

SCOTTISH  WIDOWS



Scottish Widows Annuity

Terms and Conditions Booklet SWA (2025)

Help is at hand



Support from us



By phone

If you have a question about your annuity, please call us on:

0345 757 3494

We may record and monitor calls to improve our service.
Call charges will vary.



By post

Or write to us at:

**Scottish Widows Limited, PO Box 24171,
69 Morrison Street, Edinburgh EH3 1HL**

We're open from 9am – 5pm, Monday to Friday. Calls may be recorded and monitored to help us to improve our service.

It will help if you can quote your policy number (shown on Your Annuity Schedule) when you contact us.

We'll communicate with you in English.

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Welcome to your Scottish Widows annuity

Thanks for choosing us for your annuity.

This booklet tells you how your annuity works. You should read this alongside your annuity schedule, which gives further details.

The application made for this annuity together with the policy documents form the legal contract between us and you. We explain what we mean by 'annuity', 'policy documents' and 'schedule' in 'Understanding our technical terms' on the next page.

Please keep the policy documents in a safe place. It might also be a good idea to let your family know you have this annuity policy.

Just to let you know, we'll always communicate with you in English. You can ask for information from us in large print or braille.

Please double-check your information

You should check your schedule to make sure your personal information and other details such as your income are correct.

If anything is wrong, you should tell us as soon as possible. Please also see 'Making changes' on page 15.

Terms and Conditions

Understanding our technical terms

Sometimes we have to use technical terms when we're talking about your annuity. Some things might not apply to you, but if you come across a term you're not sure of, here's what it means.

Annuity

A policy that pays you a guaranteed income for life. It may also pay a guaranteed income to a named dependant after your death.

Dependant

A person named in your schedule who would be paid an income after you die.

Endorsement

This may become part of the policy documents. We'll send an endorsement to confirm or agree to certain changes to your annuity.

Income date

The date you or any dependant receives income payments. This might be every month, quarter, half-year, or year. For example, if your income is paid monthly and your start date is on the 6th of the month, your payments, and any dependant's payments, will always be due on the 6th of each month. But if an income date falls on a non-working day, such as a weekend or bank holiday, we may pay the income on the previous working day.

Policy documents

A policy document can include the schedule, this terms and conditions booklet and any endorsement to these. This booklet only applies if your schedule refers to it.

Rules

The rules of a pension scheme explain the benefits that can be paid from that scheme, subject to pensions legislation.

Schedule

Your Annuity Schedule that came with this terms and conditions booklet. The schedule describes the income we'll pay.

Scheme

The pension scheme whose rules your annuity may have been written under.

Scheme administrator

A person or organisation that manages a scheme in line with current legislation and regulations.

Tax-free cash sum

A single cash sum paid free of tax. In pensions legislation this is called a 'Pension Commencement Lump Sum'. See 'What about tax?' on page 14.

'We', 'us' and 'our'

Scottish Widows Limited.

'You' and 'your'

The person named as 'you' in your schedule.



Other technical terms which are only used in specific circumstances have their meaning given in the section where they are first used.

Part 1

Your income

We promise to pay you a guaranteed income for life, as described in your schedule. The income we show is before any tax is deducted – see ‘What about tax?’ on page 14.

Your income payments will be made in the currency of the United Kingdom.

When will your income begin?

Your schedule shows when your income begins.

If your income begins on the same date as the annuity start date, we may say your income is paid ‘in advance’ If it begins after the annuity start date, it’s paid ‘in arrears’.

Will your income change?

Your income won’t change unless your schedule says it’s increasing by a percentage each year or varying in line with the Retail Prices Index.

Percentage increase

This section will only apply to you if your schedule says your income is increasing by a percentage each year.

Your income will increase each year by the percentage shown on your schedule. The increases will take place on each anniversary of your first income date while you’re alive.



Percentage increase example

Robin’s starting yearly income is £1,000.00, paid monthly and increasing by 5% each year. The first income date is 5th May.

