

Ombudsman's Determination

Applicant	Mr R
Scheme	Scottish Widows Personal Pension Policy (the Policy)
Respondent	Scottish Widows

Outcome

1. I do not uphold Mr R's complaint and no further action is required by Scottish Widows.
2. My reasons for reaching this decision are explained in more detail below.

Complaint summary

3. Mr R has complained that Scottish Widows ought to have informed him about the impact taking a partial encashment of his benefits from the Policy would have on his Money Purchase Annual Allowance (**MPAA**).

Background information, including submissions from the parties

4. On 13 February 2018, Mr R called Scottish Widows to discuss the process for claiming the full value of the Policy. At this time, the Policy transfer value was £5,300. The Scottish Widows call handler informed Mr R that he could qualify to take the full value under the 'Small Pots' rule. But, Mr R explained that his employer was due to make further contributions into the Policy, in lieu of a bonus, that would take the value to over £20,000.
5. The call handler explained that there were different tax implications for policies with a value of under £10,000, so verified with Mr R that the value would exceed this. Mr R said that he did not wish to receive information about other options available as it would not apply to him. The call handler also offered to provide the details for HMRC in order to discuss any tax implications but Mr R confirmed that he could locate the contact details himself.
6. On 26 February 2018, Mr R called Scottish Widows. In this call he asked to encash £5,000 from the Policy. Mr R asked if he could do this online, but was told that only a full encashment could be done online, which would then fall under the Small Pots

rule. Mr R confirmed that he needed the Policy to stay active in order for his employer to pay further contributions.

7. Following this call, Scottish Widows emailed Mr R with information it said he needed to consider before he could proceed with the partial encashment. This email included a link to the Scottish Widows 'Retirement Guide'. In the section on partial encashment there was a warning that said this option would reduce the annual amount that could be paid into other pensions. Under the heading 'Pensions with lower values' it said, "by using this route you don't restrict the amount you pay into pensions in the future".
8. On 27 February 2018, Mr R called Scottish Widows to confirm that he wished to proceed with the partial encashment. The call handler told Mr R that cashing in his Policy benefits in this manner would affect the tax relief on future contributions to money purchase pension plans.
9. On 8 March 2018, Mr R contacted Scottish Widows to ask if the reduction in his MPAA applied in only the tax year of the partial encashment, or if it would apply to every tax year thereafter. The call handler incorrectly told Mr R that it would apply in only the initial tax year.
10. Scottish Widows has acknowledged that it gave incorrect information in the call dated 8 March 2018, and awarded £100 to Mr R in recognition of this. However, Scottish Widows argues that this incorrect information could not have impacted upon Mr R's decision as the benefits had already been released.

Adjudicator's Findings

11. Mr R's complaint was considered by one of our Adjudicators who concluded that no further action was required by Scottish Widows. The Adjudicator's findings are summarised below:-
 - It was not Scottish Widow's role to give financial advice or to tell Mr R how to take his benefits.
 - Scottish Widows did provide information on taking benefits under the Small Pots rule, but Mr R confirmed this would not apply to him.
 - Mr R confirmed that he needed the policy to remain active in order to receive future employer contributions.
 - The misinformation given on the application of the MPAA was after Mr R's partial encashment had completed so this had not affected his decision making.
12. Mr R did not accept the Adjudicator's findings and the complaint was passed to me to consider. Mr R provided his further comments which do not change the outcome. I agree with the Adjudicator's findings and I will therefore only respond to the key points made by Mr R for completeness.

Summary of Mr R's position

13. Scottish Widows had access to his employer contribution history, so would have been able to recognise that he would quickly exceed the £4,000 MPAA limit.
14. Mr R strongly believes that when he decided to partially encash £5,000 instead of the full £5,300 that Scottish Widows should have informed him of the consequences on his MPAA, as it would have known that he was about to go ahead with the partial encashment to his detriment.
15. If he knew about the impact on the MPAA he would have taken the full value of the Policy, closed it and opened a new pension policy in order to receive the future employer contributions.

Ombudsman's decision

16. Mr R considers Scottish Widows ought to have told him, in the phone call of 27 February 2018, that the partial encashment would reduce his future contributions limit. However, by this point, Scottish Widows had provided information which included a general warning about this impact. It informed Mr R that he needed to review all the information before he could proceed with taking benefits.
17. Mr R had previously told Scottish Widows that the Policy value would exceed £10,000 so did not wish to obtain any further information about taking benefits through the Small Pots rule. I understand that his plans changed, however, I find that Scottish Widows did offer to discuss Small Pots with Mr R on more than one occasion.
18. Mr R argues that Scottish Widows could have recognised from his contribution history that future contributions would quickly exceed the recently lowered MPAA of £4,000. However, it was not Scottish Widow's responsibility to perform such an investigation.
19. I note that Scottish Widows did recommend Mr R seek financial advice in its correspondence with him and that he could also contact HMRC with any questions about potential tax implications. I find that Scottish Widows provided relevant and sufficient information to Mr R, and took care to ensure he had carefully considered his options and the information it had provided before making his decision.
20. Therefore, I do not uphold Mr R's complaint.

Anthony Arter

Pensions Ombudsman
29 August 2018