DRN-4473925

The complaint

Miss G complains that Scottish Widows Limited (SWL) has made alterations to her pension plan without her approval.

After stopping the regular payments into her pension because she doesn't feel that SWL have given her a satisfactory answer following the changes, Miss G says that she would now like SWL to make up the contributions that she's not made because of their lack of information.

What happened

In November 2022, SWL wrote to a group of their workplace pension customers to explain that they were making a number of changes to their plans. The updates were designed to provide plan holders with a number of improvements, including adding a flexible access drawdown feature, adding further investment funds to choose from and simplifying the plan charges. SWL said that they needed to update their IT systems and as a result, customers' pension plans would be moving onto their new platform in the next 12 months.

In May 2023, Miss G received a letter from SWL, explaining that they had migrated her plan from their old system and on to the new platform on 20 February 2023. This meant that the changes that they covered in the November 2022 letter, such as revisions to the charging structure on her plan, had now come into force.

Shortly afterwards, Miss G decided to telephone SWL to understand the May 2023 letter further. After not receiving a satisfactory answer to her query, she decided to formally complain to SWL the same day. In summary, she said that she'd received their letter earlier in the month explaining the changes to the charges that were being applied to her pension and was unhappy that SWL could make alterations to her plan without her agreement. She also explained that she hadn't received SWL's earlier letter from November 2022 that positioned the forthcoming changes.

Miss G also explained to SWL that because she'd lost confidence in them, she'd stopped paying her pension contributions until they provided a satisfactory response to her queries.

As SWL were unable to respond to Miss G's complaint within eight weeks, they offered her the option to refer her concerns to this service. Miss G decided to exercise her right to raise her concerns with ourselves, and forwarded her complaint to this service. In summary, she said that she was unhappy that SWL could change her plan without her say-so. She also went on to say that because she'd paused her pension contributions, she wanted SWL to compensate her by paying the amounts that she missed back into her pension.

After reviewing Miss G's complaint, SWL concluded that they were satisfied they'd done nothing wrong. They explained that they had migrated customers' plans in February 2023 to a new platform. As a result, Miss G's plan, which previously had a two-element charging structure, was moved to a simpler charge. Prior to the change, SWL said that Miss G was paying 0.5% per annum in charges and after the platform migration, she was still paying 0.5%. Whilst they weren't upholding Miss G's complaint, to say sorry for the amount of time it had taken them to respond to her complaint, SWL said that they were paying her £100 for the trouble that they'd caused.

The complaint was then considered by one of our Investigators. She concluded that SWL had treated Miss G fairly and she went on to say that the changes SWL had made, put her in the same position she was in previously – that is to say, SWL were still charging the same 0.5% per annum but the manner in how the charge was taken had altered to make things simpler for plan holders. During their discussions, Miss G also explained that following SWL's updates, the fund that she was previously invested in changed and dropped in value. However, our Investigator explained that she was still invested in the same fund pre and post migration to SWL's new IT platform.

Miss G, however, disagreed with our Investigator's findings. In summary, she said that SWL hadn't been clear with her about the costs that she was paying both now and previously. She also explained that following the changes that SWL made in February 2023, she still believed her pension had fallen in value because of the alteration that they'd also made to where her monies were invested. Miss G also explained that SWL had deeply offended and hurt her – she went on to say that by being ignored, they weren't treating her as a valued customer.

Our Investigator was not persuaded to change her view as she didn't believe that Miss G had presented any new arguments she'd not already considered or responded to. Unhappy, Miss G then asked the Investigator to pass the case to an Ombudsman to review that outcome.

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.

The purpose of my decision isn't to address every single point raised. My role is to consider the evidence presented by Miss G and SWL, in order to reach what I think is an independent, fair and reasonable decision based on the facts of the case. In deciding what's fair and reasonable, I must consider the relevant law, regulation and best industry practice, but it is for me to decide, based on the available information that I've been given, what's more likely than not to have happened. And, having done so, I'm not upholding Miss G's complaint. Whilst I'm not sure I can add a great deal more than our Investigator has already set out, I'll explain why below.

I can appreciate Miss G's concerns when she received SWL's letter in May 2023, explaining that her pension had been moved on to their new platform. Miss G says that she never received SWL's November 2022 letter, positioning the changes, so their May 2023 letter came as a surprise. Struggling to understand what the changes meant, she then telephoned SWL to gain a better understanding of what the impact was for her. I've listened to the telephone discussion that Miss G had with SWL when she called them on 16 May 2023. The entire conversation was challenging because SWL's call handler wasn't aware of the letter that Miss G had been sent and Miss G was upset that SWL could neither explain the changes or make alterations to her plan without her say-so.

