DRN-4302648

The complaint

Mr R has complained about the drop in value of his pension fund since Forester Life Limited (Forester) moved it to a Lifestyling fund in August 2018. He feels that even though this happened in order to protect his fund as he got closer to his chosen retirement date this hasn't happened. So he feels that Forester Life has mismanaged his fund and he has suffered financial loss as a consequence.

What happened

Mr R held a stakeholder pension plan with Forester since 2007. In March 2018 Forester placed his plan into a Lifestyle fund in line with the stakeholder regulations which state that all stakeholder plans must be "lifestyled" five years before retirement date. Forester wrote to Mr R explaining this had happened and why. The letter also explained which fund the plan was moving from and into fund the plan was going. And it also explained that he could opt out of the Lifestyling option if he wanted at any time and remain in the higher risked fund.

Forester has explained that Mr R has not contacted it at any time since this point to opt out of the Lifestying option.

In the last few years, the value of Mr R's pension has dropped by around 10% which has caused Mr R to question whether the investment strategy and management of the Lifestyling fund was right for him. And he feels he would have been better off had he remained in his previous fund.

To rectify this loss he wants Forester to back date the value of his fund to the point before it was "Lifestyled" and pay him what it would have been worth had this not happened.
When Forester looked into Mr R's complaint it explained that the fund had to be "Lifestyled" at that date in accordance with the regulations mentioned above. It also explained that the funds had been affected by events in the political arena over the past few years as well as the rise in interest rates. It therefore felt that it hadn't mismanaged the fund. It did however offer Mr R £75 for the delays in responding to his complaint.

As Mr R wasn't happy with Forester's response he brought his complaint to this Service where it was investigated by one of our investigators. He was of the view the complaint couldn't be upheld for broadly the same reasons as Forester.

Mr R didn't accept the assessment so as no agreement could be reached the complaint has been passed to me to decide.

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've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've taken account of relevant law and regulations; regulatory rules; guidance and standards; codes of practice; and (where appropriate) what I consider to have been good industry practice at the relevant time.

I can understand why Mr R is frustrated with the drop in value of his pension fund and why this would cause him to worry. However, I can only uphold this complaint if I think Forester has caused this. And based on everything I have seen in my investigation I don't think it has.

Lifestyling is part of a stakeholder pension and any stakeholder plan must be Lifestyled when the member reaches a certain amount of years before their chosen retirement date. In Mr R's case this is five years before this date.

The aim of Lifestyling is to lock in the investment growth which has built up in the pension as the member gets close to their retirement date. A lifestyle pension will start by investing a larger proportion of the fund into equities which offer the best potential for growth along with higher levels of risk. As the member gets older and closer to chosen retirement date the pension will automatically start switching into lower risk holdings such as bonds – this is Lifestyling. The result is that upon retirement when the member wants to start drawing the retirement benefits the pension is invested largely in a mix of cash and bonds and less is exposed to the stock market volatility. The aim is to lessen the risk the pension is exposed to thereby attempting to retain as much of its value as it can while still offering the potential for some growth when markets rise. It offers a greater amount of stability to the pension which is more and more important the closer someone gets to retirement. But the pension is still invested therefore would still be subject to rises and falls in value.

In the case of Mr R's pension, as noted above, the "Lifestyling" of the fund within the pension had to happen because this is a requirement of the stakeholder pension regulations. Mr R would have known about this when he first started his pension. And while the aim of the Lifestyling process is to protect the fund as much as possible this isn't something that can be guaranteed and will be dependent upon the performance of the investment markets which no advisory firm can predict. In Mr R's situation the move to the Lifestyling funds coincided with changes in the market due to the economic and political instability due to events such as the pandemic and the Russian war. These events affected the markets greatly and in turn affected the value of Mr R's pension, as well as most investment products generally.

It is worth pointing out that Mr R did have the option to opt out of the Lifestyling if he so wished, at any point. The letter from 2018 states this clearly as do subsequent annual letters and statements that he would have received. However, Mr R didn't act upon this offer in any given year since the Lifestyling took place therefore the pension remained in the Lifestyling fund throughout performing in the way that it did. It's reasonable to say that if Mr R was so concerned about his pension, he could have stopped the Lifestyling at any point but he chose not to do this.

Overall, I haven't seen anything to suggest Forester mis managed the pension. I am satisfied that Forester had to Lifestyle Mr R's pension fund and did so in line with the relevant regulations. I am also satisfied that the drop in the value of the pension was due to changing market conditions over the last few years rather than because Forester mis-manged the fund.

My final decision

My final decision is that I don't uphold the complaint and I make no award.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr R to accept or reject my decision before 2 October 2023.

Ayshea Khan
Ombudsman