

Scottish Widows Complaint: PO-14071

Verification Issues

This document shows that the onerous verification requirements of Scottish Widows are without valid basis. The only valid reason there could be for such verification is compliance with government anti-money laundering regulations and guidelines. But Scottish Widows' requirements do not conform to this in the following respects:

1. that no verification should have been required in my case (as a face-to-face customer with an ongoing business relationship with Scottish Widows, taking a lump sum as part of that relationship).
2. that even if verification were appropriate, Scottish Widows' requirements in its implementation (apart from being unclear, erratic, and inconsistently specified), are grossly excessive in relation to government requirements.
3. that Scottish Widows applied these draconian requirements rigidly as an end in themselves, without the discretion and use of further information that is appropriate in questionable cases.

In summary, my application could not be rejected on the legitimate grounds of inadequately satisfying the verification that the government requires in its anti-money laundering regulations. Instead it was rejected on the narrow and illegitimate grounds that the best documents I can provide do not completely fulfil the verification that Scottish Widows states is "*required under UK legislation*".

I would like a competent independent authority to review the verification requirements of Scottish Widows. I will comply with whatever verification measures this authority determines to be appropriate. But in the light of my investigations and experiences, I am no longer prepared to comply with the demands of Scottish Widows. I believe that it is important to avoid other pensioners being exposed to the problems I have experienced, or at best being put to unnecessary trouble, stress, and expense.

Introduction

It seemed contrary to common sense to have to supply documents to verify my name, address, and age (and/or date of birth). I have held both pension and investment policies with Scottish Widows, and had thus been known to the business for many years. Furthermore, I had encashed Scottish Widows investment policies about two years previously, to the same bank account (in my name) to which payment was to be made in respect of the lump sum - then, only a signed letter was required.

The justification for Scottish Widows' requirements is given in Scottish Widows' documents only as "UK legislation". Initially, the above led me to believe that this legislation must be specific to pensions. However, it is now clear (after consultation with The Pensions Advisory Service) that it can only refer to anti-money laundering regulations, for which the same considerations ought to apply to encashment of both investments and pensions.

References

Government (HM Revenue & Customs)	
PDF	Anti-money laundering guidance for trust or company service providers <i>The numeric references on this page refer to this document.</i>
Web Page	Money Laundering Regulations: your responsibilities A useful supplement to the above, expressing some of the points more clearly.
Scottish Widows (Email of 05 April)	
Content	Request for Documents The first page specifies what verification is required. The second page describes how the documents may be sent. <i>In fact they must all be both certified and posted.</i>
Form	Individual Identification and Verification Form This details what types of documents are accepted (for Name and Address only). <i>This is the first version I received; the very next day, Scottish Widows sent a quite different version by post, invalidating my certified ID card.</i>

Apart from Scottish Widows' demands being very burdensome and confusingly specified, I am unable to fulfil their invalid address verification requirements. I have been put to considerable trouble and suffered great anxiety in my efforts to deal with them. Although I gave a clear and full explanation of my circumstances with the documents, and made clear that I had supplied the best I could, my application was summarily rejected (by post, received well over two months later). The issues therefore include not only Scottish Widows' draconian requirements, but also their rigid enforcement of them when other factors should have been considered.

It should be noted here that Customer Due Diligence involves two phases (see Section 8.1.1):

1. An Identification phase, in which details (including name, address, and date of birth) are taken from the customer. This must clearly be carried out by the Business (here Scottish Widows); it should have been done when the pension plans were created (during which I was physically present).
2. A Verification phase, in which the details taken above are verified. In many cases, this would also be carried out by the Business; however, in my case the onus for providing verification documents has been placed on the Customer.

Was Any Verification Appropriate?

The above government documents indicate that Scottish Widows had no reason to apply any verification measures in my case of taking a lump sum from a Scottish Widows personal pension plan that I have held for a number of years. This would fall into the category of "Occasional Transactions", but is specifically excluded from verification requirements in Section 7.9, which states:

"As defined in Money Laundering Regulations 2007, occasional transaction means a transaction (carried out other than as part of an ongoing business relationship) amounting to 15,000 euro (or the equivalent in sterling) or more, whether the transaction is carried out in a single operation or several operations which appear to be linked."

The relationship between Scottish Widows and I as pension provider and pension holder clearly represents an ongoing business relationship; and the payment of a lump sum from a Scottish Widows pension plan that I have held for many years clearly represents a transaction carried out as part of that relationship. Furthermore, I do not fall into the category of a non face-to-face customer (for which additional measures may be required - see section 7.11.2), as I was physically present during the Identification phase. I therefore contend that it was inappropriate for Scottish Widows to require any verification in my case; and this is also likely to apply to others wishing to take a lump sum from a pension plan they hold.

