

The complaint

Mr D complains that Alex M Grant & Company Limited (AMG) gave him unsuitable advice when he joined an occupational pension scheme held with a provider I'll refer to as provider A. He also complains that AMG subsequently charged for ongoing advice which it didn't provide.

What happened

In September 2004, on behalf of Mr D's then employer, AMG wrote to employees in the group pension scheme. The letter told them that with effect from October 2004, the group pension scheme would be replaced with a different group scheme run by a new provider, who's parent company was provider A.

The letter explained the reasons for the changes. And confirmed that contribution levels would remain the same. It also explained that employees had a choice of funds with a range of risk with the new provider. And included the following information:

Unless you specifically request your own personalised portfolio of funds, your money will be automatically invested in the Universal Balanced fund. However, you are not restricted to this for the duration of your pension as you can make a change at any time by calling us

The letter also described the Universal Balanced Fund as follows:

This fund is a lower risk, lower volatility balanced managed fund with access to both active and passive fund management.

It also said that the fund:

has all the benefits of a managed fund, while reducing the risk of under performance relative to the median.

And said:

In addition there is added protection within the fund with a "life style" option which will gradually switch a members exposure from funds with greater growth potential for example equities, to low risk investment funds as a member approaches retirement. This is carried out via a programme of pre-defined fund switches, which take place 7 years from normal retirement date.

The Universal fund therefore aims to provide long-term consistent growth, together with a wide spread of investment risk.

The September 2004 letter also explained that the pension was a Stakeholder Plan. And said that group presentations would shortly be organised to discuss the scheme in more detail and to cover any queries employees might have.

The letter ended by explaining how an employee should join the new arrangement. It stated the following:

As a member of the existing arrangement there will be no documentation to complete, and both the employer and your own contributions will be invested in the new scheme with effect from October 2004.

It is important therefore, that if you wish to discuss anything of a personal nature prior to the group meetings, to telephone at the earliest opportunity.

If you have any doubt whether this investment is suitable for you please contact us for further advice, or if you wish to discuss any points in greater detail.

Mr D joined the new scheme. The new provider wrote to Mr D on 24 November 2005. This letter confirmed that his pension was invested in the Universal Balanced Fund. And that his selected retirement date was his 65th birthday in 2017. The lifestyling option would mean that his funds were gradually switched over starting in 2010.

However, Mr D continued working beyond his 65th birthday. At the time that he chose to stop work in 2022, he realised that his pension fund had fallen sharply over the last year.

I understand that Mr D transferred his pension to his Self-Invested Personal Pension (SIPP) provider in October 2022. And that he already held a portfolio in drawdown and had a financial adviser.

Mr D complained to AMG in January 2023. He was unhappy about the advice it'd given him at the start of his group pension scheme membership. And the lack of ongoing advice. He said he'd suffered significant losses just before his retirement. And he hadn't expected this, as he'd taken AMG's advice to invest in funds which he'd believed would be less variable. Mr D asked AMG why it'd deemed the funds he'd been invested in to be suitable in the first instance. And why it'd continued to deem them suitable up until he'd retired.

AMG responded to the complaint on 10 January 2023. It said it'd written to Mr D to offer him advice over the years, but he'd never taken up the offers. It said provider A had also recommended Mr D took retirement advice from an adviser to review his fund choices.

AMG also said that it'd attended Mr D's employer's premises on a regular basis. And that he could've reviewed his pension policy and retirement options then. AMG said Mr D had told it he had his own adviser.

Unhappy with this response, which he didn't consider covered all of his complaint, Mr D brought his complaint to this service. He made the following points:

- He felt AMG had advised him on his original fund choice. And this gave him comfort that his funds would be made safe when he reached his normal retirement age. He said he wasn't warned of any potential risk to the value of his funds.
- He also said that AMG hadn't discussed with him how he'd eventually access his funds. He said he now understood that the original advice was appropriate for buying an annuity. But that this had never been his intention.
- Mr D also felt that AMG had advised him on his fund choices long before he'd reached his normal retirement date. And that he'd worked well past this on the understanding that this plan was safe.
- AMG hadn't made any attempt to advise him on his SIPP, for which he received advice from his financial adviser. He therefore didn't think that AMG had tried to establish details of his other pensions for planning purposes.