Year 1 from 5 th May	Yearly income of	£1,000.00	
	Paid in 12 monthly instalments of	£83.34	>
Year 2 from 5 th May	Yearly income of	£1,050.00	<
	Paid in 12 monthly instalments of	£87.50	>
Year 3 from 5 th May	Yearly income of	£1,102.50	<
	Paid in 12 monthly instalments of	£91.88	

Increase at the start of year 2
is 5% of year 1 = £50.00
Income increases by £50.00 to £1,050.00

Increase at the start of year 3
is 5% of year 1 = £52.50
Income increases by £52.50 to £1,102.50

Increasing year on year until Robin dies

Terms and Conditions

Varying in line with the Retail Prices Index

This section will only apply to you if your schedule says your income is varying in line with the Retail Prices Index (RPI).

RPI is a measure of UK inflation and is published by the Office for National Statistics. If for any reason RPI isn't available, we'll choose another suitable index to use instead.

At each anniversary of your first income date, the amount of income you get will vary based on the percentage change in RPI over a 12 month period. Each 12 month period will end three months before that anniversary.

For example, if your first income date is in May, we'll use the yearly percentage change in RPI to the month of February. If the percentage change in RPI has been positive over the 12 months up to February, your income for the following year will increase by the same percentage. But, if the percentage change over this period has been negative, your income will go down for the following year.

We may reasonably decide to vary the 12 month periods we use. For example, we may use 12 month periods that end 3 months before the anniversary of the annuity start date.



Retail Prices Index example

Tanya's starting yearly income is £1,000.00, paid monthly and varying in line with the Retail Prices Index each year. The first income date is 28th May.

Year 1 from 28 th May	Yearly income of £1,000.00 Paid in 12 monthly instalments of £83.34	>	Yearly change in RPI is 2.5% = £25.00 increase Income increases at the start of year 2 by £25.00 to £1,025.00
Year 2 from 28 th May	Yearly income of £1,025.00 Paid in 12 monthly instalments of £85.42	<	Yearly change in RPI is 2% = £20.50 increase Income increases at the start of year 3 by £20.50 to £1,045.50
Year 3 from 28 th May	Yearly income of £1,045.50 Paid in 12 monthly instalments of £87.13	<	Yearly change in RPI is -1% = £10.45 decrease Income decreases at the start of year 4 by £10.45 to £1,035.05
Year 4 from 28 th May	Yearly income of £1,035.05 Paid in 12 monthly instalments of £86.25		
Varying year on year until Tanya dies			

Future changes could be more or less than this example.

Terms and Conditions

When will your income end?

Your income will end when you die. We'll make no further income payments after your death unless you die before the end of a guarantee period.

We won't make a part payment after your death for the period since your last income payment. So for example, if your income is paid yearly and you die nine months after an income payment, we won't make a part payment for those nine months.

Guaranteed period

This section will only apply to you if your schedule shows a guaranteed date.

The guaranteed period begins at the annuity start date and ends on the guaranteed date. Your income will continue to be paid until the end of that period, even if you die before then.

If we make any income payments after you die, they will be paid to the dependant named in the schedule if they're still alive. If they've died or there's no named dependant, we'll use our discretion to decide who will receive these income payments.

Example

Mohammed has a 10 year guaranteed period and we pay his income monthly. So we'll make at least 120 income payments.

His income began on

10th October 2024

He dies on

1st March 2030

His guaranteed date

10th September 2034

His last guaranteed income payment

10th September 2034

If he didn't have this guarantee, his income would've ended on 10th February 2030 (the last income date before his death)

Part 2

Your dependant's income

This part will only apply if you have a dependant named on your schedule.

We'll pay your dependant an income if they're still alive when it's due to begin. It will then be paid for the rest of their life, as described in your schedule.

Your dependant's income payments will be made in the currency of the United Kingdom.

When will your dependant's income begin?