But even if verification were appropriate, the following two sections show that:

1. Scottish Widows' implementation of the requirements is erroneous and unreasonable, in demanding much more than is indicated by government documentation
2. These unduly onerous and invalid requirements are rigidly enforced, rather than using the discretion that is appropriate in many cases, and certainly in my case where Scottish Widows' requirements quite legitimately cannot be fulfilled

Issues with Scottish Widows' Verification Requirements

There are many questionable points concerning the verification documents that Scottish Widows states are required, and the means by which Scottish Widows requires they be certified. I firstly deal with some of the more minor points, then the fundamental issues (most importantly, that I should never have been required to supply evidence of address). Apart from the unreasonable requirements, Scottish Widows' documentation on them is unsatisfactory, being full of errors, inconsistent, changing, and generally unclear. These factors have caused me considerable anxiety and uncertainty.

General Deficiencies in Specifications

The Content of Scottish Widows' email of 05 April states that separate documents for proofs of name, age, and address are required; additionally, they need a certified copy of my birth certificate. It is surely unreasonable to require a separate proof of age in addition to a birth certificate. As this seemed to be clearly erroneous, I supplied three documents (not the four implied here). Apart from this, government requirements state that verification is to be done on date of birth (not age as required by Scottish Widows). *If it is necessary to prove that I have reached the age of 55 (as needed to qualify for taking a lump sum), this is clearly subsumed in the date of birth, for which I provided the required certified birth certificate.*

A significant flaw in Scottish Widows' documents is that throughout they use the term "Address" rather than "Residential Address". This is not consistent with government documents, which always use the term "Residential Address" in this context. In my case, these two terms mean quite different things. Due to the circumstances I carefully described, I cannot receive mail at my residential address. I therefore gave Scottish Widows an address at which mail can be received (that of a trusted friend). So I attempted to provide documents to verify the address held by Scottish Widows (not my residential address). I could not completely fulfil this, since I long ago arranged to not have private material such as bank statements (and Scottish Widows pension statements) sent through the post. Had Scottish Widows properly specified the term "Residential Address", my goal would have been quite different. Whilst I doubt my residential address in Mexico would be much use for verification purposes (Scottish Widows never asked for it), at least documents such as utility bills could have been used to verify it.

Regarding certification, the email Content mentions this only in connection with the birth certificate. However, the attached Form states (inconspicuously, under Notes for Completion) that all documents must be certified, with clearer notes in parentheses that only certified copies are required. *This requirement appeared to change in a letter dated 01 June, which stated that originals must be sent (even though they must also be certified); however, I was given the option of presenting the originals at a branch of Lloyds TSB - of which there are none in Mexico.* If everything must be certified (as seems to be the case), this should have been stated clearly by Scottish Widows at the top of each document. For a while, it appeared to me that only the birth certificate need be certified. And it was never clear by what means the documents could be sent.

The certification requirements are inappropriate, especially in being far too specific. Scottish Widows ought to understand that the precise manner of the certification will vary, especially in foreign countries. In particular, it is not reasonable to expect the certification to be marked with the words "original seen" in a country that does not use English as its official language. What is important is that it has been carried out by an appropriate body; and no appropriate body would certify a document when the original had not been seen. And if Scottish Widows were to specify this, they should have said something like: "the certification should indicate that the original document has been seen".

Although the above points are less serious than the issues that follow, they are nonetheless likely to cause the customer considerable uncertainty and anxiety. Even if I could verify my address to the satisfaction of Scottish Widows, I would still be worried that my application could be rejected on other points.

Fundamental Errors

Since I supplied good evidence of my date of birth, **Scottish Widows should not have required me to supply any evidence of (residential) address.** Scottish Widows should thus not have rejected my application on the grounds that I could not completely fulfil their requirements for address verification. And as discussed above, such verification would be invalid as it would be on the wrong criterion (mailing address, rather than residential address).

Scottish Widows requires (with a separate document for each) verification of all three types: Name, (Residential) Address, and Date of Birth. But **government documents state clearly that verification of EITHER Residential Address OR Date of Birth (not both) is required.** I refer here to Appendix 5.1: Acceptable evidence of identity (private individuals). Section 5.1.1 deals with the Identification requirements (these should have been carried out by Scottish Widows, and must include name, (residential) address, and date of birth). Section 5.1.2 deals with the Verification requirements, for which the onus in this case is on the Customer.

In each place, it is made plain that verification is required only on Name plus EITHER Residential Address OR Date of Birth (in each place where Residential Address is stated as a verification requirement, Date of Birth is given as an alternative). The web page is clearer here: this requirement is summarised near the top (under the heading "What customer due diligence is"), with several examples further down.

Scottish Widows' Form lists acceptable documents only for Name and Address (with very few options available for those living overseas). The government clearly allowed the option of verifying either (residential) Address or Date of Birth for good reason; denying this option is likely to result in requirements that quite legitimately cannot be fulfilled.

In my case, the clear evidence of name and date of birth (present on both my birth certificate and my ID card), should have been more than sufficient proof.

For evidence of Date of Birth, Scottish Widows invalidly imposes a birth certificate (*plus some separate document for proof of age?*). Other documents (including my ID card) provide good proof of this, and should also have been allowed.

