

Ombudsman's Determination

Applicant	Mr G
Scheme	Scottish Widows Group Personal Pension Scheme (the Scheme)
Respondent	Key Group Ltd (the Employer)

Outcome

1. Mr G's complaint is upheld, and to put matters right, the Employer shall carry out the actions in paragraph 49.

Complaint summary

2. Mr G is unhappy that when his employment ended, his Individual Pension Plan (**the Plan**) within the Scheme was closed too soon and so the remaining pension contributions from his Employer were paid into a new, separate account (**the new Plan**) instead. This has led to a loss, as the pension contributions were invested in a default fund in the new Plan rather than the funds he had previously chosen.

Background information, including submissions from the parties

3. The sequence of events is not in dispute, so I have only set out the salient points. I acknowledge there were other exchanges of information between all the parties.
4. Mr G worked for the Employer and was a member of the Scheme with his own individual benefits held within the Plan. Scottish Widows acted as the administrator for the Scheme.
5. On 31 October 2023, Mr G was made redundant and ceased working for the Employer. The Plan was closed with effect from this date.
6. As part of his redundancy package Mr G agreed a settlement, which included his pension, which stated:-

"Pension

6.2 The Company shall on the Payment Date pay £1,500 into the Company's Scottish Widows pension scheme in which you are an existing member, to augment your benefits."

7. The Employer manually calculated the pension contributions due to be paid to Mr G based on the pensionable elements of his final pay. This was found to be a higher amount than in the settlement agreement. The Employer opted to pay the higher amount of £2,146.08.
8. On 27 November 2023, the Employer paid Mr G's final salary. However, as the Plan was closed, payments could not be made to it.
9. On 28 November 2023, the Employer recognised that an error had been made. As Scottish Widows had been informed of the termination date of Mr G's employment via the Employer's payroll system, it had closed the Plan, meaning the Employer was unable to transfer the pension contributions owing.
10. On 14 December 2023, after exploring a number of possible options, the Employer decided to make the payment of £2,146.08 into the new Plan on 14 December 2023. The Employer confirmed that this workaround was suggested to it by Scottish Widows.
11. On 15 December 2023, the Employer sent a letter to Mr G explaining that there had been a technical error regarding his final pension payment and advised that Scottish Widows would be able to support him in merging the Plan and the new Plan. He was provided with their contact details. The Employer stated that Scottish Widows would not allow them to facilitate this, and Mr G would have to contact Scottish Widows directly to arrange the merger.
12. On 18 December 2023, Mr G received the Employer's letter, and on the same day, he sent an email to the Employer which said in summary:-
 - The terms of the agreement in relation to pension contributions were specific in that payment would be made "into the Company's Scottish Widows pension scheme in which you are an existing member, to augment your benefits".
 - The Plan was invested in self-selected funds: Invesco Managed, Henderson Managed and Scottish Widows Pension Portfolio 2.
 - While he did not as yet have any communication from Scottish Widows, he had checked online and it appeared that the Plan had not received any additional payments as was agreed, but a completely separate new Plan was set up on 14 December 2023, without his knowledge or consent. It also appeared that the contributions paid had been placed into a lifestyle tracker fund on the same date. There appeared to be a potential financial loss due to the different investments involved.
 - He also questioned why he was not contacted sooner and made aware of any issue. There could have been options to mitigate the issues that had now arisen. He felt this was particularly poor service.

