offered to Mr B of £650 to reflect the distress and inconvenience he has been caused.

My final decision

My final decision is that I uphold a part of Mr B's complaint and direct Scottish Widows Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 10 January 2025.

Paul Reilly
Ombudsman