

Questions for Scottish Widows

The following two government documents are used as references:

[Anti-money laundering guidance for trust or company service providers](#)

[Money Laundering Regulations: your responsibilities](#)

Numeric references relate to the first of these documents.

<p>(1)</p>	<p>Just over two years before his application to take a lump sum, the applicant Ian Clive McInnes (ICM) encashed a Scottish Widows Investment Plan (OEC 11215134) plus a Mortgage Plan (K168358K) for many times the amount of the two Pension Plans, and in the same circumstances as the current encashment request.</p> <p>For this only a signed letter (dated 02 December 2013) was required, without any supporting documents.</p> <p>Why did Scottish Widows require verification documents for encashment of the Pension Plans, but not for the Investment/Mortgage Plans? In general, are there any verification considerations specific to encashment of pensions? If so, why?</p>
<p>(2)</p>	<p>The (HSBC, Mexico) bank account to which the lump sum was to be paid provides the most compelling and definitive verification possible.</p> <p>This account is not only in his full name (which must be unique in Mexico), but is the account that Scottish Widows already held, and to which they had encashed the above Investment / Mortgage Plans. Lloyds TSB had also made numerous payments to this account since 2006. Details of this account were checked at length during the telephone interview, and ICM had also previously given full details of this account in his initial fax of 15 March.</p> <p>Why was ICM required to supply verification documents, when his identity was already confirmed beyond any doubt during the telephone interview?</p>
<p>(3)</p>	<p>Scottish Widows' requests for documents throughout state only that "Scottish Widows are required under UK legislation to verify your identity(ies)." This indicates that these verification measures are imposed on Scottish Widows, and suggests (but does not state) that this is with the authority of the UK government.</p> <p>Does "UK legislation" refer to government anti-money laundering (AML) regulations and guidelines? If not, please describe what is meant by "UK legislation".</p>
<p>(4)</p>	<p>Scottish Widows' Final Response of 24 August again states that these (verification documents) "are required under UK legislation"; but interestingly adds "we would ask all customers to satisfy these requirements prior to the settlement of these types of pension policies". This indicates that the verification measures are only applied to certain types of pension policies.</p> <p>If the purpose of Scottish Widows' verification requirements is to comply with government AML regulations, why are they applied only to certain types of pension policies?</p>

<p>(5)</p>	<p>Government AML documents specifically exempt from verification requirements those transactions "carried out as part of an ongoing business relationship" (see Occasional Transactions, Section 7.9).</p> <p>Does Scottish Widows agree that when a customer takes a lump sum from an established pension plan (as in the case of ICM), this constitutes a transaction carried out as part of an ongoing business relationship? If not, why not?</p>
<p>(6)</p>	<p>In the postal reply to ICM's email of 11 April, his documents were rejected and his application subsequently closed on the grounds that the bank statement used to verify his address was not recent. This was despite the facts that:</p> <ul style="list-style-type: none"> • In his email, ICM gave a detailed explanation of his circumstances that should have made quite plain why he (quite legitimately) could not possibly provide other or more up-to-date verification of his address. • There was compelling evidence of his identity in the form of his bank details. ICM pointed this out not only in his initial fax and during the telephone interview, but also in his email of 11 April and its subsequent follow-up. ICM also supplied a certified bank statement from this account. <p>Government AML guidelines make plain that in questionable cases, other information should be considered in order to evaluate the risk. It would be hard to find a case with less risk than this one.</p> <p>In all these circumstances, how can Scottish Widows justify their summary rejection of his application, and its subsequent termination?</p>
<p>(7)</p>	<p>In the very first paragraph of his email of 11 April, ICM made the problems with using post very clear (stating that it takes around 3 months). Nonetheless, Scottish Widows answered this by post; furthermore requiring a reply within 14 days of the date of the letter (which while dated 14 April, was received only on 16 June). This was in the context of email communication, and ICM had every reason to expect a response by the same means. Under any normal circumstances, replying to the email with a few lines of explanation would be far more efficient as well as much faster. Moreover, his follow-up email was also answered by post, even though this can only have confirmed how unworkable post is. Several (impossible to fulfil) "requests for information" were also sent by post, each also requiring a response within 14 days of the date of the letter.</p> <p>Why did Scottish Widows use post to answer ICM's email of 11 April and its follow-up of 21 May, and for requests for information, when this means was clearly not viable? And why did they return to the use of email only on the hint of a complaint?</p>
	<p><i>From the above two issues, ICM was denied the possibility of remedying the situation in order to obtain payment in two ways:</i></p> <p><i>Firstly (as he explained at length), he had no means of providing the documentation for verification of address that Scottish Widows insisted on.</i></p> <p><i>Secondly, he received the first letter rejecting his documents on the same day as the date of the letter of 16 June terminating his application, with subsequent "requests for information" being received three weeks later. This clearly denied him the possibility of remedy, even if he could satisfy the documentation requirements.</i></p>

