

## **The complaint**

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

## **What happened**

In 2010, Mr M became a member of his employer's group personal pension with Scottish Widows. And, in February 2023, after receiving his annual statement, Mr M complained to it about the drop in value. He said he'd like to be put back in the position he was in, with the option to move his funds elsewhere.

Scottish Widows sent Mr M its final response letter. It said, in summary, that while Mr M's funds haven't performed as he expected, investment values can go through periods of movement, including sudden short-term changes. It said that social, economic and political events have caused sharp declines. And it invited Mr M to contact it to discuss his options.

Mr M brought his complaint to our Service. He added that his plan has been mismanaged as the value dropped by 13% – around £11,000 – in his January 2023 statement, when he's only a few years from retirement. He said that Covid-19 and the war in Ukraine aren't plausible reasons, as safeguarding measures should have been in place and that Scottish Widows didn't tell him his fund was in trouble. Mr M said that if it had he may have looked at alternatives. He also said this has added to his lack of confidence in the plan, which was set up by a previous employer and with hindsight he'd have invested differently.

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. She said it followed the investment approach agreed when this was set up and that it wasn't responsible for the fall in value. 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 he doesn't understand why his plan is failing when it isn't invested in high-risk investments. Mr M said he expected to be kept informed of how it was performing and warned of anything that might impact on this. And that Scottish Widows didn't tell him that his plan could incur such losses in such a short period of time.

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.

Mr M was enrolled in his employer's workplace pension plan with Scottish Widows and it doesn't seem to be in dispute that a lifestyle strategy was in place for this, targeting taking an annuity at retirement. I think Mr M is likely to have been provided with information at the

time explaining how the strategy worked. And Mr M's 2022 and 2023 statements reminded him that his plan may include lifestyling and that he could contact it if he wanted more information about this.

Lifestyle strategies usually seek to manage investment risks as someone's selected retirement age (SRA) approaches, by gradually and automatically making certain fund changes which involve moving investments out of equity type investments and into fixed interest investments, such as gilts and bonds. These usually exhibit lower volatility than equity assets over the long term. And 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 is that the level of retirement income is less likely to dramatically change if these move up or down in the run up to retirement.

I haven't seen anything to suggest Scottish Widows provided Mr M with any advice, which means it was responsible for administering his pension and ensuring it followed the selected lifestyle strategy. And it's for Mr M to monitor the performance of his investments and ensure these are suitable for his circumstances. For example, by reviewing his statements and fund information, as well as seeking financial advice on this if needed.

I can see from Mr M's January 2023 statement that his plan was being invested in line with what Scottish Widows' guide, that's available online, set out that it should be at that point in the run up to his SRA of 65, seemingly with the aim of being mostly invested in the Pension protector fund (PPF) – which largely invests in long gilts – by then. I can't see anything to suggest Mr M provided Scottish Widows with alternative investment instructions. So I think it correctly followed the strategy set out in Mr M's case.

Mr M's understandably disappointed his plan value dropped when it's largely made up of fixed interest investments. But, while lifestyle strategies usually seek to manage investment risks, these don't eliminate risk. In certain situations this type of investment can still sharply fall in value. This was the case here, as I can see Mr M's investment in the PPF in particular fell sharply in value in late 2022. Scottish Widows has explained this was a result of the market conditions though. This isn't something it could control and was due to unforeseeable global events. And the underlying funds appear to have achieved similar returns to the benchmarks they track, indicating this performed in line with comparable funds.

Scottish Widows made Mr M reasonably aware of the risks involved, as it explained in his statements that the amounts shown aren't guaranteed, his income at retirement could be higher or lower and it couldn't promise that the projected pension was what he'd receive. It said under '*How your plan invests*' that the value of Mr M's investments could go down as well as up and fall below the amounts paid in. And it told Mr M to check he was happy with his investments, recommending he seek advice if he was unsure if he should take action.

In summary, Scottish Widows wasn't responsible for ensuring Mr M's funds were appropriate for him. And I haven't seen anything to suggest Scottish Widows 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 30 August 2023.

Holly Jackson  
**Ombudsman**