

Scottish Widows Complaint: PO-14071

Epilogue

I am dismayed by what I have seen of the UK pensions industry, having also experienced serious difficulties in obtaining an Army pension due to me from 13 September 2015, but not received until 18 April 2016. In this case, whilst there were delays in the early stages due to the post, the main issue was a ludicrously-erroneous [Bank Details Form](#) produced and administered by the paying agent, Equiniti Paymaster. This required me to supply a 3-digit bank code plus an account number of up to 34(!) digits, when Mexican banks require a single 18-digit CLABE. Despite my repeated exhortations, plus those from Veterans UK (the pension administrator), Equiniti Paymaster refused to accept my form, until an out-of-the-blue payment notification of 08 April 2016 finally acknowledged the bank details that I had supplied several months ago.

Moreover, during my attempts to deal with the above, it transpired that **Equiniti Paymaster has no IDRP**. Their [Complaints Procedure](#) describes a two-stage pseudo-IDRP (which it states one must complete even before approaching TPAS). However, it gives no timeframes; moreover (as Equiniti Paymaster's document does not even mention the term IDRP) it would not be accepted by TPO as a valid IDRP. It seemed that I had nowhere to go in pursuing this matter, and that it would be futile to continue my efforts to get redress in the interests of justice. *The website referenced by the above links is unfinished, since I dropped the matter on receiving my pension.*

But bad as all this is, the issues with Scottish Widows are considerably worse, and will clearly affect many of their customers. Their unacceptable policies and conduct include:

- imposing burdensome and completely unjustified "verification" requirements on those wishing to encash (certain types of) pension policies
- further vexing the customer with dreadful documentation of these requirements
- falsely implying that these measures are required by the UK government
- insisting on responding to emails only by post (moreover requiring replies within 14 days of the date of the letter), when it was made clear that post is not viable as it takes months
- disregarding statements I made explaining my circumstances, and unreasonably closing my application (for alleged lack of verification when they had clear proof of my identity, and assuming that I did not want to proceed with it when I had recently sent a follow up)
- dishonest and evasive handling of my complaint (e.g. over the IDRP, in referring me to the Financial Ombudsman, and in offering only telephone as a medium for its resolution)

The fundamental issue is Scottish Widows' "verification" requirements. I am now firmly of the view that these have nothing to do with verification, but instead are aimed at evading customer pension encashment. They will cause all customers applying to take a lump sum (at best) substantial difficulties; in my case they resulted in denial of payment as I was unable to fulfil them, and Scottish Widows ignored the clear proof of my identity. And their [Final Response](#) disregards these facts, again insisting that I supply documents that I had made clear I could not obtain. It appears that Scottish Widows intended their requirements to be as burdensome as possible, without being patently impossible to satisfy (as their invalidity would then be clear). They are thus not willing to accept or admit that they cannot be satisfied in my case (without resorting to devious manipulations that would make a nonsense of what would in any case be an invalid verification criterion - that of the mailing address I supplied to receive their paper).

The statement "*Scottish Widows are required under UK legislation to verify your identity(ies)*" implies that their verification demands have legitimacy in government regulations (which could only be anti-money laundering measures). But this is clearly not the case; see [Verification](#) and the (unanswered) [Questions](#). Instead, I believe that it is an oblique and deceitful reference to the Pension Freedom legislation introduced in April 2015; and that these "verification" requirements are designed to prevent their customers from taking advantage of the 25% tax concession that forms part of it. This must surely be a case of fraud, demanding a criminal prosecution.

It may seem astounding that a major financial services company would resort to such a strategy. But Scottish Widows would have a cogent financial motive here, to counter the prospect of numerous customers taking year-on-year pension encashments. These "verification" measures would cost Scottish Widows little to implement, requiring (as we have seen) only the lowest grade of documentation and administrative staff; the bulk of the cost would be borne by the customer. They would therefore be well worthwhile, even if they resulted in only a relatively small reduction in pension encashments. The length of time they spent on the telephone in their thinly-disguised efforts to dissuade me from encashing my pension suggests their willingness to invest in this area. And their cavalier attitudes and my experiences with the pensions industry indicate that they might reasonably believe that they could carry out this strategy with impunity. I can only pray that The Pensions Ombudsman will show that this is not so.

Many people are reliant on Scottish Widows for their pensions, and would expect this company to have the highest standards of probity and customer service. But instead, one sees only the very lowest standards. My experiences with Equiniti Paymaster and now Scottish Widows demonstrate that the pensions industry is a law unto itself, holding all the cards as well as all the money. It is manifestly in urgent need of proper regulation and oversight in its treatment of customers. The current consumer protection processes appear to rely on the customer to make complaints via a rigid and lengthy procedure. I believe that such a reactive and ad-hoc approach is apt only for resolution of disputes involving alleged failings that are specific to the customer; proactive regulation and oversight are needed to prevent and where necessary deal with the more serious issues arising from abusive company policies, such as are exemplified by this case.