(8)	<p>On 26 June, ICM sent Scottish Widows an email asking for their Internal Dispute Resolution Procedure (not realising at the time that this applies only to occupational pension schemes).</p> <p>Why did Scottish Widows (implausibly) deny knowledge of this term in a password-protected PDF document of 27 June, rather than provide information on Scottish Widows' complaints procedure?</p>
(9)	<p>The letter dated 14 April insinuates that Scottish Widows is "unable to accept documentation that has fall(sic) out of the required timescales", and throughout Scottish Widows emphasises that provision of all these documents is required "under UK legislation".</p> <p>So why (after they realised that ICM was about to make a complaint) did his invalid documents become acceptable to Scottish Widows?</p> <p><i>This request to post the documents was in another password-protected PDF document dated 30 June, also just after ICM asked about their IDR, and two weeks after Scottish Widows had closed the application in a letter of 16 June.</i></p>
(10)	<p>Whilst interpretation of government AML requirements may vary in detail, those of Scottish Widows are plainly draconian. Even where verification is appropriate, the following are two examples of extra-government demands imposed by Scottish Widows:</p> <ul style="list-style-type: none"> • Government regulations require verification of Name plus EITHER Date of Birth OR Address; whereas Scottish Widows requires verification of all three (and separate verification of age was also given as a requirement). • Government regulations make clear that a single document can give sufficient verification, whereas Scottish Widows requires at least three separate documents (and imposes a birth certificate as evidence of Date of Birth). <p>See Appendix 5.1: Acceptable evidence of identity (private individuals). There are numerous other questionable specifications combined with unclear and changing documentation of them, but the above two issues alone add a considerable unnecessary burden to the customer.</p> <p>How can Scottish Widows justify their statements that these extra specifications are required "under UK legislation"?</p> <p><i>Money laundering is a matter for the government. It is for the government to determine what is required and for Scottish Widows to comply with those requirements; Scottish Widows has no business to determine that government AML measures are insufficient. And did Scottish Widows not consider that the government has good reasons for its more limited stipulations, including the fact that more stringent requirements may quite legitimately (as in the case of ICM) be impossible to fulfil?</i></p>

On 01 August, Scottish Widows offered to accept ICM's certified ID card alone as verification, provided it were emailed by his bank. Whilst his ID card alone would indeed give good proof of both Name and Date of Birth, and thus satisfy government AML regulations (were verification required), it falls well short of the specifications in Scottish Widows' documentation.

(11) **So again, how could an ID card by itself be acceptable now, when previously at least three separate documents were required to prove Name, Address and Date of Birth?**

This latest "offer" was in response to ICM's initial complaint, in which he stated that he was investigating government AML regulations, and that he was already of the view that Scottish Widows should NOT have required proof of both Address and Date of Birth (although he had not at that time reached his current view that Scottish Widows' requirements "under UK legislation" are a total sham).

Apart from considerably reduced verification requirements, the email of 01 August also introduces the option of sending a scanned (certified) document (provided it is emailed by his bank with some unclear and incongruous stipulations). Whilst this would indeed also conform to government verification requirements (see Section 11.6), Scottish Widows had up to that time always insisted that certified documents must be posted.

Why is Scottish Widows able to accept a scan now, but not previously? And why can they not accept his certified ID card from his email account, only from his bank?

(12) *Amongst other confusing and inconsistent aspects of their requirements documents, Scottish Widows did not state clearly in their initial details the means by which the verification documents must be sent. At first ICM was led to believe that they could be emailed - only after further perusal did it become apparent that they must all be certified, and that certified documents would not be accepted as scans.*

After much deliberation, ICM considered that nonetheless the only sensible way to send the documents was as email attachments. With all the uncertainties surrounding the verification requirements, he was concerned that his documents were likely to be rejected (as indeed they were). Sending them initially by courier would not only have wasted the significant cost of this, but would also tend to invite a postal response. By using email, he had expected that if Scottish Widows would not accept the documents, they would simply reply to the email with an explanation. Had Scottish Widows confirmed that they would accept the documents, but that they must be posted, he would have done so immediately by courier. He did his utmost to comply fully with Scottish Widows' demands in order to obtain payment. He did not in any case expect to have any problems in verifying his identity, since his bank details alone make this clear.