The section 'Your dependant's income dates' in your schedule tells you when your dependant's annuity would begin.

If your schedule says that your dependant's income begins 'after the date your income ends'

If you die before the end of a guaranteed period, your dependant's income begins on the next income date after the last guaranteed payment of your income has been made.

Example

John's Annuity



We pay John a monthly income which is guaranteed to be paid until 10th October 2029

He dies on	1 st March 2029	
His last guaranteed income payment	10 th October 2029	
His dependant's income begins	10 th November 2029	

Terms and Conditions

If you die after the end of a guaranteed period or there is no guaranteed period, your dependant's income will begin on the next income date after your death.

Example

Sarah's Annuity



We pay Sarah a monthly income which isn't guaranteed

She dies on

1st March 2035

Her last income payment

10th February 2035

Her income isn't paid after she dies

Her dependant's income begins

10th March 2035

This is the first income date after her income ends

If your schedule says that your dependant's income begins 'after the last income date before your death'

Your dependant's income will begin on the next income date after you die, even if this is during the guaranteed period. This could result in both your income and your dependant's income being paid at the same time in some circumstances.

Example

James' Annuity



We pay James a monthly income which is guaranteed to be paid until 10th October 2027

He dies on

1st March 2027

As he died before the end of the guaranteed period:

His last guaranteed income payment

10th October 2027

- his income ends on the guaranteed date,

Income date before his death

10th February 2027

- his dependant's income starts on the next income date after his death, and

His dependant's income begins

10th March 2027

- from 10th March 2027 until 10th October 2027, we pay an income both for James and his dependant (assuming his dependant is still alive).

Terms and Conditions

Will your dependant's income change?

Your dependant's income won't change unless your schedule says it's increasing by a percentage each year or varying in line with the Retail Prices Index.

The rest of this section only applies if your schedule shows your dependant's income increasing by a percentage each year, or varying in line with the Retail Prices Index (RPI) each year.

If your dependant's income is increasing by a percentage or varying in line with RPI, it will do so in the same way as your income – see 'Will your income change?' on page 5.

The schedule shows your dependant's starting yearly income amount. This is what we would pay to your dependant if you were to die within the first year. Each year your dependant's income amount will vary or increase on the anniversary of your first income date even if their income has not yet begun.

When will your dependant's income end?

We won't pay an income to your dependant after they die. This includes any part payments for the period since their last income payment.

So for example, if their income is paid monthly and they die two weeks after an income payment, we won't make a part payment for those two weeks.

Example

Tom's annuity starts at £2,000.00 a year and increases at 5% each year. Tom didn't choose a guaranteed period, but did choose an income for his dependant, Shona, of 50% of his income. So the schedule shows a starting yearly income of £1,000.00 for her.

Tom died shortly after one year had passed. Even though Shona's income hadn't begun, the yearly amount increased by 5% at the start of year 2 to £1,050.00. So we began to pay Shona £87.50 a month (1/12th of £1,050.00) for the rest of that year. After that, Shona's income increases by 5% every year for the rest of her life.

Part 3

Other information about your annuity

Everything else you need to know about your annuity.

Value protection

This section will only apply if your schedule shows a value protection percentage.

We may pay a value protection lump sum on your death unless a dependant's income becomes payable, in which case it may become payable on their death. The following questions explain when a value protection lump sum is paid, how we calculate it, and who receives it.

A value protection lump sum will be paid in the currency of the United Kingdom. Please see "Tax on a value protection lump sum" on page 15 for information on its tax treatment.

When is a value protection lump sum paid?

If we're to pay a value protection lump sum, it will become payable on the day after we're told of your death. But if a dependant is named on your schedule and they die after you, it will instead become payable on the day after their death.

We'll only pay a value protection lump sum once we've received everything that we reasonably need, for example, the relevant death certificate. If we're responsible for a delay in paying the lump sum, we may add interest to it. We'll reasonably decide the rate of interest to use and we won't pay interest if it's less than our current minimum interest payment.

