DRN-4444248

The complaint

Mr B complains that Aviva Life & Pensions UK Limited failed to manage his pension plan properly or provide him with annual statements during which time the value fell significantly. He wants compensation for his losses.

What happened

Mr B says he had three different pension plans with Aviva, one he contributed to and two older plans. He wanted to consolidate the plans and used an adviser for this. His plans were transferred in May 2023, and he says he was shocked that the transfer value of one of the older plans (a s32 transfer plan) was around £11,688 less than the value Aviva had last advised around four years before.

Mr B complained to Aviva saying it had been charging fees but hadn't managed the portfolio well given the fall in value. He said it had failed to provide him with valuations or any warnings about the poor performance of his plan since 2019. Aviva looked into Mr B's complaint. But after eight weeks said its investigation hadn't been completed, so he could refer his complaint to our service if he wanted to. Which he did.

Our investigator asked Aviva for its file and looked into the complaint. Aviva then provided a final response letter to Mr B. It didn't uphold the complaint. It said it had emailed annual statements as normal in 2020, 2021 and 2022 to the email address it held for Mr B. It said it hadn't received any non-delivery replies and had used the same email address for the 2019 statement which Mr B did receive. It said the reduction in value was due to fluctuating investment returns, which it wasn't responsible for as it only administered the plan. And it was Mr B's responsibility to check the investments remained suitable. It said the statements sent to him recommended he take financial advice about this.

Our investigator issued his own view of the complaint, and he didn't uphold it.

He said there was no evidence Aviva had made an error. He said it had correctly sent the annual statements to the email address it had for Mr B, without any indication that these weren't being delivered. He said the fall in the value of the fund before Mr B transferred was caused by adverse investment market conditions. He said markets had been volatile since 2019 due to the impact of the Covid pandemic, the Russian invasion of Ukraine and rising interest rates. He said Aviva didn't manage the underlying investments and could only make changes if instructed to do so by Mr B or his financial adviser.

Mr B disagreed. He said if Aviva didn't manage the pension fund how had it been able to change the investment funds previously and then;

> *"extract a third of my pension pot when in fact according to the investment listing I had from Aviva … all my funds were invested in BlackRock which was paying good dividends the whole time."*

He said he didn't believe our investigator's *"statements regarding the functioning of the money markets".* He sent a graph showing the performance of BlackRock who in 2022 had;

> *"declared a phenomenal 7,700% increase in their investment. Why has that reflected negatively for me."*

He said Aviva had taken too long to look into his complaint and that our service had adopted a *"laissez faire"* approach and hadn't answered his questions about the poor performance of his pension.

As Mr B doesn't agree it has come 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.

Having done so I am not upholding the complaint.

I've considered all the points Mr B has made in coming to my decision and I realise how strongly he feels about the issues he raises. So, I'll explain why I don't think it is reasonable to say Aviva has made any error or treated him unfairly. As there are several aspects to Mr B's complaint, I'll consider these in turn.

Time taken by Aviva to consider the complaint

I understand Mr B's frustration here. But how a business has dealt with a complaint isn't normally something our service can consider because it isn't a regulated activity. So, this isn't something I can award compensation for. I can see that Aviva did tell Mr B he could refer his complaint to our service for an independent review after eight weeks if it was unable to conclude its own investigation within that time.

Failure to provide statements

Aviva has shown that it sent the statements to the email address it held for Mr B, one to which it had successfully sent statements to previously. It appears he had changed his email address at some point and there's no evidence he updated Aviva with it. Mr B would have been aware he wasn't receiving statements and he could have contacted Aviva to query this or obtain a valuation of his plan at any time. So, I don't think Aviva made any error here.

The investment funds held

Aviva wasn't providing Mr B with advice, and this was made clear on the statements he had received. These suggested he seek financial advice and review the arrangement. So, it's clear from this that Aviva wasn't going to review the investments for Mr B and it couldn't change any investment without him instructing it to do so.

Mr B has said that Aviva had changed funds previously and had switched him into these poorly performing funds. And that is true, Aviva had made changes to the fund holdings. But this was under an automatic 10-year lifestyle switching programme selected by Mr B when he first took the plan out.

This meant that what are generally considered to be riskier investments like shares and property would be progressively switched to fixed interest and cash type investments in the 10-year period before the selected retirement date of the plan. Which was 2019 in this case. This was set out on the annual statements sent to Mr B and the exercise had been nearly completed by the time he received the 2019 statement.

The idea behind lifestyling switches was that risk would be reduced and the assets held would reflect movements in annuity rates as the retirement date approached. But there were no guarantees. Like any investment strategy this needed to be reviewed to accommodate any change in circumstances. Such as Mr B deciding not to take the benefits in 2019, or changes in investment conditions. As Aviva wasn't providing Mr B with advice, he would either need to do this himself or liaise with a financial adviser. As noted, the annual statements sent to him made this clear. So, there is no evidence Aviva has made any error here.

The investment returns

The annual statements show the fund value increasing from 2019 to 2020 before falling in 2021, with a sharper fall again in 2022. There was a further reduction in value before the transfer was made in May 2023.

The investment funds held were managed by BlackRock (a fund management company independent of Aviva) and were the "Sterling Liquidity Fund", which increased in value slightly between the 2019 and 2022 statements. This is basically a cash deposit fund. There was a larger amount in the "Over 15 Year Gilt Fund" which, unfortunately, fell in value by around 20% over the same period.

I can see that this fund actually performed very similarly to the sector average. That is the average performance of funds investing in the same type of underlying assets. This type of fund mainly invests in UK Government debt (Gilts) and are generally considered to be of low risk over the medium to long term. But the capital value will tend to fall if interest rates rise, or in the expectation that they will rise in the future. Or in response to economic or political shocks, such as occurred during Liz Truss's brief premiership in 2022. Unfortunately for Mr B's investment that is what has happened over the time period involved.

So, there is no evidence Aviva has taken anything other than it's agreed management charges from Mr B's fund. The value reduced in line with the value of the underlying investments held. And whilst the investment was managed by BlackRock it wasn't itself in BlackRock shares, which is what are shown on the graph Mr B sent to our investigator. This does show a total return, including dividends, of 7,700% – although this was between October 1999 and December 2022 not between 2019 to 2023. An investment in BlackRock's shares is a very different thing from an investment in a fixed interest fund managed by it and it isn't fair to directly compare the two.

However, Mr B's graph also shows a fairly significant fall from a peak in around November 2021 to December 2022. And BlackRock's share price fell by around 25% in that time, with the peak to trough fall in the interim greater than this. This does further demonstrate that investment markets were volatile over the period. That was outside Aviva's control, and it wasn't its responsibility to manage the investments directly or advise Mr B to make any changes.

So, whilst it is unfortunate that the value of Mr B's pension plan declined, I don't think Aviva has made any error, and that means I can't uphold his complaint.

My final decision

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr B to accept or reject my decision before 21 December 2023.

Nigel Bracken
Ombudsman