

## **The complaint**

Mrs A complains that the Legal and General Assurance Society Limited have mismanaged the investments within her pension after seeing large falls in the value of her plan. She says that as she's nearing retirement, they've failed to move her fund into less risky investments to protect her from the volatility of the stock market.

Mrs A would now like Legal and General to recompense her for the investment losses she says she's suffered because of the maladministration of her monies.

## **What happened**

In 2016, Mrs A joined her employer's group pension scheme that was organised through Legal and General. The retirement date on her plan was set to September 2024 when she'd reach 65 years old. When the plan was set up for Mrs A, she was placed in the default Flexible Retirement Lifestyle fund that was selected by her employer.

In January 2023, Mrs A decided to formally complain to Legal and General after receiving her annual statement that showed for the first time since taking the plan out, her investment had dropped in value. In summary, she explained that she was concerned about the loss in value and wanted Legal and General to explain why her fund had fallen by the amount it had.

After reviewing Mrs A's complaint, Legal and General concluded that they were satisfied they'd done nothing wrong. They also said, in summary, that Mrs A's pension fund was subject to life-styling (where the monies are moved into lower risk investments as the consumer nears retirement). Having checked her fund, Legal and General confirmed her fund was set up correctly. In addition, they explained that market volatility over the last 12 to 18 months was outside of their control and linked to a number of factors such as the war in Ukraine and other economic challenges.

Mrs A was unhappy with Legal and General's response, so she referred her complaint to this service. In summary, she repeated the same concerns. Those were that Legal and General had failed to manage her monies appropriately, and they failed to move her funds into less riskier investments as she neared retirement.

The complaint was then considered by one of our Investigators. He concluded that Legal and General had treated Mrs A fairly. He explained that he'd seen no evidence they'd mismanaged her monies or that Legal and General should be held accountable for the investment losses she'd suffered.

Mrs A however, disagreed with our Investigator's findings. In summary, she said that looking at paperwork she'd received when she took the plan out in 2016, it made it clear her monies would be switched to lower risk funds as she approached her retirement age. Looking at the investments she had in 2016 compared to what she had now, she didn't think that this had happened.

Our Investigator was not persuaded to change his view as he didn't believe Mrs A had presented any new arguments he'd not already considered or responded to. Unhappy, Mrs A then asked the Investigator to pass the case to an Ombudsman to review that outcome.

### **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.

I'm very aware that I've summarised this complaint in far less detail than the parties involved and I've done so using my own words. The purpose of my decision isn't to address every single point raised. My role is to consider the evidence presented by Mrs A and Legal and General, in order to reach what I think is an independent, fair and reasonable decision based on the facts of the case. In deciding what's fair and reasonable, I must consider the relevant law, regulation and best industry practice, but it is for me to decide, based on the available information I've been given, what's more likely than not to have happened. However, I hope neither Mrs A or Legal and General will take the fact that my findings focus on what I consider to be the central issues, and not in as much detail as they have outlined, as a discourtesy.

Whilst I appreciate this likely isn't the outcome Mrs A was hoping for, having carefully considered both sets of submissions, I'm in agreement with our Investigator's view and for largely the same reasons. As such, I won't be upholding Mrs A's complaint. I'll explain why below.

Mrs A is unhappy about the investment performance of her pension. Whilst I can consider complaints about investment performance, in most instances, I would need to see evidence that Legal and General had done something wrong and I can't just rely on actual or perceived poor performance. That's because, even if the fund has underperformed compared to the rest of the market, we don't usually think this proves the fund was mismanaged. Many consumers have seen the value of their pension funds fall over the last 18 months given the economic conditions not just across the UK, but wider financial markets too. So to be clear, this isn't just a Legal and General issue, and it's something many other consumers are having to face at other businesses too.

I think it's important to be clear about the level of service Mrs A was paying for. The costs associated with her plan covered the management of the underlying monies and a separate charge for the wrapper (or plan) her monies were sat in.

Mrs A wanted Legal and General to review her investments and feels it mismanaged her retirement fund by failing to do so. But Legal and General is not Mrs A's financial advisor. It simply acts on the instructions she provides. It isn't for Legal and General to ensure that any investment decisions are suitable for Mrs A's needs – those were essentially decisions she needed to make for herself. And I have seen that Legal and General's website provides comprehensive information for investors about the range of funds that are offered. Had Mrs A wanted someone to advise her on the appropriateness of the investments her monies were sat in, she would've needed to seek out and pay for financial advice.

