

## The complaint

Mr J complains that Scottish Widows Limited trading as Clerical Medical failed to protect the value of funds held within his Group Personal Pension and that one of its fund names was misleading.

## What happened

Mr J has held a GPP with Clerical Medical since 2001. In 2018, Mr J transferred all of the funds held within his GPP into Clerical Medical's 'Retirement Protection' (RP) fund. Mr J says he did this as a hedge against the impact following the United Kingdom's withdrawal from the European Union. Mr J said his expectations of the RP fund were that it would protect the value of his fund. He expected no or low investment growth in return for the safe protection of his investments. In December 2019, Mr J then moved 75% of his fund into other Clerical Medical funds – 25% (around £75,500) remained within the RP fund.

Between November 2021 and 24 December 2022, Mr J said the value of his funds held within the RP fund dropped to around £44,700. Mr J complained to Clerical. In summary, he said:

- The RP fund name was misleading and Clerical Medical recognised this by changing the fund name to "HBOS UK Govt Long Maturity Pension" (HBOS UK GLMP). This evidences his complaint that Clerical Medical failed to protect his fund as he approached retirement.
- Clerical Medical should have, at the very least, highlighted the disastrous outlook for the RP fund during the late spring of 2022 and suggested he reviewed his position and consider transferring to another fund.
- Clerical Medical should put him in the position he would have been in had his funds invested in its RP performed in line with the other funds held within his portfolio.

Clerical Medical responded to Mr J in its final responses of 9 September 2022, 24 November 2022 and 9 December 2022. In summary, Clerical Medical said:

- It is normal for the value of a pension to go up and down in the short term – this is known as volatility. Past performance is not a reliable indicator of future results.
- Investment markets saw a dramatic downturn in the first five months of 2022. The economic outlook had deteriorated materially with concerns around the persistency of inflation compounded by spikes in commodity prices following the war in Ukraine and supply chain problems resulting from Covid lockdowns.
- It could not be held responsible for the performance of Mr J's funds – it does not offer customers advice and would not have been able to contact him about the performance of his fund to ask him to consider switching.
- Whilst Mr J's pension fund may not have performed as expected, it was not the result of Clerical Medical's mismanagement.
- It had renamed the RP fund to HBOS UK GLMP. It apologised for not informing Mr J of its decision to rename the RP fund and said it would pay him £100 compensation.

Unhappy with these responses from Clerical Medical, Mr J referred his complaint to our Service. One of our Investigators reviewed Mr J's complaint and asked Clerical Medical for clarification on whether it had renamed the RP fund. Clerical Medical confirmed it had not renamed the RP fund and Mr J remained invested in the Clerical Medical RP fund. However, some of its systems show the RP fund's name incorrectly, calling it the HBOS UK GLMP. This happened because:

*"...at some point before the HBOS / LTSB merger, there were two pension funds of interest: "Clerical Medical PP Retirement Protection Fund" and "CMMF UK Govt Long Maturity Fund". The "protection" fund invested in units of the "maturity" fund, which in turn invested in an Insight OEIC. At some point in time... the two pension funds were merged and became a directly invested pension fund managed by Scottish Widows Investment Partnership (SWIP). There has been no change to the fund aim or investment process as a result of any of the mergers."*

Clerical Medical added it was in the process of rectifying the varying fund name across its systems but could not confirm when this would be completed. Clerical Medical said the issue did not affect Mr J's investment.

Having considered the information provided by both parties, our Investigator did not recommend this complaint be upheld. Our Investigator thought it was likely Mr J chose to invest in the RP fund having considered the underlying assets it was invested in, as well as the fund's name. Our Investigator did not think Clerical Medical had changed the name of the fund because it was misleading or that there was sufficient evidence to show the RP fund had dropped in value because of Clerical Medical's mismanagement.

Mr J didn't accept our Investigator's opinion. He said the underlying assets of the RP fund hadn't influenced his decision to invest in it – he suggested he'd simply gone by the fund name, as he sought 'retirement protection'.

