DRN-4071809

The complaint

Mr C complains that his ReAssure Limited ("ReAssure") pension fell in value. He says that due to slow response times and a lack of information he was unable to do anything about it in time. He also says that the fund was misrepresented so he would not have expected the fund to fall as much as it did. He would like to be compensated for the loss and stress that he has experienced.

What happened

Mr C had a pension with Legal & General ("L&G"), that was later taken on by ReAssure. He had been invested in the Distribution fund and the Index Linked Gilt fund but as he approached the time when he would take benefits, he swapped the Index Linked Gilt fund for the Pre-Retirement fund.

When ReAssure took over administration from L&G, Mr C feels that service deteriorated. For example, he did not receive his 2021 annual statement. He called to chase it a few times, and his financial adviser also asked for policy information. ReAssure wrote to Mr C on 15 March 2022 giving him the value on 11 January (£862,319.07). He was concerned that this was out of date. His financial adviser had a more up to date valuation of £809,379.22 on 24 March.

Concerned at the fall in value and slow service, Mr C took steps to move the fund to a new provider, via his financial adviser. His annual statement of June 2022 showed a value of £752,778.17. ReAssure wrote to him on 29 June 2022 to say that they had transferred a sum of £750,095.83.

Mr C complained to ReAssure. He explained that his financial adviser had carried out some analysis on the two funds (Distribution and Pre-Retirement) and noted that the fall in value from the 11 January value to the 24 March value was largely explained by a fall in the value of the Pre-Retirement fund. Mr C felt that this fund should have been suitable for someone who was de-risking. The fund aimed 'to provide diversified exposure to assets that reflect the investments underlying a typical annuity contract' and had a risk profile of 2 out of 6. He didn't think the fund should have fallen as much as it did.

The first part of his complaint was that ReAssure had failed to keep him up to date (sending a valuation that was two months out of date). He also said that he had clearly been invested in an inappropriate fund, which he would have been able to change had he known earlier. He said that the description of the Pre-Retirement fund was misleading in aiming to replicate the assets of an annuity.

ReAssure rejected his complaint. They said that they sent annual statements, albeit on a different schedule to Legal & General, and they had provided information to his financial adviser in full and in a timely manner. Aside from annual statements, ReAssure also offered an online portal or policyholders could get information by phone.

ReAssure also said that they could not advise him on the suitability of his funds. But they explained that over the last decade or so interest rates and inflation had been lower, affecting performance, but that the policy had been managed in line with the terms and conditions. The underlying funds were still managed by L&G. ReAssure explained that the funds were designed to meet particular objectives, and that alternatives were available.

Mr C did not accept this outcome so he brought his complaint to this service. ReAssure provided us with copies of correspondence they had sent to Mr C and to his financial adviser.

Our investigator didn't uphold the complaint either. He felt that ReAssure had largely provided the level of updates and information they should have, and that the fund had been managed appropriately. He also explained to Mr C that this service is not able to give an opinion on something like marketing, which would be an issue for the business's regulator, the FCA.

The case was referred to me for a final decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Keeping him informed

Mr C says that he was not kept informed of the progress of his pension. If he had been, he says he would have been able to take action to stem the losses earlier. Based on copies of correspondence and call logs throughout the first half of 2022, I have summarised the communication between ReAssure, Mr C and his adviser:

- 11 January ReAssure wrote to Mr C's adviser with policy information including a valuation of £862,319.07 invested in Distribution and Pre-Retirement funds
- 2 March Mr C called ReAssure for a valuation, £822,100.74
- 15 March Mr C called ReAssure to ask for his annual statement, and was told it would take 3 months
- 15 March ReAssure sent Mr C a letter to confirm that the complaint had been resolved to his satisfaction; also enclosing requested information (which seemed to be the January valuation)
- 16 March ReAssure wrote to Mr C's adviser to confirm that block/bulk transfer did not apply to the policy
- 24 March ReAssure wrote to Mr C's adviser giving a current value of £809,379.22 and projected benefits to 2027 (based on taking an annuity, or tax-free cash and reduced annuity)
- 30 March ReAssure wrote to his adviser referring to "your request to transfer this pension." The value was £811,122.65 on 30 March.
- 16 June Mr C's adviser called ReAssure to ask for details of the funds since the value had fallen
- 17 June annual statement to Mr C including valuation £752,778.17
- 21 June letter to Mr C in advance of his approaching retirement date, value £745,573.83
- 29 June letter to Mr C confirming transfer payment made of £750,095.83

I can see why Mr C thinks it was unacceptable to send him a statement that was two months out of date, but this seems to be a copy of the statement sent to his advisers on 11 January. And he was able to get a valuation over the phone on 2 March. As well as on 11 January, valuations were provided to either Mr C or his advisers on 2 March, 24 March, 30 March and

16,17,21 & 29 June.

Furthermore the 11 January valuation included a breakdown of the funds held. So at that time Mr C and/or his advisers knew how the pension was invested. That gave plenty of opportunity for Mr C and/or his advisers to consider whether the funds were still appropriate in view of his intention to take benefits (or transfer elsewhere) and take action.

So I think that ReAssure kept Mr C updated about his policy, and provided enough information for Mr C to be able to make changes if he wanted to.

Inappropriate/Misrepresented fund

Mr C says that he was invested in an inappropriate fund. As he said, the Pre-Retirement fund held a broad mix of the assets underlying a typical annuity.

That meant that the fund value would broadly rise and fall with the changing cost of an annuity. As the cost of an annuity goes up (for example when interest rates fall), so would the fund value, allowing it to buy roughly the same amount of annuity. Equally if the cost of an annuity was to fall (which it would when interest rates rise) then although the capital value of the fund would fall, it would still be able to buy roughly the same level of annuity.

When the Bank of England began to raise interest rates at the end of 2021, for the first time in over a decade, it was inevitable that the fund would fall in value, which it did. But the fund was still potentially appropriate for someone who was intending to buy an annuity.

ReAssure could not know whether Mr C was intending to buy an annuity. Mr C told our investigator that he had been advised to invest in the Pre-Retirement fund. But he did not say that it was ReAssure who advised him and ReAssure are not authorised to give advice so I don’t think they did. So if the fund was inappropriate for Mr C’s needs, that was not ReAssure’s responsibility.

Mr C also said that he thought that the falls in value were more than he should expect from a fund rated 2 out of 6. He also wondered why the rating was later changed to 4 (out of 7). I have not seen the earlier rating but the factsheet that rates the fund as 4 out of 7 explains that the risk rating is based on historical volatility and can therefore change over time. For an annuity-based fund such as this volatility would increase when interest rates change which they did throughout the first half of 2022.

And while 2 out of 6 is below the average, it does not mean no risk. I have not seen any evidence that Reassure offered any capital guarantees on this fund. If Mr C wanted a fund that could not fall in value then there were other options he could have chosen either by himself or with his adviser.

So I am unable to agree that the fund was misrepresented. If the fund was inappropriate for Mr C in any way, that was not due to any errors on the part of ReAssure.

Mr C has told this service that he feels that others could be affected by how the fund was marketed. But that is an issue for the Financial Conduct Authority, who regulate businesses like ReAssure and L&G. I can only consider individual disputes with regulated businesses.

In summary I find that ReAssure did keep Mr C adequately updated about the progress of his pension, and did not misrepresent the funds in which he was invested.

My final decision

For the reasons given above I do not uphold the complaint against ReAssure Limited.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr C to accept or reject my decision before 17 August 2023.

Martin Catherwood
Ombudsman