

The complaint

Mr D complains that Scottish Equitable Plc trading as Aegon has failed to effectively manage his pension investments, resulting in them suffering a large fall in their value.

What happened

Mr D held pension savings with Aegon. Those savings originally arose from a group pension scheme set up by Mr D's employer that received contributions from both the employer and Mr D. Mr D retired from his job in early 2019.

When the pension scheme was originally set up in 2010, Mr D's employer engaged a firm of financial advisors to assist. That firm remained noted as Mr D's financial advisor on the pension plan until 2020. Mr D's employer set the investment approach for the pension plan. His pension savings were placed in a lifestyling arrangement, that was designed, in the period approaching his retirement date, to reduce the risk of falls in the value of any annuity that Mr D might purchase.

Mr D's selected retirement date was on his 65th birthday in September 2019. In line with the terms and conditions of his pension plan, his pension savings were moved into Aegon's Retirement Fund the following January. From that time they were invested in a mix of long-dated UK government bonds (gilts) and cash. Mr D was given information to show his pension savings were invested in the Retirement Fund on the annual statements he received in April 2020 and April 2021.

In 2022 external economic factors caused a significant fall in the value of gilts. So that meant the value of Mr D's pension savings also fell. Mr D estimated that fall to be approximately 30%, compared to falls in other pension savings he held that amounted to around 10%. He complained to Aegon that it had failed to make him sufficiently aware of the nature of his pension investments, and that the switch into the retirement fund had been contrary to the instructions he had previously given for his pension investments to remain unchanged.

Aegon didn't agree with Mr D's complaint so he brought it to us. The complaint has been assessed by one of our investigators. He thought that Aegon had acted in line with the terms and conditions of the pension plan in moving Mr D's pension savings into the Retirement Fund. And he thought that Aegon had provided Mr D with enough information to make him aware of that change, and that he could request any alternative investments. So he didn't think that Mr D's complaint should be upheld.

Mr D didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mr D and by Aegon. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

I think it is important to first set out the basis of the relationship between Mr D and Aegon. Mr D's pension had been with the firm for many years, and his pension savings were originally set up to be invested via a lifestyling approach. That meant that Mr D's pension investments would alter as he approached and reached his normal retirement age to reduce their risk. That approach was determined by Mr D's employer, and should have been explained to Mr D either by the employer or the financial advisor it added to his pension plan at the outset.

Aegon was not Mr D's financial advisor. So it simply acted on the instructions he provided. It wasn't for Aegon to ensure that any investment choices were suitable for Mr D's needs – those were essentially decisions he needed to make for himself or with the support of a financial advisor.

The way in which the lifestyling option would work was set out in the terms and conditions that applied to Mr D's pension plan. Those terms said;

“The investment funds may include funds that we call ‘lifestyle funds’. A Lifestyle fund uses a two-stage investment strategy. In the early years, they’re designed to grow your pension fund. In the second stage, during the last few years before you retire, these funds are designed to automatically change your mix of investments as you approach retirement.”

“With effect from 00:01 hours on the 1st of January immediately after your pension date, we will cash in allotted units in any lifestyle fund and allocate the value to the Retirement fund.”

“Unless we agree otherwise, no lifestyle fund is available for investment after the pension date except:

- The Retirement fund; and*
- Until the 1st January immediately following pension date, the lifestyle fund which had allotted units at pension date”*

I think those terms and conditions, that should have been provided to Mr D by his employer at the inception of his pension plan, set out the basis for the actions Aegon took in 2019 and 2020. They allowed Aegon to alter the underlying investments in the lifestyle fund that Mr D held in the lead up to his retirement – that was why the fund had a designation of 2019. And to allow that approach to be applied equally to all customers who had a retirement date in that year (including Mr D) Aegon then automatically moved those investments into its Retirement fund the following January. From that time Mr D was not permitted to hold any of his pension savings in the lifestyle fund.

I've listened carefully to the call Mr D had with Aegon in October 2019. That call took place after his selected retirement date, but before his pension investments were required to be moved into the Retirement fund. Whilst there was discussion on that call about Mr D wanting to keep his pension savings invested, there was no instruction to Aegon to change the investment approach.

I accept that, at the time of the call, Mr D might not have understood that his pension investments would shortly be moved into the Retirement fund. And that he might not have understood the nature of that fund. But I don't think it was for Aegon to warn Mr D that the forthcoming changes might not be suitable for his circumstances. Aegon had no information about Mr D's financial plans on which it could base an assessment of that nature. And giving that warning would most likely be considered by the regulator to be financial advice. It was for Mr D to understand the way in which his pension savings were, and would be, invested and to instruct any changes.

In April 2020 Aegon provided Mr D with a statement showing the value of his pension savings, and that they were invested in the Retirement fund. I appreciate that statement was only made available to Mr D through Aegon's online portal. But I have listened to a call where Mr D was instructed on how to access the portal, and he confirmed he had done so successfully. So I think the nature of Mr D's investments should have been clear to him at that time. If Mr D had wanted more information about the Retirement fund, he could have asked Aegon at the time.

Mr D says that he had a call with Aegon on 27 April 2020. And he says that, on that call, he confirmed that his pension investments should remain within the lifestyle fund, and he says that Aegon confirmed the management charges for that fund. Aegon says that it has no record of that call taking place. Mr D has pointed out that the call took place during the early stages of the Covid pandemic, and that Aegon has confirmed to him it was experiencing some difficulties with its call recording systems when staff were working remotely. So he says that is most likely why there is no recording of the call.

I've thought carefully about what Mr D has said about that call. He has provided plausible testimony including the name of the person he says he spoke with. But I've also listened to a recording of a call from just three days later. It doesn't seem to me, from the nature of that discussion, that another call had taken place just three days earlier to discuss the way in which the pension savings were invested. During the call Mr D apologised for not responding to an email he'd received from the individual he's named, about his online access to Aegon's systems. That email was solely about online access to Mr D's account, and from a member of the eService Helpdesk. So on balance, I cannot conclude that he was told, on 27 April 2020, that he remained invested in the lifestyle fund.

In his response to our investigator Mr D has asked whether Aegon's actions are in line with the regulator's expectations that have been recently set out in what has been called the Consumer Duty. Those regulations were only introduced on 31 July 2023 and do not apply retrospectively. Aegon's adherence to the regulations that were applicable at the time of Mr D's retirement are what I have reasonably considered here. And I am satisfied that Aegon's actions have been appropriate.

Ultimately it fell to Mr D to monitor his pension investments, and instruct Aegon to make changes to his portfolio if he felt it had become unsuitable for his circumstances. I think that Aegon has met its obligations in the information it provided to Mr D whilst he held his pension investments.

I appreciate that my decision will be disappointing for Mr D. But I don't think that Aegon has treated him unfairly, or done anything wrong. So I don't uphold his complaint.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against Scottish Equitable Plc trading as Aegon.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 28 September 2023.

Paul Reilly
Ombudsman