DRN-4406413

The complaint

Mr B is unhappy as he believes Aviva Life & Pensions UK Limited invested his funds at a higher risk than was appropriate as he closed in on retirement.

What happened

Mr B through his employer transferred to an Aviva Personal Pension in 2011. His investment strategy was the default strategy set by the employer. Mr B received information setting out the investment strategy and that the majority of his fund would be invested in a lifestyling (or as Aviva called it Lifestage approach). This explained Mr B's funds would be automatically rebalanced to ensure his funds were of the right mix at the different stages through the plan. It said the aim was for growth in the early years and then gradually to become more cautious as he approached retirement.

The documentation from the time said Mr B could take control of his investments if he wished and stop the lifestyling approach at any time. It also explained that if Mr B chose not to take his benefits at his original or selected retirement date, the policy will remain invested in the funds and proportions appropriate for that retirement date and will continue to rebalance the investments to maintain those proportions.

The initial retirement age set on the plan was 55. As Mr B reached age 55 in 2016, Aviva sent him a letter to act as a prompt that his retirement date was coming up. This letter said if they didn't hear back from him, they'd defer his retirement date by five years. It also said '*As you're retiring later, you might want to review your fund choices. If this is something you're interested in, please call us….'*

Mr B chose not to retire at that point.

Aviva confirmed the change of retirement date to December 2021.

Aviva also sent Mr B an annual statement for 2017 it stated:

'If you intend to change the way you take your retirement benefits or how you invest your money, we recommend you speak to a financial adviser to go over your investment choices.'

In April 2018, Mr B decided to take drawdown. Aviva wrote to Mr B and in this letter '*it said 'It's very important you think about where you invest your money. We strongly recommend you review your investment choices on a regular basis.*'

In 2023 unhappy with the performance of his funds, Mr B spoke to Aviva. He complained that the funds he'd been invested in as part of the lifestyling approach were of a higher-risk than they should be. Mr B subsequently switched more of his funds to deposit to lower the risk of his portfolio.

Aviva said that they weren't responsible for managing Mr B's fund when it came to investment decisions. They also commented that where an investment approach was originally designed with an annuity option in mind then investing in gilts meant that even if gilt prices fell a customer would still be able to buy approximately the same guaranteed income.

It set out the funds Mr B was currently invested in which were:

- Aviva BlackRock Over 15 Years Gilt Index Tracker S6 (risk rating 5/7)
- Deposit S6 (risk rating 1/7)

The business noted that Mr B regularly visited his online MyAviva account. And on there the fact sheets for his funds had always been available to view online. The factsheets detail the underlying assets within the fund, and the funds longer term performance as well as the risk rating.

In conclusion Aviva said that they hadn't upheld the complaint as they had invited Mr B to get in touch with any questions he might have, it wasn't responsible for managing his investment selection and it had recommended that he took regulated financial advice at regular intervals.

Our investigator looked into matters, but he didn't recommend the complaint be upheld. He explained that Aviva had administered his plan in line with the terms set out to Mr B.

He also explained that whilst lifestyling has the intention of taking a more cautious approach leading up to retirement. This wasn't the same as de-risking a pension fund. As Aviva had previously explained, investment in Gilts can be deemed cautious despite the fund having a higher risk rating. Gilts' relationship with annuity rates means that poor performance in this investment area could still help to protect the customer's position at retirement as annuity rates will have risen.

Our investigator noted that during his conversation with Mr B, he confirmed whilst looking on Aviva's portal that he could see the risk rating of his fund(s) and that it was stated there '"*We regularly review the ratings we give to each fund. So, they might change from time to time".*

The investigator set out the history of the risk profile of his fund supplied by Aviva. In January 2011 it was rated 3/5, from July 2015 4/5 and finally from February 2019 5/7 and remarked that the fund itself has never been rated as low risk.

Mr B didn't agree with the investigator's findings. He said he'd never been informed that the risk rating of the fund had increased over time. He said he feels Aviva failed in its duty of care. If it was available, it must have been hidden in small print on the portal. And he felt the split of the investments 75% in Blackrock Gilts and 25% in deposit was the wrong way around.

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 the recommendation of our investigator and for broadly the same reasons.

I've looked through the terms of the original agreement and the communications between Aviva and Mr B and I'm satisfied Aviva has acted fairly. In the statements coming up to Mr B's retirement it set out the proportions of his investment and what would happen at each stage (year) before retirement. The evidence shows Aviva administered his investments in line with what was set out in the terms and in-line with the strategy set out. If Mr B had been unhappy with this at any point, it was made clear he could choose to alter his investments – and he should seek advice.