- Furthermore, he had to date, not been provided with any documentation in relation to product disclosure, cancellation or any information on the new Plan funds or charging structure.
 - The Employer would be aware of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 which required it to provide information to him.
 - He asked for details of the Scheme's Internal Dispute Resolution Procedure (IDRP).
13. On 21 December 2023, the Employer sent a response to Mr G and referred him to Scottish Widows to ask for his two Plans to be merged. It said:-
- As explained in its letter of 15 December 2023, a technical error meant that it was not possible to make the final contribution payment into the Plan. In order to mitigate the impact of this, new arrangements were made with the same provider, Scottish Widows, and he had been advised that he could speak to Scottish Widows to merge the two Plans. He should also receive the documentation relating to the new Plan directly from Scottish Widows.
 - While it acknowledged that this was not strictly in accordance with the terms of the settlement agreement, it did not agree that this would result in any significant financial detriment as he had suggested.
 - If he had any concerns regarding his pension funds it suggested that he speak with Scottish Widows who would advise him further.
 - His reference to IDRP and disclosure obligations were not applicable to this situation.
14. On 21 December 2023, Mr G sent an email to the Employer and said that 'Group Pension complaints' were covered by IDRP. The basis of his complaint was that:-
- The Employer broke a contractual obligation, specifically with regard to 6.2 of the settlement agreement, "paying into an existing scheme and augmenting benefits".
 - There was no contact from the Employer to explain the "technical error", to provide any confirmation of what options there were to rectify the error, or of the actions taken.
 - The allocation to a lifestyle tracker fund was not in line with his attitude to risk or the diversification he had applied to the Plan.
 - He did not expect to suffer any financial detriment, and he should be put back into the position he should have been, per the agreement. The Employer had not

confirmed anything in relation to this other than telling him to contact Scottish Widows to rectify its mistake.

- He had not received any documentation relating to the new Plan.
15. On 9 January 2024, the Employer sent Mr G an email and said that there did appear to be some misunderstanding as to the pension arrangements and the complaints processes. Scottish Widows was the provider of the Scheme that it offered to its employees. It did not operate a group or trust-based pension scheme. For this reason, IDRP did not apply, such arrangements were only applicable to occupational pension schemes.
16. On 9 January 2024, Mr G sent an email to the Employer and said in summary:-
- Employers were required to make pensions available to employees through an occupational scheme or a workplace pension to meet the relevant legislation and requirements on auto-enrolment. As the Employer made deductions from pay, it was therefore considered to be a Group Personal Pension Plan and by definition set up as an "occupational or workplace pension".
 - After leaving the Employer, the Plan became a personal pension. However, his complaint related to an agreement made at the time of being an employee, as such he was able to make a complaint under the "occupational scheme rules".
 - The Pension Regulator regulates workplace pensions. All occupational schemes must have in place a formal complaints procedure, referred to as IDRP.
 - He had now had the opportunity to check the Scheme on the Financial Conduct Authority register and it was indeed governed by a trust deed and rules. Scottish Widows were the administrators of the Scheme. He had also now complained to Scottish Widows.
 - He reiterated the complaint points he had raised previously with the Employer.
17. On 10 January 2024, Mr G spoke to Scottish Widows and was referred back to the Employer with regards to making a complaint.
18. On 11 January 2024, the Employer sent Mr G an email and said in summary:-
- There was a technical error which meant that the Employer was not able to make payments into the Plan. However, it was important to note that this error was recognised almost immediately, and steps were taken with Scottish Widows at the first opportunity to try to resolve the matter. Despite its best endeavours, Scottish Widows would not agree to a payment being made to the Plan after it had been closed. It understood that the rules and processes did not permit the payment.
 - After exploring all possible options with Scottish Widows, it took the decision to make the payment into the new Plan. This was communicated to him in the letter

dated 15 December 2023. He was informed that Scottish Widows would be able to support him in merging the two Plans and he was provided with the relevant contact details. It understood that he was yet to receive anything in writing from Scottish Widows about the new Plan, but this was not something that was in its control.

- It acknowledged that under the terms of the settlement agreement, the sum of £1,500 was to be paid into the Plan on or before the “Payment Date”. The “Payment Date” being 28 days from the later of:
 - (i) 31 October 2023 (the date Mr G’s employment terminated),
 - (ii) receipt of the signed agreement, or
 - (iii) the date Mr G returned the company property in his possession.
- Arguably it had paid him earlier than it was obliged to as the company property had not been returned. Despite this, it made payment of the sum of £2,146.08 into the new Plan on 14 December 2023.
- Given Scottish Widows’ position, it considered how best to deal with the situation. Its conclusion was to enrol him in the new Plan, giving him the option to merge the new and previous arrangements upon Scottish Widows’ recommendation.
- The investments chosen with regard to a pension were a matter between an individual and the pension provider, in this case Scottish Widows. It had been open to him to either change his investment choices or merge the Plans in the short period since the payment was made. It did not accept that Mr G had suffered any financial detriment arising from this situation. While this situation was regrettable, the sums involved were not significant and any delay was minimal.