As things stand, the pension provider has the firm upper hand; at worst, it may have to pay an occasional (usually trivial) sum in compensation if TPO rules against it. But rarely would even this happen, as the company only has to "[put things right for you](#)" to avoid it. Scottish Widows would have expected that their (initially telephoned) "concessions" would have silently ended my complaint, and thus have precluded any possibility of sanctions; most customers would have taken up this "offer" in order to get their money. My case is probably unusual in that their attempts to snuff out my complaint failed. This was partly because I was not willing to lose thousands of pounds on exchange rates as a result of their execrable policies, and partly a matter of principle and because they had lost all credibility in my eyes. But they were never going to admit that their "verification" requirements are one huge lie, and discontinue them.

This strategy of "putting things right" to avoid trouble is frequently employed by shady tin-pot companies operating in the grey margins of the law: if the customer complains, they offer redress (for example, return the money) to avoid legal issues. This way they win most of the time, as most customers are led along and do not complain (even about an abysmal product). And a reactive complaints process that requires the customer to carry out a lengthy procedure before any possibility of legal redress can only encourage this reactive attitude by companies, rather than the creation of policies aimed at providing decent customer service.

I am worried that since my case arises from company procedures, the present dispute resolution processes seem impotent to deal with it. They appear instead to be orientated towards dealing with issues only on an individual case basis; I have the impression that there is at the very least reluctance, or perhaps even a complete inability to interfere with company policies, no matter how odious they are. In the case of Scottish Widows, these policies include not only those involved in their outrageous "verification" requirements, but replying to emails only by ordinary post; and it also appears that the only process through which customers can encash a pension plan involves a prolonged telephone interview. From my experiences, Scottish Widows sets the medium type (post or telephone), even though they initially appear to allow several options.

That pension encashment requires a telephone interview (after which it is necessary to fulfil their "verification" requirements) is indicated in Scottish Widows' [email of 18 March](#) that describes their "paperless" process (note the singular). *This is notwithstanding their "Take it in Cash" webpage, which I now believe to be another piece of deception that would not avoid these issues.* If this is so, I think it is quite unacceptable, and can only be another part of their strategy to deter pension encashment. In my case the interview took a total of about an hour and a half, nearly all of which comprised questions and "advice" that (at least in my case) were quite pointless and clearly aimed at dissuading me from encashment. Not only was this very stressful and a waste of time, it also wasted a significant sum of my money, since calls from Mexico to the UK are very expensive. And I cannot be the only one who finds it difficult to understand over the telephone and for whom this means of communication is troublesome.

The use of only ordinary post to respond to an email is generally quite inappropriate; but especially so here since they require replies within 14 days of the date of their letters (and it is clear that these replies must also be by post). In my case (having given clear warning that post can take three months or more to arrive) it was egregious; but as Scottish Widows ought to realise, it is quite unreasonable for many others living overseas. Mexico cannot be the only country to which ordinary post is likely to take more than 14 days just to arrive; to simply blame a foreign postal service for the delays only further manifests their cavalier attitudes. And there was no indication that, after some initial communication by email, they would force the use of post. They only reverted to the use of email on entering complaint-management mode. There was no practical reason whatever to not use email throughout, and every reason for its use.

Yet their Final Response seems confident in its assertions that those are their processes, and nobody can interfere with that. It sustains both their verification demands (which it states are applied to all customers "*prior to the settlement of these types of pension policies*"), and forcing the use of post (blaming the issues from this on the Mexican postal service). Scottish Widows may have good reason to believe that, even if TPO did rule in my favour, it would only be the occasional one they lose against the vast majority they win, and would do nothing to prevent them from continuing to inflict these abusive policies on other customers exactly as before.

Consumer protection in the pensions industry is particularly important since its customers may be vulnerable through infirmities of age, making it all the more difficult for them to comply with the pension provider's demands (such as "verification"), or to pursue action against them. But in any case, when applying to encash a pension, one is clearly in no position to challenge Scottish Widows' demands; one feels obliged to make every effort (as I did) to comply with them in order to get payment. And this case shows that Scottish Widows has no qualms about denying payment to those who cannot satisfy its demands, even when there is rock-solid verification of identity. *But of course, verification of identity is not what these demands are about.*

In my case, only in order to stifle a complaint did Scottish Widows change their stance so as to potentially allow encashment. But this was later abrogated by their obdurate Final Response, which reasserted the original "verification" requirements (*again offering only telephone as a medium for any follow up*). I thus continue to be illegitimately denied access to my funds.

Another reason why the pensions industry requires strong consumer protection is that it has a captive market. As my instincts were against having money tied up in this way, I ceased to make contributions soon after the policies were created, and so can (potentially) fully encash these funds in just two tax years and pay little or no tax. But most people will have a substantial investment tied up in their pension plans that cannot be liquidated quickly without a heavy tax burden. And people who invest in pensions cannot know what kind of regime they will be subjected to as pensioners, until it is too late.

