DRN-4233527

The complaint

Mr M complains that Scottish Widows Limited (Scottish Widows) mismanaged his personal pension and misled him, causing him a loss.

For simplicity, I've referred to Mr M throughout, even where submissions were made by his representative.

What happened

Mr M's said that in 2010 he became a member of his employer's group personal pension with Scottish Widows. And, in November 2022, after being told by his financial adviser that his pension had lost a lot of money over the last year, largely from the Pension Protector fund (Protector fund), Mr M complained to Scottish Widows that it had mismanaged his plan. He said, in summary, that it continued to move his plan into the Protector fund when this was more volatile than the fund it had moved this from, when it was meant to move his plan into lower risk funds. And that the value dropped by around 37% across 12 months.

Scottish Widows sent Mr M its final response letter. It said, in summary, that Mr M's plan was set up for a 'Balanced targeting Annuity' with lifestyling applied. It said that, as part of this, it moved his funds in the run up to his selected retirement age (SRA) in line with instructions.

Mr M brought his complaint to our Service. He added, in summary, that Scottish Widows literature falsely said that the lifestyle strategy moved funds into lower risk and safer investments, with the aim of helping protect his plan value closer to his SRA. And that Scottish Widows mismanaged his plan as it continued to move it into the volatile Protector fund, rather than changing the strategy when it knew this was failing significantly. Mr M also said he wasn't aware his plan had a lifestyle strategy, as Scottish Widows just applied this as it did to all group pensions at the time. And that Scottish Widows ought to have told him before it started to automatically switch his funds, as well as reminding him what this meant in his statements and asking if he wanted it to continue.

One of our Investigators looked into it and said Scottish Widows wasn't responsible for the sale of Mr M's pension or for giving him advice. He said it followed the investment approach agreed when Mr M's plan was set up, which it made him aware of in documentation. He also said Scottish Widows wasn't given any alternative instructions and that it wasn't responsible for the fall in value of Mr M's plan. And that it had suggested he seek advice if he wasn't happy with his investments.

Mr M didn't agree. He added, in summary, that the poor performance of the Protector fund due to the performance of bonds and gilts isn't relevant to his complaint, as he understands Scottish Widows can't be held responsible for that. He said his complaint is that Scottish Widows mismanaged his plan, as it didn't move his funds to lower risk and safer investments. He said it made unsubstantiated and false promises that the Protector fund was a safe haven where his plan would be less at risk. And that while he received statements and our Investigator said Mr M could change the strategy, he doesn't understand pensions or that lifestyling applied to his plan, as he was enrolled in it without advice. Mr M also said Scottish Widows had a duty of care to ensure the strategy lived up to the promises made about this, given he was automatically enrolled in it.

So the complaint's been passed to me for a 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.

Having done so, while I know this isn't the answer Mr M hoped for, I'm not upholding his complaint for largely the same reasons as the Investigator. I'll explain why.

A lifestyle strategy was in place Mr M's group personal pension plan. Given this was prior to 'pension freedoms' being introduced in 2015 and other flexible options weren't generally available, it appears the approach was to invest for an annuity purchase at his SRA.

I think it's important to clarify at the outset that I haven't seen anything to suggest Scottish Widows gave, or that it was responsible for giving, Mr M any advice on his pension and what was suitable for him. In which case, it was responsible for administering Mr M's plan in line with the strategy and providing him with information. And it was for Mr M – and any financial adviser he might have had – to monitor the performance of his investments and ensure that these and any strategy in place were suitable for him.

I think Mr M is likely to have been provided with information at the time he rolled in his pension explaining how the strategy worked. And, while Mr M's statements don't appear to have used the word 'lifestyling' until 2019, I think these reminded him that such a strategy was in place when these said his plan was invested using its 'Balanced targeting annuity' investment approach. Mr M's statements between 2014 and 2016 said this approach meant the funds would change as he neared his SRA, with the aim of being largely invested in the Protector fund by then. And these referred him to its Pension Investment Approach guide, which explained this. I think Mr M's statements from 2019 clarified this further, as these clearly said he was invested in a lifestyle option known as the 'Balanced targeting annuity' option designed to automatically switch his funds as he got close to his SRA. So I think Mr M was made reasonably aware that his plan had a lifestyle strategy in place and how this would be invested.

While Mr M has clarified that his complaint isn't about the poor performance of his fund, I can see he's disappointed that his plan fell in value after being invested in the Protector fund as part of the lifestyle strategy. But, while Mr M's disappointment is understandable, the drop in value doesn't necessarily mean Scottish Widows mismanaged his plan or misled him about the nature of the strategy. I don't think it did, for the following reasons.

I can see from Mr M's statements that his plan appears to have been invested in line with what Scottish Widows' guide set out that it should be in the run up to his retirement, with the aim of being largely invested in the Protector fund. So I think it correctly followed the strategy. I appreciate Mr M's said Scottish Widows should have changed the strategy and his investments instead of continuing to invest these in the Protector fund. But, as set out above, Mr M was responsible for ensuring that the strategy and his investments were suitable for his circumstances. And I can't see anything to suggest that Mr M provided Scottish Widows with alternative instructions for it to follow.

I don't think Scottish Widows misled Mr M when it said in his statements, for example, that the strategy was designed to move his plan into safer funds. Lifestyle strategies do usually seek to manage risks by moving funds into fixed interest investments such as gilts and bonds as someone approaches retirement, as these usually exhibit lower volatility and are considered low-risk. This type of investment doesn't eliminate risk though, as these can still sharply fall in value in certain situations in the way the Protector fund did in late 2022. And I also think it's important to also bear in mind that the goal in Mr M's case was to invest for an annuity purchase. Gilts and annuity rates tend to move in opposite directions, such that when interest rates increase, the value of long gilts go down and annuity rates go up. So the aim was that the level of retirement income Mr M might achieve was less likely to dramatically change if, for example, the value of his fund – which was largely invested in gilts – moved down in the run up to his retirement.

While Mr M might find the name 'Protector fund' misleading and has said this wasn't a safe haven, I can't see that Scottish Widows gave any guarantees as to the fund value or level of pension he might achieve in retirement. And I think it made Mr M reasonably aware of the risks involved, as he was provided with information which clearly said that the amounts weren't guaranteed, the illustrations were an indication of what Mr M might get and that what he'd actually get would depend on performance. It said his income at retirement could be higher or lower and it couldn't promise that the projected pension was what he'd receive. Mr M's 2021 statement also specifically said that the Balanced investment approach carried a risk to capital and that the investments didn't have any guarantees.

Mr M said he doesn't understand or have great knowledge of pensions to have changed his investment strategy. But I can see that his statements regularly reminded him to check if the plan still met his aims and if he was happy with his investments, recommending he seek advice if he was unsure if he should take action. And that those from at least 2019 onwards told Mr M where he could go for information about finding a financial adviser, if he didn't already have one.

In summary, Scottish Widows wasn't responsible for ensuring Mr M's funds were suitable for him. And I haven't seen anything to suggest Scottish Widows misled Mr M or that it mismanaged his plan, as I think it followed the investment strategy. This means I'm not asking Scottish Widows to do anything, as I don't think it has done anything wrong.

My final decision

For the reasons I've given, my final decision is that I don't uphold Mr M's complaint against Scottish Widows Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 14 November 2023.

Holly Jackson
Ombudsman