DRN-4198898

Financial Ombudsman Service

The complaint

Mr T complains that he lost money on his pension investment with Scottish Widows Limited (Scottish Widows) and that he was not given sufficient information by Scottish Widows to avoid him suffering more losses.

What happened

Mr T contacted Scottish Widows in December 2021 in relation to making a withdrawal from his pension fund. Mr T decided to draw 25% of the total pension pot as tax-free cash, which he was entitled to do. The remaining amount, which totalled just over £17,000 was invested in what Mr T describes as a "slow growth, low risk account".

By September 2022, the value of Mr T's fund had fallen by £2,711.65 and this caused Mr T to complain to Scottish Widows about the amount he had lost and the fact that he was unable to access his online account to track the performance of his fund.

Mr T said that he had become alarmed at the amount of money his pension was losing and, as a consequence, had decided to withdraw the funds.

Following his complaint, Scottish Widows sent Mr T a final response letter on 22 January 2023 apologising for the delay in responding to his complaint and offering him £100 in recognition of this.

With respect to the other aspects of Mr T's complaint, Scottish Widows said that it was unable to uphold those since any online services it offers, including access to Mr T's online account, were additional and that these may be unavailable from time to time. Scottish Widows also said that it was normal for the value of Mr T's pension to go up and down over the short term and this was part of the risk of investments. They said there had been increased volatility recently and this was affected by a range of factors including the global economy, rises in the prices of goods and services, the continuing impact of Covid-19 and the outbreak of war in Ukraine.

Mr T did not accept this and complained to us that Scottish Widows had been "sloppy" in their communication with him regarding how the valuation for the transfer of his pension was calculated, that his pension fund would have had to grow by approximately 18% to match his previous fund and that it is not good enough to say pensions are a long-term investment and the whole point of a draw down pension was that the money would be available to withdraw when and if needed.

Out Investigator's view was that:

- Although it would have been distressing for Mr T to see his pension fall in value by such a significant amount in a short time, this doesn't necessarily mean that Scottish Widows has done anything wrong.

- 50% of Mr T's draw down pension fund was invested in fixed interest assets.

- Interest rates are at the highest level in decades and this has impacted the value of bonds and other fixed interest assets.
- The value of Mr T's pension wasn't guaranteed and was subject to market movements.
- Scottish Widows has not done anything wrong in relation to the pension falling in value.
- There is no contractual or regulatory obligation on Scottish Widows to tell Mr T about the fall in his pension value.
- Scottish Widows did not have to give Mr T access to its online services and these may be unavailable at times, as advised by Scottish Widows.

In response, Mr T said that:

- He thought his pension was being invested in a slow growth, low risk portfolio and this is not what he got.
- The rules and law governing institutions like Scottish Widows are weighted far too much in their favour.
- He should have been given a detailed account of what his money was invested in. This would have enabled him to check on the volatility of the shares or bonds his money was invested in and allowed him to make an informed decision as to what to do with his money.

He asked that the complaint be referred to an Ombudsman.

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 have reached the same conclusion as our Investigator and will not be upholding Mr T's complaint.

There appear to be several issues highlighted in Mr T's complaint to us namely the fall in value of his pension fund, whether or not the fund he invested in was actually low risk, as it was described and the lack of information both directly from Scottish Widows and through their online services. I will address each of these in turn.

With respect to the fall in investment value of Mr T's fund, I appreciate that this was very concerning for Mr T and would have caused a great deal of anxiety. However money in a pension scheme such as Mr T's is subject to market conditions and fluctuations in the same way as other investments. In this case, the combination of factors affecting Mr T's drawdown pension fund caused losses to a much greater degree than was anticipated. I agree with Mr T that the purpose of a drawdown pension is to be able to withdraw money when it is needed. However this does not mean the funds within the policy necessarily offer a guaranteed level of return. In this case the performance of the fund was affected by matters out of the control of Scottish Widows and I cannot therefore hold them responsible for Mr T's losses.

Scottish Widows do however have a duty to ensure that the illustrations for any funds which were provided to Mr T were accurate and not misleading. This is relevant to the issue of the pension being highlighted as one that was low risk and whether this was in fact true. I can see from the factsheet for the pension fund that it is made up of mostly fixed income securities with the majority of the remainder in equities and a small amount in property and other assets. I agree therefore that Mr T's pension fund is designed to be relatively low risk given that the types of bond and credit funds invested in usually provide a lower return in exchange for a more secure investment. The problem for Mr T and other investors who have purchased this type of asset in the last 2 years has been the high interest rates and rates of inflation. Each of these are higher than they have been in around 20 years and these factors in particular have affected the value of the fixed income securities in Mr T's pension fund. This isn't the fault of Scottish Widows and I'm satisfied the information about Mr T's pension, and chosen investment fund, wasn't misrepresented.

Mr T has said in the wording of his complaint that he feels he should have been given a detailed account of what his money was invested in. Having looked at the factsheet, I can see that there is a fair amount of detail on the specific funds that the money is invested in and to what proportion.

On this basis, I think the factsheet and other documentation provided to Mr T by Scottish Widows contained accurate information and would have given Mr T the chance to make an informed decision on what his pension fund was being invested in.

Finally, I'm satisfied that Scottish Widows did give Mr T the information he needed in relation to the performance of his pension, or would have been available to provide Mr T with that information had it been requested. I'm also satisfied its responsibilities didn't extend to alerting Mr T to fluctuations in his pension's value.

With respect to access to the online account, I think this is something Mr T could reasonably expect to have access to as a service. However, this can't reasonably mean online access has to be available at all times. The reality is that online services can sometimes become unavailable for periods and this is to be expected. In relation to Scottish Widows' assertion that consumers can contact them to get the information they need if they can't access their online service, I take Mr T's point that it is difficult to know when you need to contact your provider if you can't see what is happening with the account. But I don't think I can fairly conclude Scottish Widows put up unreasonable barriers to Mr T being able to monitor his pension.

I would like to say that I appreciate that all this may be of little comfort to Mr T given the fall in value his pension has experienced. However, we have to assess whether or not there was anything Scottish Widows should reasonably have done to avoid the losses suffered by Mr T and my view is that there isn't.

My final decision

For the reasons explained above, I do not uphold Mr T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 5 September 2023.

Rana Chatterjee
Ombudsman