Consequently, the call handler wasn't in an informed position to walk through those changes with Miss G and help her understand what and why the alterations had been made. This then led to Miss G becoming more frustrated and ultimately raising a complaint with them.

It's unfortunate that Miss G didn't receive SWL's November 2022 letter because that provided the background to the changes and what it meant for Miss G. SWL have said that they don't have a copy of the November 2022 letter that was sent to Miss G because they were issued under a bulk mailing programme to all customers who held the same type of plan as her. I've no reason to doubt that it wasn't sent, but it appears that Miss G didn't receive it.

In any event, the May 2023 letter provided an additional explanation of the changes that SWL had made and what it meant for Miss G's plan. But, it seems from her call with SWL on 16 May 2023, that Miss G didn't really understand what that letter was setting out. She explained that as she'd not given her permission for her pension to be moved on to SWL's new platform, she wanted to 'opt out' of the changes and be put back to where she was previously. She also explained that she'd never paid charges before and that she wasn't happy for SWL to start charging her now.

However, that's not the case – and that's because Miss G was already paying SWL 0.5% to manage her pension and following the February 2023 changes, she was still paying SWL 0.5%, albeit the way in which they were collecting that charge had changed. Prior to her pension migrating, Miss G paid a fund-based charge of 1% and was then given a discount of 0.5% which was put directly into her pension in the form of extra units. The fund-based charge wasn't deducted from individual plans but was debited from the entire value of the fund, leading to a reduction in the fund's bid price. However, following the switch to the new charging approach, SWL are now levying a fund-based charge of 0.1% and an administration charge of 0.4%, totalling 0.5%, which unlike the previous approach, now comes directly off the policy. SWL say that they made the change to make it simpler for customers to understand.

Whilst I appreciate that SWL have altered how the charges are taken, they're still debiting the same amount each year in percentage terms. So, whilst the charges may have come as surprise to Miss G, despite what she may think, this wasn't a new cost that SWL were levying for looking after her pension and she had always been paying this amount. SWL weren't able to provide evidence of the charges disclosure that Miss G was given at the time she took the plan out in 2014 because the pension was organised through her employer, but they say that she would have been sent a welcome pack at the time, which would have highlighted all of the relevant costs. SWL provided an example welcome pack to this service which does highlight the typical costs involved in running the pension. Whilst I've no reason to believe that SWL didn't send the welcome pack, either Miss C didn't read it, or misunderstood it, or has forgotten about the charges associated with her pension. I think it didn't help that SWL's May 2023 letter didn't include a comparison of the costs that she was previously paying (prior to the migration), compared to what she would pay under the new approach. But, looking at the information that I have been provided, I can't agree with Miss G that she has been financially disadvantaged by SWL's change, because it still appears that she's paying the same annual cost, albeit structured slightly differently, to have her pension professionally managed.

As part of SWL's migration to their new system, Miss G also explained that they'd altered her investments, meaning that she's lost out financially. Prior to SWL moving Miss G's pension onto their new platform, her monies were invested in their Pension Portfolio Two fund. SWL have sent this service evidence that post migration, her monies are still in that same fund.

As part of the changes that SWL made, they created new versions of a number of their funds. Despite this, those funds still invested in exactly the same underlying investments, but importantly, as they had different unit prices, consumers held a different number of units following the migration, which is why there appeared to be a change. However, the value of Miss G's plan wasn't affected by the change and consequently, she was no worse off.

Miss G says that because SWL 'ghosted' her when she complained, she decided to pause the monthly contributions into her pension. She now wants SWL to make up those missing contributions because, she says, they failed to communicate with her or put her mind at rest that there wasn't a problem with her plan. However, I don't agree that they should cover her missing monthly contributions and that's because I've not been persuaded that SWL have done anything wrong by making the changes to her pension. SWL have already conceded they could have responded to Miss G's concerns about her pension plan more promptly, and have given her £100 in recognition of that, but it was Miss G's decision to stop the payments, not SWL's. Whilst I appreciate that changes which come as a surprise can be unsettling, having looked at SWL's terms and conditions, they do allow for revisions to be made to customers' policies. And, looking at the changes that SWL have made, I've not been persuaded that they have disadvantaged Miss G in any way. So, whilst I appreciate this will come as a disappointment to Miss G, I'm not upholding her complaint.

My final decision

I'm not upholding Miss G's complaint and do not require Scottish Widows Limited to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 29 December 2023.

Simon Fox
Ombudsman