When Mr B didn't respond to Aviva's reminder that his retirement was forthcoming as per the terms of the plan – his investment strategy at that time was preserved. Mr B would've known this from his annual statements, and he could also see details of this in his MyAviva portal which I understand he regularly used. Throughout his time with Aviva, he also received regular information explaining he should review his investment selection, that it could be changed and if he had any questions he could speak to Aviva. And that he should seek advice to make sure the funds were suitable for him. Aviva wasn't responsible for his fund selection, neither was it able to advise him and take into account his particular needs and circumstances. He was in a bespoke default lifestyling approach that worked in a particular way for all Aviva's customers with that selection. And Aviva was not responsible for Mr B's choice to enter into this investment strategy.

I understand that Mr B's unhappy that he wasn't informed of the changes in the risk rating of the fund. However, there was no requirement for Aviva to actively contact its customers every time a fund they were invested in had a change. They had informed Mr B through the portal that he checked, that risk ratings could change. Aviva has also confirmed the risk rating of his funds would've been visible on the portal. And Mr B also confirmed to us in a call with our investigator that the risk rating was shown on the portal.

We don't have access to the portal and so I cannot be sure exactly what Mr B would've seen historically, however Aviva like most providers produce fund factsheets and a risk rating will have been (and is) one of the key pieces of information provided – I suspect this same information is what is shown on the portal. Furthermore, the annual statements pointed Mr B in the direction of Aviva's website where it held information about its funds such as the fund-factsheets. So I am satisfied that Mr B would've had access to the risk-ratings of his funds. And in any event, he also knew he could speak to Aviva or seek advice if he was unhappy with his selected funds.

It appears Mr B thought that his lifestyling approach would mean his selected funds would reduce in risk. Whereas the actual risk rating of his concluding fund, has over time moved from 3 out of 5 to 5 out of 7. But the way in which the lifestyling strategy would become more cautious as retirement got closer was clearly set out on his statements. As well as in the terms of the plan he received when he first took it out.

The approach increased the amount of his capital invested in deposit funds as he got closer to retirement and the other funds he was invested in were switched in line with the strategy, ending with 75% invested in the Aviva Blackrock Gilt tracker in question. That this fund risk rating has changed over time does not mean Aviva has done something wrong. The investment strategy was clearly set out and adhered to – and it was clearly set out that Mr B could chose to move to different funds if he wished to do so. A strategy moving towards a reliance on Gilts is not unusual in lifestyling approaches because of the relationship with annuity rates. Aviva couldn't predict the future risk rating of this fund. And it explained it could change, its role was to administer Mr B's investment in line with the investment strategy selected at outset – unless Mr B informed it he wished to amend this. Which he didn't do so until recently.

Mr B has also said he thinks the split of his funds 75% in the Gilt Tracker and 25% in deposit was the wrong way around. However, as I've said, he was made aware of the investment strategy from the start of the plan onwards and he was also made aware it was his responsibility to change this if he wished to do so. So I cannot say that Aviva should've made changes to this split when it had set out the splits at outset and with clear information how this would change each year.

Unfortunately, the fund in question has suffered a big downturn in performance in the last few years and I think this is what has led to Mr B's complaint. Had the risk rating been higher than he'd thought, but the fund had performed, I think it's fair to say he wouldn't have complained. But poor performance in itself is not a reason to uphold a complaint as funds can go up or down and are at the risk of market conditions.

It appears Mr B's understanding was that the actual funds selected would reduce in risk and he may have thought he couldn't suffer losses to the extent that he has. In actual fact the investment strategy itself was the mechanism to reduce risk/become more cautious and this was not based on choosing lower risk funds – rather a set strategy based on increasing the amount of capital held in deposits and Gilts. But market conditions were such that many funds have suffered a big down-turn in performance and Gilts have been very volatile recently. The upside being annuity rates have improved, hence the strategy to move towards Gilts to protect income levels in retirement.

conclusion

Aviva administered the plan in line with the terms set out, as it is required to do so. Mr B was aware his funds even at the end stage of the lifestyling would still be subject to market performance and he had access to information about these funds. And Aviva provided Mr B with many reminders and access to information that would've allowed him to consider his investment strategy or to seek professional advice. He chose not to seek advice and remained in the default strategy. I do sympathise that his fund will have dropped due to the downturn in performance but I cannot fairly hold Aviva responsible for this.

My final decision

I do not uphold this complaint and make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 20 December 2023.

Simon Hollingshead
Ombudsman