19. On 31 January 2024, the new Plan and the Plan were merged.
20. Following the complaint being referred to The Pensions Ombudsman (**TPO**), the Adjudicator corresponded with the Employer and sought to resolve the complaint informally.
21. On 27 June 2024, the Employer stated that while this was a regrettable error, that it felt had been resolved in a timely manner, it was willing to offer Mr G £500 to resolve the complaint. This offer was put to Mr G.
22. On 28 June 2024, Mr G rejected the Employer’s offer of £500 as he felt the material loss from the error would be significantly more than this. Mr G believed that if the Employer had contacted him sooner it could have made payments into the Plan, or he could have made the payments himself. He also did not think the offer reflected the inconvenience he suffered because of the Employer not dealing with his complaint or answering his questions. He also expressed his dissatisfaction that he was not consulted regarding the fund type the new Plan was invested in.

23. On 26 July 2024, the Employer stated it would not increase the redress offer above £500. It added that since requesting evidence of recoverable losses in December 2023, it had not received anything from Mr G regarding this.
24. On the same day, Mr G stated he was seeking £2,500 in compensation to bring about the early closure of his complaint. He said that this was based on several factors including poor complaint handling, non-adherence to proper legislation, unhelpfulness in assessing financial detriment, stress, and inconvenience while vulnerable and out of work and direct loss of time dealing with the complaint.
25. On 1 August 2024, the Employer reiterated that it had not received evidence from Mr G regarding any actual financial losses. It did however confirm it was happy to increase its offer to £750.
26. On the same day, TPO put the increased offer to Mr G and on 2 August 2024 he responded rejecting the offer.
27. On 15 August 2024, the Employer informed TPO that it was contractually obliged to pay the sum of £1,500 into Mr G's pension fund, but an enhanced sum of £2,146.08 was paid, which included tax relief.
28. The Adjudicator asked that the Employer request a loss calculation (**the Loss Calculation**) from Scottish Widows. This would determine if there had been a financial loss to Mr G due to being invested in the default fund in the new Plan, rather than his chosen funds in the Plan, prior to the Plans being merged on 31 January 2024. The Employer did not provide this information, so the Adjudicator issued a formal Opinion on the complaint.

Adjudicator's Opinion

29. Mr G's complaint was considered by the Adjudicator, who concluded that further action was required by the Employer. The Adjudicator's findings are summarised below.
30. The Employer agreed that there was an error on its part which meant Mr G's final pension payment could not be paid into the Plan, so there is no dispute that a problem has occurred.
31. The Employer identified the issue a day after the initial payment had been attempted and began its efforts to rectify the problem shortly after. However, it did not contact Mr G until two weeks later to explain to him what had happened and how it planned to put matters right. In my opinion, Mr G should have been informed of the issue when it first arose and what the possible solutions were. This would have prevented the issue of Mr G's pension payment being invested in default funds rather than in the same investments as the Plan.
32. Once the Employer did inform Mr G that the error had occurred, it had an opportunity to respond to Mr G's concerns, but instead, he was repeatedly referred to Scottish

Widows and told to resolve the issue himself. In the Adjudicator's opinion, the Employer had caused the error and should have been more proactive in addressing Mr G's questions, rather than simply referring him to Scottish Widows.

33. The fact that the Employer decided to make a higher pension contribution payment was irrelevant to the resolution being offered. The Employer made a higher payment because it had originally offered Mr G a lower amount than actually due based on his final salary. In the Adjudicator's opinion, it would be incorrect to take this into account as part of any complaint resolution. The purpose of any resolution was to put Mr G back into the position he would have been had the Employer's error not occurred.
34. In the Adjudicator's opinion, the offer of £750 was appropriate for the amount of distress and inconvenience caused. The matter then remained that Mr G may have suffered a financial loss as a result of the investments in the new Plan not matching those in the Plan.
35. Mr G said that he has been unable to evidence his financial loss other than with his own calculations. The Adjudicator asked the Employer to obtain the Loss Calculation from Scottish Widows, but this had not been done. In the Adjudicator's view, the complaint could not be resolved without checking whether Mr G had suffered a financial loss due to the Employer's actions.
36. Mr G did not accept the Adjudicator's Opinion, and the complaint was passed to me to consider. The Employer and Mr G provided further submissions, summarised below, which do not change the outcome. I agree with the Adjudicator's Opinion and note the additional points raised by Mr G and the Employer.

