

The complaint

Mrs S complains that Scottish Widows Limited (SW) stopped the direct debit for her pension contributions without notifying her. As the contributions were only restarted 30 months later, Mrs S would like compensation for the financial loss she feels she's suffered over that period.

What happened

Mrs S has a personal pension with SW.

In November 2020, SW wrote to Mrs S to tell her that additional contributions into her pension would stop and the associated direct debit would be cancelled. The direct debit was paid by Mrs S's employer. I understand that it was split as £48 each month from Mrs S and £36 each month from her employer. The letter explained that Mrs S would need to speak to her other employer to discuss her options.

Mrs S asked SW what the letter meant. And in December 2020, SW wrote to her again to explain that it'd made a mistake. It said that when the scheme Mrs S's policy was in was terminated in 2007, her policy should've been ported from a workplace pension to a personal pension, but it hadn't been. SW confirmed that Mrs S's policy had now been successfully ported to a personal pension, so contributions into the policy could continue. SW told Mrs S she didn't need to do anything else for the payments to continue to be collected.

However, this wasn't correct. SW stopped the direct debit in December 2020. No further direct debit contributions were taken between January 2021 and June 2023, when Mrs S called SW to query the missing payments. She said she hadn't previously noticed the missing payments due to treatment for poor health. SW re-started the direct debit in July 2023 when it took two months' contributions. It then resumed the previous normal level of contributions from August 2023.

SW said that it sent Mrs S annual statements on 10 June 2021, 10 June 2022 and 9 June 2023 which showed that the direct debit contributions hadn't been collected since December 2020.

Mrs S complained to SW. She'd seen from the 2023 annual statement that there was a problem. She was unhappy that SW hadn't collected her direct debit payments. And felt she'd lost out on tax relief. She wanted SW to restart the direct debit payments and to make good the missing payments.

SW's complaint manager spoke to Mrs S about her complaint on 25 July 2023. I understand that Mrs S said the missing contributions couldn't be paid in one lump sum. And that she/her employer would like to pay the missed contributions in instalments.

SW issued its final response to the complaint on 1 September 2023. It apologised for stopping the direct debit without permission. It upheld the complaint and offered Mrs S £250 for the poor service she'd received.

Mrs S didn't think SW's offer of compensation was fair, so she brought her complaint to this service. She said that neither she, nor her employer, had noticed the direct debit had been stopped until she'd received the 2023 annual statement. Mrs S explained that due to finding out about a serious health condition in June 2021, and then receiving prolonged treatment, she hadn't read the 2021 or 2022 statement at the time they were sent.

Mrs S said that 30 monthly contributions were missing from her pension. She said she'd also missed out on the corresponding tax relief and investment performance. Mrs S said that her employer didn't have the money to cover the missing 30 months' contributions. She felt that SW should've noticed what had happened. So it should be responsible for correcting its mistake and should cover the missing amounts.

After the complaint was referred to this service, SW made a revised offer to resolve the complaint. It said its complaints manager should've been more accommodating to Mrs S's concerns about the missed monthly contributions.

SW said that while it wouldn't pay the missed contributions on Mrs S's behalf, it could explore the potential options of how the missed payments could be paid into the policy. It said these were:

- a) Having Mrs S's employer pay a lump sum to it for the missed payments, or
- b) Setting up a payment plan for her employer to pay in the missing payments.

SW said that if Mrs S/her employer were interested in its offer she'd need to let SW know how she'd like to move forward and what her employer could afford to pay over what period. SW would then be able to confirm if it could facilitate the chosen repayment method. And if so, it would then confirm with Mrs S/her employer and put the agreed repayment plan into action.

SW felt that as its complaints manager hadn't originally made this offer, a fair level of compensation for the poor service was £500, not the £250 initially offered.

Our investigator felt that SW's revised offer was fair. She said that this service wouldn't expect SW to cover the missed contributions itself. But we would expect it to recognise that the missed payments might not be affordable in one go. She also felt that the £500 compensation SW had offered for poor service was reasonable for the impact its error - and the fact that its complaints manager hadn't initially explored the various options for Mrs S and her employer to make the missed contributions - had caused.

Mrs S didn't agree with our investigator. She made the following points.

- SW's actions had caused her pension to be at least £3,000 lower than it would've been. So the £500 compensation it'd offered was insulting.
- She wanted SW to make a reasonable payment into her pension to correct its error.

Our investigator considered Mrs S's points and issued a further view on the complaint. But she still felt that SW's offer was fair.