Our Investigator clarified her view of Mr J's complaint. She noted Mr J had told her:

*"I was aware of the nature of the underlying assets in that they were a mix of Gilts and cash, but I did not know the mix. I knew cash deteriorated under the impact of inflation and knew that Gilts were never high-performing returns like UK stocks. I understood Gilts were Government Backed and "safe as a row of houses."*

Our Investigator said that even if Mr J had relied solely on the name of the RP fund when deciding where to invest, she did not think Scottish Widows would be responsible for his decision as it did not provide him with any advice about which funds to invest into. Scottish Widows did not guarantee the value of the funds in which his pension is invested in. As Mr J didn't agree, this has come 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.

I think the crux of Mr J's complaint is that his investment within Clerical Medical's RP fund has not performed in line with his expectations, having fallen in value. And he feels Clerical Medical has failed to protect his retirement provision.

I have seen no evidence to suggest Clerical Medical advised Mr J about how to invest his funds. But it remains that Clerical Medical had to provide information that was accurate, clear and not misleading.

Here, Mr J has complained that the RP fund name is misleading – I understand he made assumptions that ‘Retirement Protection’ meant his funds would be protected and would not drop in value. But I do not think that it was reasonable for him to take the words ‘retirement protection’ as a guarantee that the funds it was invested in would not drop in value – this was not a savings account with a guaranteed interest rate. As Mr J was choosing to invest in this fund without taking advice, I would have expected him to read the fund factsheet before making his decision. The factsheet explains the aim of the fund and the underlying assets the fund invests in. The name itself does not tell us about the makeup of the fund. Overall, I do not think the fund name was misleading and I am satisfied Clerical Medical provided Mr J with sufficient information about the fund to assist him with his decision to invest in it.

I have seen nothing in the evidence provided by either party that suggests Clerical Medical provided any information that would support Mr J’s assumption that his fund could not drop in value. Further, I note our Investigator highlighted Mr J was aware of the underlying assets the fund was invested in. So, it appears Mr J was aware the RP fund was invested in bonds and gilts that, whilst historically have been considered to be lower-risk, did not offer guaranteed returns. So, I do not think there is sufficient evidence to show Clerical Medical provided Mr J with any misleading information that caused him to invest in the RP fund.

I note Clerical Medical offered Mr J £100 compensation on 24 November 2022 for its failure to inform him the RP fund name has changed. Clerical Medical has since clarified the name change has not happened as it suggested previously. Clerical Medical said there is an error on one of its systems that showed the RP fund under another name. It is frustrating that Clerical Medical did not explain the correct position to Mr J on 24 November 2022, but I am satisfied with its most recent response that the RP name remains unchanged. I say that because Clerical Medical’s website still lists its Retirement Protection Fund and provides its latest factsheet, and the factsheets provided by Mr J refer only to the RP fund.

So, I do not think there is enough evidence to support Mr J’s belief that Clerical Medical accepted the RP fund name was misleading and failed to protect his investment in the RP fund. I have not recommended any further compensation for any distress and inconvenience caused by the confusion around the RP fund name, as I am satisfied the RP fund name remains unchanged and it was not misleading.

I understand how disappointing it must be for Mr J to discover that his pension fund has not performed as he hoped. I have reviewed the overall performance of the RP fund until from November 2021 until 9 December 2022, the date of Clerical Medical’s third final response. However, I have not reviewed the performance in any forensic detail as I have seen no evidence from Mr J to suggest Clerical Medical mis-managed his fund. Mr J’s unhappiness with the performance of the RP fund is not evidence in itself of any wrongdoing by Clerical Medical. Clerical Medical has explained volatility in global financial markets contributed to the fall in value of Mr J’s funds throughout 2022. Unforeseeable global events in 2022 resulted in the value of gilts falling, which impacted the RP fund Mr J chose to invest in.

Mr J says Clerical Medical should, at the very least, have highlighted the performance of the RP fund and prompted him to consider switching his fund choice. But as I said above, Clerical Medical did not provide Mr J with any advice about how to invest his pension fund and it was for Mr J to monitor his investments to ensure they remained suitable for him.

### **My final decision**

For the reasons explained above, I do not think Scottish Widows Limited trading as Clerical Medical needs to pay Mr J any further compensation in addition to the £100 it has itself already said it would pay Mr J for the distress and inconvenience it caused him.

If Scottish Widows Limited trading as Clerical Medical has not already paid Mr J this £100 compensation, it should arrange to pay it to Mr J now.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 11 September 2023.

Victoria Blackwood  
**Ombudsman**