Terms and Conditions

How is a value protection lump sum calculated?

1. We first calculate a protected amount which is the amount used to buy annuity income (shown on your schedule) multiplied by the value protection percentage.
2. We then calculate the total income payments which is the total of the income payments (before tax) made to you and any dependant between the start date of the policy and the relevant date of death.
3. We then compare the protected amount with the total income payments:
 - If the protected amount is more than the total income payments, the value protection lump sum that we pay is the protected amount less the total income payments.
 - If the protected amount isn't more than the total income payments, we won't pay a value protection lump sum.



Example – without dependant's income

Jayne's amount to buy annuity income was £100,000 and she chose a value protection percentage of 50%. She received monthly income payments of £400 (before tax) for 4 years and 2 months up to her death.

Protected amount is £50,000

$$£100,000 \times 50\% = £50,000$$

The number of monthly payments made

$$4 \times 12 + 2 = 50$$

Total income payments is £20,000

$$£400 \times 50 = £20,000$$

As this is less than the protected amount, we pay a

Value protection lump sum of £30,000

$$£50,000 - £20,000 = £30,000$$

If Jayne had instead received income for 11 years

The number of monthly payments made

$$11 \times 12 = 132$$

Total income payments is £52,800

$$£400 \times 132 = £52,800$$

As this is more than the protected amount, we won't pay a value protection lump sum.



Example – with a dependant's income

Alison's amount to buy annuity income was £250,000 and she chose a value protection percentage of 100%. She also chose Stephen to be paid a dependant's income after her death.

Alison received monthly income payments of £1,000 (before tax) for 5 years up to her death. Stephen is alive when Alison died, so we won't pay a value protection lump sum at that time.

Stephen then received monthly dependant's income payments of £500 (before tax) for 8 years and 4 months up to his death.

Protected amount is £250,000

$$£250,000 \times 100\% = £250,000$$

Stephen – The number of monthly payments made to him

$$8 \times 12 + 4 = 100$$

Alison – The number of monthly payments made to her

$$5 \times 12 = 60$$

So his total income payments is £50,000

$$£500 \times 100 = £50,000$$

So her total income payments is £60,000

$$£1,000 \times 60 = £60,000$$

Total income payments made to Alison and Stephen is £110,000

$$£60,000 + £50,000 = £110,000$$

As this is less than the protected amount, we pay a value protection lump sum of £140,000 (£250,000 – £110,000 = £140,000).

Who receives a value protection lump sum?

You should tell us who you wish to receive any value protection lump sum. This is called a 'nomination' of the lump sum, and any person you nominate is called a 'beneficiary'. If there's to be more than one beneficiary, you should tell us the proportion of the lump sum you'd like each of them to receive. You can do this by completing a nomination form, which you can change at any time.

If a dependant named on your schedule is alive when you die, we may ask them who they wish to nominate. We won't do this if the protected amount is less than the total income payments made before your death.

We'll bear your or any dependant's nominations in mind, but we'll not be bound by them. Because we decide who receives the lump sum and in what proportions, any lump sum will not normally form part of your or any dependant's estate for Inheritance Tax purposes. If you die after 5th April 2027, any value protection lump sum will normally be subject to Inheritance Tax.

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Enhanced annuity

This section will only apply to you if your schedule says you have an enhanced annuity.

We pay an income that takes account of the statements in your application that you have one or more lifestyle or medical conditions that could reduce how long you might live.

After an annuity has started, we won't change the income we've said we'll pay if there's a change in lifestyle or health. For example, if your health were to get worse, we wouldn't further increase the income. And if your health were to improve, we wouldn't reduce the income.

We carry out random sampling of enhanced annuities within six months of their application date. This is to check any lifestyle or medical information we were told about during the application. We'll only ask for evidence that's relevant to the information we were given. For example, if we choose your annuity to sample, we might ask one or more doctors or other health professionals to verify any health conditions mentioned in the application.