Mrs S didn't agree with our investigator. She acknowledged that she could've realised sooner than the contributions had stopped. But said that her illness had led to significant worry and stress for both her and her employer. And this had meant that they'd not reviewed pensions paperwork as closely as normal and hadn't noticed the error.

Mrs S didn't think it was fair that she should have to check that SW had correctly followed its instructions. She felt it was its responsibility to administer her policy correctly. As such, she felt it was only fair that SW paid half of the missing contributions.

As agreement couldn't be reached, the complaint has come to me for a review.

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'm going to uphold it. But I agree with our investigator that SW's most recent settlement offer is fair and reasonable under the circumstances. I know this will be disappointing for Mrs S. I'll explain the reasons for my decision.

Before I start, I'd like to acknowledge how difficult the last few years must've been for Mrs S as she's gone through such poor health. I hope she is enjoying much better health now.

When a business makes a mistake, we expect it to restore the consumer's position, as far as it's able to do so. And we also consider the impact the error had on the consumer.

I can see that SW has made mistakes. It sent an incorrect letter to Mrs S in November 2020. And while it confirmed that it had made this mistake in December 2020, it still cancelled the direct debit that Mrs S and her employer used to make her monthly pension contributions. And it did this without her permission and without notifying either Mrs S or her employer.

When Mrs S eventually realised what'd happened and complained, SW's complaints manager didn't offer to help Mrs S and her employer find a suitable way to pay the missing contributions into her policy. But, after Mrs S brought her complaint to this service, SW has reconsidered its complaint response and has offered to work with Mrs S and her employer to find a payment plan which works for them.

I understand why Mrs S feels that SW should pay at least half of the missing contributions into her policy. She expected SW to administer her policy correctly, without the need for her to check that her contributions were being made as she expected.

While I have some sympathy with this view, I can't fairly agree. I say this because I agree with our investigator that where a business has made an error, this service expects it to take steps to put the consumer back in the position they would've been in if the error hadn't occurred. In this case, SW has offered to work with Mrs S and her employer to ensure that the missing contributions can be paid in over a time that suits them.

I appreciate that SW made a mistake when it cancelled the direct debit. But I think Mrs S could've noticed in early 2021 that monthly payments were no longer being made into her pension. Her monthly payslips should've shown that no pension deductions were being made. So in the first half of 2021, before SW sent Mrs S her June 2021 annual statement and before her diagnosis, I'm of the view that Mrs S should've noticed the problem.

Had she done so, I consider that it would've been relatively easy for monthly contributions to be resumed, and for the small number of missing contributions to have been made up. I also note that Mrs S can still benefit from the tax relief when she makes the missed contributions. Therefore, I'm satisfied that SW's offer to put things right is fair under the circumstances. I say this because it will allow Mrs S and her employer to make up the monthly contributions in a timeframe that suits them.

I next considered the £500 compensation SW has offered Mrs S for the distress and inconvenience the poor service caused her.

Distress and inconvenience

Mrs S doesn't consider that the £500 compensation SW has offered is sufficient in the circumstances.

For distress and inconvenience compensation, this service considers the impact a business's error has had and the time it's taken to resolve it. In this case, I can see that SW made mistakes – it failed to correctly convert Mrs S's policy into a personal pension in 2007. And then failed to collect the monthly direct debit contributions, despite saying that these would still be collected, until they restarted in July 2023. As I noted earlier, I'm persuaded that Mrs S and/or her employer should've noticed that the monthly direct debit wasn't being taken at some point in the first half of 2021.

As our investigator explained, SW made its offer of £500 compensation for the inconvenience its errors caused Mrs S, not for any financial loss she feels she's suffered. While I acknowledge that Mrs S doesn't consider that the £500 offered is enough to put her financial losses right, I can't fairly and reasonably hold SW responsible for the financial loss Mrs S considers she's suffered over a period of 30 months.

SW is now willing to work with Mrs S and her employer to put things right. But I can see that it wasn't as helpful as it could've been when Mrs S first complained. I say this because it didn't at that point offer to work with her and her employer to find a suitable repayment plan.

Overall, taking into account both the errors SW made and the subsequent poor service it provided to Mrs S, I'm satisfied that the £500 compensation offer SW has made is reasonable.

Putting things right

I require Scottish Widows Limited to pay Mrs S £500 compensation for the errors it made and the poor service it provided her with.

I also require Scottish Widows Limited to work with Mrs S and her employer to establish an acceptable repayment plan for the missed contributions.

My final decision

For the reasons set out above, I uphold Mrs S's complaint. Scottish Widows Limited must take the action detailed in the "Putting things right" section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 3 January 2024.

Jo Occleshaw
Ombudsman