- He said that AMG had never attempted to provide any ongoing service despite charging for it.

Our investigator didn't think that the complaint should be upheld. He felt that AMG hadn't provided any initial investment advice. And that it had no ongoing adviser relationship with Mr D that required specific reviews, nor had it charged him for such. He also felt that AMG wasn't responsible for the performance of Mr D's chosen funds.

Mr D didn't agree with our investigator. He felt AMG must be responsible for the outcomes of the actions it'd taken when it'd initially recommended investments. And for the actions it had failed to take when it didn't provide him with ongoing advice. In particular, he felt AMG had been fully aware that he'd extended his membership in the group pension scheme for longer than he'd originally planned. And that it had been aware that he planned to move his pension fund into his SIPP once he stopped work.

Mr D felt that AGM had advised him at the outset of his group scheme. And that it hadn't been made clear to him that AGM had no ongoing responsibility to ensure his investments remained suitable for him. He still felt that AGM was responsible for ensuring that his investments were suitable for him. Mr D understood that AGM had been formally contracted by his employer to give advice on his group scheme pension. And that his own financial adviser had no responsibility for this.

Mr D didn't think it was fair to say that he should be responsible for his chosen investments. He said that when he was told that his fund linkages were changed, and asked if he was happy with the changes, there was a presumption that he had enough knowledge to be able to answer this question. But he said he wasn't a sophisticated client.

As agreement couldn't be reached, the complaint has come to me for a review.

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 agree with our investigator that AMG didn't do anything wrong. I know this will be disappointing to Mr D. I'll explain the reasons for my decision.

I first considered whether AMG advised Mr D on his original fund choice.

Did AMG advise Mr D on his original fund choice?

Mr D felt that AMG had advised him on his original fund choice without warning him of any potential risks. And that it hadn't discussed with him how he'd eventually access his funds. He felt the fund he'd been advised to invest in hadn't been appropriate as he had never intended on buying an annuity. And that AMG hadn't ever attempted to ensure that its initial investment advice remained appropriate to his circumstances and objectives. Mr D also said that when he'd deferred his retirement age, he'd understood that his investments were safe.

The evidence shows that AMG initially provided Mr D with information which explained that he could choose which funds he wanted to invest in with the new provider. But that if he didn't make an active choice, his money would be invested in the Universal Balanced fund. AMG explained that this didn't have to be a permanent choice. And that he could make a change at any time by calling it. AMG also told Mr D that if he wasn't sure which investments would be suitable, it could be contacted for advice.

I think this clearly shows that AMG didn't advise Mr D on his original fund choice. Instead, it explained which funds were available to him. And told him what the default fund would be if he didn't want to choose funds for himself.

Regarding Mr D's complaint that AMG didn't warn him about the potential risks of the default fund, and that he'd understood his funds would be safe even after he'd deferred his retirement, the evidence shows that AMG explained that the Universal fund aimed to provide long-term consistent growth, together with a wide spread of investment risk. But I've seen no evidence that AMG ever told Mr D that his funds would be made safe when he reached his normal retirement age. And, from what I've seen, the information AMG provided Mr D with at the outset explained how lifestyling would work on his chosen investments.

This noted the following:

in the final years before you've told us you want to retire; we automatically start to prepare your savings for when you buy an annuity in retirement.

We'll gradually move your fund out of its growth stage investments, and into long gilts, with the aim of preserving the size of annuity you'll be able to buy.

I consider that this clearly shows that the selected retirement age chosen was important, as it would be used for the timing of the lifestyling. And that the Universal fund, coupled with its lifestyling, was intended for people who wanted to buy an annuity in retirement.

The fund information further explained that:

The value of investments in the growth and retirement target stages can fall as well as rise and isn't guaranteed. The value of your pension pot when you come to take benefits may be less than has been paid in.

So even if your fund value goes down just before you retire, you'll be able to buy roughly the same size of pension - although this relationship isn't perfect and is not guaranteed.

I consider this shows that there were no guarantees to the nominal value of investments in the Universal fund. But that it aimed to protect the amount of pension income the fund would buy at the selected retirement age.