Government documents do not support Scottish Widows' demands that a separate document be provided for each verification type. Indeed, the word "document" is used in the context of verification requirements, indicating that a single document (invariably containing Name, plus either Address or Date of Birth) can provide sufficient verification. This will particularly be the case with government-issued documents (these provide the greatest degree of confidence). I supplied two such documents - my national ID card (Mexican government), and my birth certificate (British government), each of which contains both Name and Date of Birth.

It is also clearly unreasonable for Scottish Widows to insist on the documents being sent by post. Section 11.6 makes clear that such records may be kept as scans, and they should therefore have been accepted in this form by Scottish Widows. *Nonetheless, had they indicated by email that they would accept my documents, I would have sent the certified documents immediately by courier, and this case would not have arisen. Had I otherwise sent them by courier, the outcome would have been the same - Scottish Widows' summary rejection (received by post over two months later, and requiring a reply within 14 days of the date of the letter, with no remedy available on my part), and subsequent termination of my application.*

Failure to use Discretion / Common Sense

In many situations, the legitimate requirements are not clearly defined and are subject to interpretation; there may be some circumstances in which even requirements consistent with government guidelines legitimately cannot be fulfilled. Both of the government references above indicate that in some cases, discretion must be used. Even if Scottish Widows' specifications could be justified, it is important to remember that the aim is to prevent money laundering; where appropriate other information must be used to judge the risk.

Instead, Scottish Widows rigidly applied their own criteria, insisting that I provide up-to-date verification of my address, despite my detailed explanation of why I could not provide this. Furthermore, it should have been clear that such verification, being based on a mailing address rather than my residential address, would be invalid. All this indicates that Scottish Widows considers their requirements to be an end in themselves, without proper reference to AML regulations. It is axiomatic that if I legitimately cannot fulfil the requirements needed to access the funds I entrusted to Scottish Widows, then their requirements are illegitimate.

Whenever there is any reason to doubt identity, additional information should be considered. Scottish Widows appears to have completely ignored an important piece of information I provided - the bank account to which payment is to be made. This gives perhaps the most definitive verification - I assume that it has not been specified as one of the government requirements, as it would be unworkable in practice. But one additional security measure that may be employed in suspicious circumstances (mentioned in the government guidelines: Regulation 144 (EDD), page 39 at the end of Appendix 4) is to insist that the transaction be made to a bank account in the customer's name.

The bank account to which I asked the funds to be transferred is not only in my full name (which is probably unique in Mexico), but its details were already held by Scottish Widows. Moreover, Scottish Widows had about two years previously transferred a substantial sum (many times the amount of the lump sum) from an investment plan to this account without any such verification being required, and Lloyds TSB had from 2006 onwards made numerous payments to the same. My documents included a certified Bank Statement from this account, with my name, account number, the address held by Scottish Widows, and all other details clearly displayed. I pointed out all these facts in my email to Scottish Widows of 11 April, and also in my follow-up email. Furthermore, my bank details were checked at length during the telephone interview of 05 April. What more verification of identity could they need?

Conclusion

I contend that even if verification were appropriate, the documents I supplied are in any case more than sufficient to satisfy government regulations, and that my circumstances give no cause whatever for suspicion that I am involved in money laundering. Scottish Widows had no reason to reject my application on these grounds; it has been rejected only on the invalid grounds that it does not conform completely to Scottish Widows' requirements.

I conclude that "UK legislation" is a deceitful term used by Scottish Widows to make their draconian demands appear legitimate, and has no basis in legitimate anti-money laundering measures required by the UK government.

But (after a hint that I was about to make a complaint), my documents became acceptable to Scottish Widows. A communication dated 30 June acknowledged receipt of my email and attachments, and indicated that they just needed me to post the certified documents. *This followed a communication of 27 June, in which Scottish Widows denied any familiarity with the term "Internal Dispute Resolution Procedure". A subsequent email (dated 01 August) offered to accept a scan of my certified ID card alone, if emailed by my bank (my certified ID card was allowed as a means of verifying Name in the form I received as an email attachment, but denied in a new version of the form subsequently sent by post).*

It is as well in my case that I was no longer in immediate need of funds. But typically, people will want to take a lump sum from their pensions because they are short of money; being denied the funds that they entrusted to Scottish Widows as a result of the latter's oppressive policies is therefore likely to lead to serious hardships. At best, the policies and conduct of Scottish Widows cause their customers unnecessary trouble, stress, and expense.

Scottish Widows was obviously hoping that I would send off the (now acceptable) documents in order to receive payment, and the matter would rest. I am not prepared to do this for three reasons. Firstly, in all these circumstances I seek full compensation from Scottish Widows for the substantial financial losses that I would incur. Secondly, I can no longer trust the statements of Scottish Widows, and so am no longer willing to comply with their changing and invalid demands. Thirdly, I think it is important to expose Scottish Widows' draconian policies and conduct, in the hope of preventing other pensioners being victims of it.

In their [Final Response](#) of 24 August, Scottish Widows ignored the "concessions" they had made and reasserted their original requirements, so I am once again unable to encash my pension.