

## **The complaint**

Mr H has complained that pension contributions amounting to around £28,000 were lost by Scottish Widows Limited for several months. They have since been applied to his pension plan, but Mr H remains uncertain as to whether this has been done properly and is dissatisfied with the amount which Scottish Widows has offered him in respect of the distress and inconvenience caused by its error.

## **What happened**

The investigator who considered this matter set out the background to the complaint in his assessment of the case. I'm broadly setting out the same background below, with some amendments for the purposes of this decision.

The complaint is in relation to a pension plan Mr H has held with Scottish Widows since April 2005.

Scottish Widows' records indicate that it sent Mr H a letter on 26 November 2022 saying that it had received payments (I understand this was seven contributions) into his policy from an unrecognised source, and so it asked him to confirm the full name of the employer, its address, its relationship to Mr H and the gross/net amount which was being contributed.

It said that it would take no action until these details were confirmed.

Scottish Widows' file notes then recorded that, as it hadn't received any information regarding the new employer, a refund was set up to return the funds. But its policy servicing team returned a lump sum payment to the employer details held on file (Mr H's old employer), rather than return the payment to the remitting bank account.

The reason for this was that Scottish Widows hadn't updated its system and, as a result, didn't recognise the contributions which had started originating from Mr H's new employer.

So, instead of refunding the payments to the unrecognised sender, it returned them to the old employer which still showed on its system as Mr H's "active" employer.

Mr H believed that, as his previous employer was no longer trading, the missing funds would have been automatically returned, but this didn't happen as the recipient bank account was still active.

Scottish Widows completed the tracing process and applied the missing contributions to the policy to ensure, it said, that Mr H wasn't in a financially disadvantageous position due to the error. This was completed on 27 March 2023.

Scottish Widows also updated its system to reflect Mr H's current employer, which would prevent any further similar problems going forward.

In addition, Scottish Widows offered to pay Mr H £750 for the trouble and upset he experienced as a result of the delays and multiple errors, combined with poor service.

Scottish Widows also undertook a loss adjustment to ensure that Mr H's policy value wasn't lower than its notional value, but for the error. Scottish Widows confirmed that the actual net total figure which was applied to Mr H's policy was £35,082.02. The gross figure was £43,215.02.

Scottish Widows also confirmed the current value of Mr H's policy (£77,623, as at March 2023) and offered its apology for what had happened, along with the inconvenience caused. It acknowledged that Mr H had experienced poor service in trying to resolve the matter, but said that it hoped it would have the opportunity to correct this in the future.

Dissatisfied with the outcome, however, Mr H referred his complaint to this service.

Our investigator set out his assessment of the matter on 27 June 2023, saying that he didn't think the complaint should be upheld. He said the following in summary:

- He noted that Mr H hadn't informed Scottish Widows of his new employer, or replied to its contact asking him to confirm the relevant details.
- He'd also considered the remedial actions which Scottish Widows had taken to resolve the matter – he agreed that it had been slow to act, but had ultimately placed Mr H in the position he should have been but for the error.
- The investigator referred to a table produced by Scottish Widows which he said demonstrated that the missing contributions had been applied correctly to Mr H's pension plan.
- With regard to the £750 payment offered by Scottish Widows, the investigator considered it in the context of the guidance issued by this service and thought it was consistent with the type of award that this service would make in similar circumstances. He added that such awards weren't meant to be punitive.

Mr H disagreed, however saying that he'd seen little analysis within the investigator's assessment of Scottish widows having lost around £50,000 of pension contributions and paying it to his old employer, along with the six months of distress and inconvenience he'd been caused.

Mr H added that pension companies are supposed to safeguard policyholders' money and Scottish Widows had clearly failed in this regard.

The £750 payment didn't compensate him for the above issues, Mr H said. And so he asked that the matter be referred to an ombudsman for review.

The investigator reassured Mr H that he'd considered all the aspects of the complaint, but as requested, said that he would be referring the matter to an ombudsman.

At my request, the investigator contacted Scottish Widows to ask it to confirm that it had applied the contributions to Mr H's policy correctly, i.e. as at the date that they should have been applied. Scottish Widows referred to the spreadsheet it has already provided as evidence that the policy has been properly reconstructed to reflect this.

### **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.

And having done so, I broadly agree with the investigator that Scottish Widows has taken appropriate steps here to put matters right.

I don't think it's disputed that Scottish Widows let Mr H down here and he would quite understandably have been very concerned about his missing pension contributions. And I can understand why he still feels that Scottish Widows has failed him.

But the purpose of this service is to effectively right financial wrongs. Had Scottish Widows not taken the steps it had to correct the error, then I would have directed it to undertake the same process – i.e. ensure that the contributions have been applied correctly and that Mr H hasn't been financially disadvantaged by the error. This would be, in essence, a reconstruction of the policy through the application of the payments as at the dates they should have been received into the policy. And the current value of Mr H's policy should reflect that this has happened.

Overall, on the basis of the available evidence and confirmation from Scottish Widows that this has been implemented properly, I'm satisfied that this is likely to be the case.

And so I've then thought about the matter of an appropriate payment in respect of the distress and inconvenience caused to Mr H.

But as with the investigator, I need to be mindful of the types of award that his service might typically make in similar situations – and I would echo his comment that it wouldn't be designed to be punitive for Scottish Widows. Rather, we consider the likely overall impact on Mr H, which as I've said above would have been significant amounts of concern caused to him, and then inconvenience in having to try to resolve the matter.

But thinking about the types of award that this service would make in similar situations, and whilst I know Mr H disagrees, I think the £750 offered by Scottish Widows is probably about right. And as with the investigator, I would refer him to our online guidance which sets out the types of scenarios for which we might make certain awards.

### **My final decision**

For the reasons given, my final decision is that I don't uphold the complaint. My understanding is that the £750 has already been paid, but if it hasn't, then Scottish Widows Limited should pay this to Mr H.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 25 August 2023.

Philip Miller  
**Ombudsman**