If we're not able to verify a lifestyle or medical condition, we may reduce your income and any dependant's income if we believe it's fair to do so. If we do this, we'll reduce the income to the amount we'd have provided had we been given honest and complete information at the start. Any reduction will date back to the start of your income payments. See 'Making changes – Changes we can make' on page 15 for more details.

Evidence we might need

At times, we might ask for evidence that you or your dependant are still alive.

When you die, we'll ask for evidence of the date you died, and if there's a dependant's annuity that your dependant is alive when their income is due to begin.

If we find out that we've continued to pay a regular income after it should have ended, (for example, after you've died) we'll claim back the money we've overpaid. We'll ask for that amount to be returned to us within a month of asking.

See also 'Changes we can make' on page 15 for how we may do this.

What about tax?

This section explains how tax might affect your annuity. Tax rules may change in future.

Tax-free cash

If it says in your schedule that we've paid a tax-free cash sum, that sum has reduced the amount available to buy an annuity income.

If nothing is said in your schedule but you were paid a tax-free cash sum, that sum came from your existing scheme or pension arrangement.

It's not possible for us to pay a tax-free cash sum after the annuity start date.

Tax paid on your income

Your income is treated as pension income and is taxable. The income figures shown in your schedule are before any income tax is deducted.

The amount of tax we deduct depends on your individual circumstances. HM Revenue & Customs (HMRC) tell us how much to deduct. We'll send you a yearly tax statement (P60) showing what's been deducted.

If your annuity has a guaranteed date and you die before that date, any remaining payments will be paid to the dependant named on your schedule. If there is no named dependant, or they have died, we'll use our discretion to decide who to pay them to. If you're under 75 when you die, those payments won't have any income tax deducted. But if you're 75 or over, those payments may have income tax deducted.

Tax paid on a dependant's income

If we're to pay your dependant an income after you die, their income will be paid free of income tax if you die before your 75th birthday. But if you die on or after that birthday, any dependant's income will be taxable.

If your dependant's income is to be taxed, the amount of tax we deduct depends on their individual circumstances. HMRC will tell us how much to deduct and we'll send your dependant a yearly tax statement.

Any dependant's income figures shown in your schedule are before any income tax is deducted.

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Tax on a value protection lump sum

A value protection lump sum will normally be free of tax or charges except in the following circumstances.

- **Income tax** may apply if you die at age 75 or later, or if the lump sum and death benefit allowance (LSDBA) is exceeded. The LSDBA limits the amount of tax-free lump sums that can be paid from a pension. The amount of income tax will depend on your beneficiary's personal circumstances.
- **Special lump sum death benefit charge** may apply instead of income tax if you die at age 75 or later and the value protection lump sum is paid to your estate.

If you die after 5th April 2027, any value protection lump sum will normally be subject to Inheritance Tax.

You may wish to seek specialist tax advice if you have any concerns.

Charges

The income we pay takes into account all of our charges.

But if it says in your schedule that we've deducted an adviser charge, that charge has reduced the amount available to buy an annuity income. As instructed, we've paid this charge to the financial adviser named in the application.

Can I cancel my annuity?

You can cancel your annuity, but only within the first 30 days of receiving the policy documents. You'll need to return any income payments you've received from us. If you were a member of a trust-based pension scheme, you may also need to notify the trustees of your decision to cancel.

We'll refund the amount used to buy annuity income to the previous pension provider if it's possible to do so. We won't refund the amount of any adviser charge that we've paid out:

- If we're not the previous provider, the previous provider may decide to not accept the refund. If that happens, you would have to buy an annuity elsewhere or, if applicable, transfer elsewhere.
- If we're the previous provider, we'll tell you which options are available to you.

To cancel, call **0345 757 3494**, or write to us at the address at the front of this booklet.

Your annuity can't be cancelled after the first 30 days and has no cash-in value at any time.

Making changes

We can make reasonable changes to your annuity as follows.