The Employer's submissions

37. It wished to clarify that it did attempt to obtain the Loss Calculation, however it was informed by Scottish Widows that it would require a letter of authority from Mr G in order to release information regarding his Plans.
38. Once the letter of authority was received, it had passed it to Scottish Widows through its pension intermediary. It provided evidence that it had contacted Scottish Widows and the fact that it had repeatedly requested the Loss Calculation.
39. It noted that following the Adjudicator's Opinion, Scottish Widows had confirmed that it would provide the Loss Calculation to TPO and that this was currently being worked on.

Mr G's submissions

40. His understanding was that the Employer refused to provide the Loss Calculation. He was now concerned that it would be calculated incorrectly and/or outside the set timescales. Any trust he had with the Employer had been eroded.
41. He did not think that the Adjudicator's recommendations would fully put him back in the position he would have been in, had the Employer not made a mistake. Any loss

in his investments impacts him until the date of calculation. Had the contractual obligation been met in full, he would have had the investment growth on the correct contribution to date, not solely to 31 January 2024. If the loss could not be calculated, he would expect to be awarded at least 8% per annum compound interest.

42. He had now seen the Loss Calculation which initially showed a loss of £12.61 but he had no comments he wished to make regarding this.
43. He also believed that he should be awarded more than £750 based on the Pensions Ombudsman's guidance¹ regarding distress and inconvenience.

Ombudsman's decision

44. There is no dispute that errors were made regarding the payment of Mr G's final pension contributions into the new Plan, and the subsequent handling of his complaint. What remains for me to consider is whether the proposed resolution will put Mr G back into the position he would have been in, had the errors not occurred.
45. I note that there has been recent correspondence from Scottish Widows, which has confirmed that it will now carry out the Loss Calculation, and it appears that it was not the Employer's fault that this was not done earlier. I note that Mr G thinks that the redress should go further – however, the purpose of the Loss Calculation is to work out if Mr G suffered any financial loss by the fact that his pension contributions were paid into the new Plan for a short period of time and were not in his investments of choice.
46. At the point the Plans were merged, Mr G then had full control of his investment choices. As a result, I do not find that there should be any further redress due beyond that highlighted by the Loss Calculation as already set out.
47. Mr G has also said that the distress and inconvenience offer made by the Employer does not reflect the difficulties these issues have caused him. I appreciate the strength of Mr G's feelings on this matter, but our awards are intended as an acknowledgement of the inconvenience and/or distress suffered rather than to penalise or punish the respondent. In this case the Employer had taken steps to try to resolve the complaint, but the involvement of a third party (in this case Scottish Widows, which is not a party to the complaint) has made it more difficult to achieve. I agree that there were some failings on the part of the Employer, and the offer from the Employer of £750 was intended to recognise this. I have considered the matter in full, and I do not agree that the offer of £750 should be increased. If Mr G wishes to accept this amount, he should contact the Employer to make arrangements for it to be paid to him.

¹ The Pensions Ombudsman Factsheet Redress for non-financial injustice
https://www.pensions-ombudsman.org.uk/sites/default/files/publication/files/Updated-Non-financial-injustice-September-2018-2_0.pdf

48. I uphold this complaint.

Directions

49. To put matters right, the Employer shall, within 28 days of the date of this Determination:

- Request a Loss Calculation from Scottish Widows to determine if there is any loss to Mr G by the final contribution amount being invested in the new Plan between 27 November 2023 and 31 January 2024 instead of into the Plan.
- It is acknowledged that a loss calculation was provided after the Adjudicator's Opinion was issued. The Employer should confirm the accuracy of this calculation, correcting the inclusion of the Blackrock fund which was not one of the funds in Mr G's plan and the exclusion of the Henderson fund, which was in his plan.
- If there is a loss, pay this amount into the merged Plan as a correction, on the basis that it should have been part of the new Plan prior to it being merged with the Plan.

Dominic Harris

Pensions Ombudsman
11 December 2025