Allied to this, Mrs A was regularly made aware of the importance of seeking out advice. The regulator sets out the timing and content of the regular statements that need to be issued to pension investors. I can see that Legal and General did provide statements to Mrs A and it highlighted within them warnings that Mrs A should review the ongoing suitability of her investments to ensure they remained appropriate for her needs.

There is no doubt that the performance of Mrs A's pension investments will have caused her great disappointment. As I've already said, during 2022, the value of pension investments fell for many consumers – but those falls were mirrored across a whole range of investment classes and were largely outside the control of Legal and General. The information provided to investors about the funds into which Mrs A's pension savings were invested clearly set out that their values weren't guaranteed and might fall.

Mrs A has said that more of her monies should've been invested in lower risk investments – typically, that would mean fixed interest securities. However, I don't think having more of her monies invested in lower risk investments would've shielded Mrs A from all the market falls that she's seen. A portion of Mrs A's monies were already partly invested in fixed interest investments and importantly, fixed interest funds have been impacted by changes in the Bank of England interest rate. As interest rates have risen, a fall in the value of those funds is then often seen. But importantly at the same time, there will typically be an increase in annuity rates, so this means that although Mrs A's fund value has fallen, its annuity purchasing power may appreciate. This is different to a loss that might be incurred in a higher risk fund when annuity rates might be falling (an annuity is a product that can provide a consumer a fixed guaranteed income for the rest of their life at retirement).

As I've already explained, Mrs A's plan was set up with a retirement date of September 2024 when she'd reach 65 years old, and she was invested in Legal and General's life-styling approach. That meant as she neared retirement, her funds would be switched to lower risk funds but that approach didn't switch the entire fund into low-risk funds. That's because Legal and General recognise most consumers don't typically divest their entire pension pot when they stop working and need to continue to benefit from some investment growth. Having looked at Legal and General's life-style factsheet, I'm of the opinion their explanation of how the approach works, would be understood by most consumers who had limited knowledge of pensions and investments. From the correspondence exchanged between Mrs A and our Investigator, she's explained she was provided with a different version to the one presented to this service by Legal and General. However, despite being given the opportunity to share that leaflet, Mrs A didn't submit any further evidence in support of that point. So, it seems more likely than not, the life-style leaflet provided by Legal and General is the one she would've received when she took the pension out in 2016. And, as I've already explained, I'm satisfied that leaflet is clear so I'm not persuaded she was misled by Legal and General on this point. As Mrs A started the plan in 2016, she was eight years away from her chosen retirement age. That meant her monies were in a 'switching phase' and were invested across six funds in different proportions as she neared retirement. It isn't until she reaches her selected retirement age that Mrs A's monies will be concentrated into just three funds. So, I therefore can't agree that Legal and General hadn't correctly positioned Mrs A's monies and I also don't agree that Legal and General's communications around this are unclear.

Based upon what I have seen, I'm not holding Legal and General responsible for general falls in the market or the value of her investments. In 2022 in particular, there was uncommon volatility in those asset classes that led to the falls in value Mrs A experienced. Those could not have been reasonably anticipated, and so wouldn't have been mitigated by any investment approach that was taken by Legal and General. Ultimately, it fell to Mrs A to monitor her pension investments and seek financial advice as prompted in the statements that Legal and General sent to her over the course of their relationship since 2016. Only Mrs A can instruct Legal and General to make changes to her portfolio if she felt it had become unsuitable for her circumstances. And, whilst I accept her explanation that she wouldn't know which investments to move her funds to, as she's not a pensions expert, she should've sought professional financial advice if she was in any doubt.

I think that Legal and General has met its obligations in the information it provided to Mrs A

and in carrying out the investment strategy set with regard to the particular funds Mrs A has invested in. So whilst I appreciate that my decision will be disappointing for Mrs A, I don't agree that Legal and General has treated her unfairly or done anything wrong. Therefore, I don't uphold her complaint

### **My final decision**

I don't uphold the complaint and as such, will not be instructing the Legal and General Assurance Society Limited to take any action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 22 September 2023.

Simon Fox  
**Ombudsman**