Although Mr D said he never intended to use his fund to purchase an annuity, I can't fairly and reasonably hold AMG responsible for the fact that he chose to invest in the Universal fund. I say this because I've seen no evidence that Mr D ever asked AMG for help with his investment choice. Provider A has confirmed to this service that the only investment switches on Mr D's pension were those that were part of the lifestyle strategy of the Universal fund. And Mr D has confirmed that he was aware of the lifestyling.

I've also seen evidence – for example, correspondence from AMG to Mr D in November 2011 – that AMG told Mr D that he could change his investment fund selection at any time online.

Overall, I'm satisfied that AMG didn't advise Mr D on his original fund choice. It simply provided him with clear information about his options. And offered him further help if he needed it. But I've seen no evidence that Mr D asked for additional support. Therefore I can't reasonably conclude that AMG did anything wrong here.

I next considered Mr D's complaint that AMG hadn't provided him with ongoing advice about his group pension.

Did AMG provide Mr D with ongoing advice?

Mr D said that AMG hadn't made any attempt to advise him on his SIPP over time. He also felt that AMG had failed to consider all of his pensions for planning purposes. He said that AMG had never attempted to provide any ongoing service despite charging for it.

AMG said that Mr D had never signed an individual client agreement with it. However, it'd offered Mr D help with his pension fund on a number of occasions. But he'd failed to reply to these offers. AMG also said that it hadn't advised Mr D on the transfer to his SIPP.

AMG said that although Mr D's employer had paid it a fee for the service it provided to its employees, no direct fee had ever been charged to him, or paid by provider A to AMG. Mr D has also confirmed to this service that he didn't have any evidence that he'd ever paid AMG directly for any advice.

From what I've seen, I'm satisfied that AMG regularly offered Mr D advice on his retirement plans, but that he never took these offers up. I say this because I've seen a number of letters from AMG to Mr D which offered him assistance with his retirement plans.

For example, a letter from 2017 which stated that as Mr D was coming up to his normal retirement age soon, and as he was currently invested in a lifestyle fund with provider A, it was:

very important we review your pension fund choices and whether you intend to take your benefits now or defer your retirement.

I consider that this was a valuable recommendation at that time. And that if Mr D had taken AMG up on its offer, it would've been able to discuss his retirement plans with him and help him to understand whether or not his existing investments remained appropriate for him given the fact that he intended to work past his normal retirement age and didn't want to buy an annuity with his pension funds.

I can also see that provider A regularly told Mr D that his pension was his own personal pension. And that he should seek advice from a financial adviser if he was ever unsure about any decision.

I also agree with our investigator that AMG had no responsibility to look into Mr D's wider pension arrangements. But that if Mr D had asked it for personal advice, taking into account his SIPP, it could've considered all of his pension arrangements. But it would've first asked Mr D to sign an individual client agreement with it. If Mr D had asked AMG for help with just his group pension scheme, I understand that his employer would've paid the fee for advice.

Overall, I've seen no evidence that AMG acted incorrectly when it failed to provide Mr D with ongoing advice, despite regularly offering it to him.

The crux of Mr D's complaint about AMG is that when he continued working beyond his normal retirement date, he wanted his pension fund investments to have little or no risk. He felt that AMG had chosen the funds he was invested in from the outset. And that it didn't warn him about the risks involved or the potential for loss. Or provide him with any ongoing advice about his pension. Therefore, when his pension fund fell in value near the time he transferred it to his SIPP, he held AMG responsible for his financial loss.

I'm sorry that Mr D's funds fell in value before he transferred them. However, the evidence shows that AMG was never Mr D's personal adviser. And while I can see that Mr D felt that AMG changed its role, I don't agree. It was only ever "available if needed". And Mr D never

asked it for help. Having said that, I can see that AMG did try to help Mr D understand how important it was that he considered whether his investments were still suitable for him as he approached his normal retirement age. But even then he didn't engage with it.

I understand that Mr D felt that, as an unsophisticated consumer, he didn't know enough to assess whether his chosen funds were and remained suitable for him. But I'm satisfied that the information AMG provided him with at the outset clearly explained what the Universal fund aimed to do. And Mr D chose the fund for himself. So, while I can see that he now considers the fund wasn't suitable for him, I can't reasonably hold AMG responsible for the fact that he chose to invest in it. Or that he never asked AMG for advice on whether it was or remained suitable for him.

My final decision

For the reasons set out above, I don't uphold Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 8 January 2024.

Jo Occleshaw
Ombudsman