Changes we can make

If either you or we find there's something wrong or missing in your policy documents or application, we'll correct the annuity if it's fair to do so.

We may correct:

- an enhanced annuity, if any lifestyle or medical information given to us turns out not to be honest or complete – see page 14, or
- for any other information that's wrong, such as an incorrect date of birth.

We'll change the income to the amount we'd have provided at the start if there hadn't been something wrong or if we'd been given all the information we asked for.

If we've underpaid, we'll pay the amount underpaid within a month of us finding out. If we've overpaid, we'll ask for the amount overpaid to be returned to us within a month of asking. Alternatively, we may reasonably decide to:

- recover the overpaid amount by further reducing one or more future income payments, and/or
- reduce any value protected lump sum that has become payable.

Other reasons we might make a change:

- There's a change in the law or tax affecting us or the annuity.
- If we have to pay a tax charge, duty or other payment from the annuity or any value protection lump sum due to a law, court order or regulation.
- Where an event outside of our control makes it impossible or impracticable to carry out our obligations under our annuity policies.
- To comply with a court order, for example, if you get divorced.

We'll tell you as soon as possible about any change we need to make.

Terms and Conditions

Changes you can make

Please tell us if your or your dependant's name, address or bank account details change. We'll then update the details.

If your annuity has value protection, you (or your dependant if relevant) can change the nomination as to who should receive any value protection lump sum.

But we won't agree to any request from you to change any aspect of how we pay the income. For example, we won't agree:

- a change to who it's paid to,
- a change to how often it's paid,
- add or change value protection, and
- to pay another type of retirement benefit such as a single cash sum instead of your income or a dependant's income.

Other legal points

Ownership

You're the owner of the annuity. If the schedule shows a scheme name:

- Where this is a Scottish Widows scheme, you're a member of that scheme. Any tax-free cash we paid and the income we pay must be in line with that scheme's rules. If you'd like a copy of those rules, please let us know.
- For any other scheme, the scheme administrator or trustees of that scheme were responsible for ensuring that the income we pay is in line with the rules of their scheme.

Law

The annuity is governed by the law of whichever part of the UK you lived in or normally resided when it was taken out.

Transfer to another insurance company

We may ask a UK court to allow us to make an insurance business transfer under Part VII of the Financial Services and Markets Act 2000 (or any subsequent legislation). This would transfer all our rights and obligations under this policy to another insurance company. It wouldn't affect your income, any dependant's income or any other terms and conditions. We'd write to you before the court hearing to explain the proposed transfer and your rights.

How to complain

If something's gone wrong, we'd like the chance to put it right.



Support from us



By phone

Please call us on:

0345 757 3494

We may record and monitor calls to improve our service.
Call charges will vary.



By post

Or write to us at:

**Scottish Widows Limited, PO Box 24171,
69 Morrison Street, Edinburgh EH3 1HL**

Quote the policy number shown at the top of your schedule when you call, and include it in your letter if you write to us.

If you're not happy with our response, or if we haven't responded after eight weeks, you can complain to the Financial Ombudsman Service. This is an impartial service which can make a decision about your complaint and tell us what to do in response.

Write: **The Financial Ombudsman Service, Exchange Tower,
London, E14 9SR**

Telephone: **0800 023 4567**

Email: **complaint.info@financial-ombudsman.org.uk**

Website: **www.financial-ombudsman.org.uk**

Taking a complaint to the Financial Ombudsman Service doesn't affect your right to take legal action against us.

We'll communicate with you in English.



Keep in touch

We want to make sure we keep you updated about the product you have with us. To allow us to do that, please let us know how you'd like to hear from us by completing the form at www.scottishwidows.co.uk/keepintouch



If you need extra help

You can find extra help and support at www.scottishwidows.co.uk/extra-help

If you would like a braille, large print or audio version of this document, please contact us.

If you have a hearing or speech impairment you can contact us using the Relay UK Service available 24 hours a day, seven days a week. Or you can call using textphone on **18001**.