In the case of Scottish Widows, this regime is a dictatorial one. Requiring customers to undergo a prolonged telephone interview, and then supply several certified "verification" documents in order to access their money is one example of this. Amongst its other cavalier treatment, this strategy can only be aimed at undermining the tax concession given by the UK government in its Pension Freedom legislation. Scottish Widows is clearly more concerned about its balance sheet than the welfare of its customers.

Another area that is dictated by Scottish Widows is the communications medium, even though they feign the provision of several options. From my experiences, Scottish Widows imposes the use of telephone for communications that they do not want to be on the record, otherwise post. And in this context they claim that "*our processes are set to suit the majority of our customers*". They eschew the use of email, except when it suits their purpose; an example of this was in reverting to email in their attempts to extinguish my complaint.

The utter contempt with which Scottish Widows treats its pensioners deeply troubles me; I cannot imagine ever seeing anything like this here in Mexico. And this company would only behave in this way if it believed that it could do so with impunity. I can only hope that such a belief will prove to be mistaken. In the interests of justice and to deter further mistreatment of the pensioner, Scottish Widows' despicable business practices must be met with a potent legal remedy. And this should involve a **criminal prosecution for fraud**.

A Case of Fraud?

I am no lawyer, but I think that it is essentially correct to say that fraud is making financial gains under false pretences. Clearly, Scottish Widows loses financially whenever they are required to encash a customer's pension; the corollary of this is that they gain financially whenever they manage to evade encashment. And the false pretences are evident in the bogus "verification" demands that Scottish Widows asserts are "*required under UK legislation*".

Their encashment-reduction strategy appears to also include the telephone interview; however, Scottish Widows would claim that its purpose is to offer customers advice on their options (even though this "advice" would normally be unsolicited and unwanted). But it should be easy to show that Scottish Widows could not have implemented their "verification" measures in the genuine belief that they are "*required under UK legislation*". And the corollary of this is that their only purpose could be to reduce customer pension encashment, and thus increase profits. This intent with potential financial gains may be sufficient to establish a case of fraud.

Actual financial gains may be more difficult to prove, as one could not in practice determine those who would have encashed their pensions but for Scottish Widows' strategy. However, dividends would be yielded (and victims created) in the following ways:

1. **In causing customers who make encashment applications to abandon them.** This could either be through being browbeaten during the telephone interview, or due to the onerous verification requirements that follow (*this might well have happened in my case*).
2. **In deterring customers who are already aware of the difficulties in encashment,** and who therefore make no attempt to encash their pensions. Whilst this situation might be less common in the short term, customers are likely to be deterred from making future (perhaps yearly) encashments by previous experience of the difficulties involved.
3. **In justifying refusal of payment on the basis of unsatisfactory verification documents** (*this did happen in my case*). Their strategy appears to be to make their requirements difficult but (for obvious reasons) not manifestly impossible to satisfy. However, their demanding requirements give them many possible reasons for rejection, and this could also be a "nice little earner". Whilst there is a risk here that the customer may complain, Scottish Widows only has to "put things right". *My circumstances and contumacious disposition are clearly untypical; people would normally accept the "concessions" in order to get their money. Their ultimate refusal to encash my pension is a specimen case of an actual financial gain here.*

Those who do manage to encash their pensions are also victims of this strategy, as a result of the needless trouble and expense they will have been put to in satisfying the requirements.

A Satisfactory Resolution

I have been motivated to put considerable effort into pursuing this case by both outrage at the maltreatment it reveals, and a sense of moral duty to help other victims of Scottish Widows.

Scottish Widows should be prosecuted for its fraudulent imposition of "verification" measures. Amongst other sanctions, Scottish Widows must pay compensation to all those who have been forced through a telephone interview and required to supply "verification" documents in order to encash a pension, even if encashment was successful (with higher compensation for denials).

Additionally, a major shake up of Scottish Widows is required over its general malpractices in customer treatment, with the aim of ending its deceitful modus operandi and cavalier disregard for its pensioners. Their current rigidly-set policies must be replaced by new ones aimed at serving the customer. These should include straightforward and honest options for pension encashment, and flexible means of communication. Here, instead of forcing the use of telephone or post, the customer should be offered a choice, including email.

As Scottish Widows is clearly unworthy of its position as a major financial services company, it cannot be trusted to make these changes by itself. Instead, they must be introduced by policies created and/or reviewed externally, and adherence to them checked by frequent inspections.

For my own part, I would like a route to encash the two policies to which this case relates with full compensation, and without having to satisfy "verification" requirements or to suffer another stressful and costly telephone interview. Furthermore, it should come as no surprise that I also wish to encash the remaining policy I have with Scottish Widows (7410049) at the beginning of the next tax year, and thus terminate my business with this company. This would preferably be arranged in advance with the instruction to encash the two policies involved in this case, to avoid any further dealings with Scottish Widows.