DRN-4453775

The complaint

Mr T complains Aviva Life & Pensions UK Limited (Aviva) gave him misleading communications about the Lifestyle investment. He said Aviva led him to believe his pension wasn't being invested in risky funds, but he feels it is. He says if had known of the investment risk of the funds he has taken the low-risk option at a much earlier time. He asks to be compensated.

What happened

The background to this complaint was summarised in our investigators view, it is not in dispute and so I repeat it here:

In 2007, Mr T's employer set up a group personal pension plan. The pension is a stakeholder pension with a selected retirement age of 65. The pension included a seven-year Lifestyle investment programme selected by Mr T's employer. The initial fund invested in was the Balanced Index Enhanced Fund of Funds.

In November 2012, the investment fund was replaced by the Newton Balanced Fund (the Newton Balanced Fund was replaced by the BNY Mellon Multi-Asset Balanced Fund in 2019).

Mr T joined the group personal pension plan in 2013.

In September 2015, Mr T started the seven-year Lifestyle investment programme.
In 2018, 2019, 2020, 2021 and 2022, Aviva wrote to Mr T with his annual pension review.
On 28 July 2022, Mr T was sent a retirement notification letter and he changed his retirement age in August 2022 from 55 to 56. Aviva confirmed the change by letter. As a result, the Lifestyle investment programme was rebalanced. It moved back to having 2% in the BNY Mellon Multi-Asset Balanced fund. It went to 1% on 21 August 2022 and back to 0% on the 21 September 2022.

In March 2023, Mr T complained to Aviva as his pension value had fallen.

On 23 May 2023, Aviva responded and did not uphold Mr T's complaint. In summary, it said the Lifestyle investment programme was chosen by employer and this programme de-risked the pension in the seven years leading up to retirement. Aviva said that the programme had worked as it should and was applied correctly. It explained whilst Aviva is responsible for administering your plan (the annual management charge is for the set up and running of the plan) it isn't responsible for the investment fund choices.

Dissatisfied with Aviva's response Mr T brought his complaint to this service.
An investigator looked into things for Mr T. After careful consideration he issued a view explaining that Mr T's pension value had fallen for a number of reasons, but he didn't agree that Aviva had mismanaged the fund or that it had acted unfairly.

Mr T disagreed. He remains of the view that Aviva have failed to manage his investments as he understood they would. He feels the communication from Aviva led him to believe his investment was safe. Further when Aviva knew the markets were falling it should have reviewed his investment and offered him the option to move his funds.

Mr T asked for an ombudsman 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 am not upholding the complaint. I realise this will be very disappointing to Mr T, but I'll explain my reasons.

It's not disputed that at the start of Mr T's pension, a lifestyle approach was chosen. These are used to manage investment risks as a customer's retirement age approaches. Over a number of years, they gradually move investments out of equity type assets and into cash and fixed interest assets, such as gilts – because, generally speaking, investments like this are less volatile and lower risk over the long term than equity assets.

The choice to invest in the Av Pre-retirement Fixed Interest and the Cash fund over the last two years prior to retirement would effectively have been Mr T's employer's and not Aviva's. It would have agreed to the Lifestyle investment programme for its employees.

There doesn't appear to be any dispute that Aviva invested Mr T's pension in line with the lifestyle approach he chose in 2012. As that's not in dispute, I don't need to consider it further. Instead, I'll focus on the crux of Mr T's complaint - that Aviva invested his pension in higher risk funds than it should have under the lifestyle approach.

Mr T says Aviva told him that his pension would be invested in 'low risk' funds as he approached retirement. Indeed, he monitored the funds and discovered that 75% were in a risk rating 4 funds and 25% in risk rating 1 (out of 7). In his view he feels 75% were in higher risk rather than lower risk and believes Aviva should have made him aware of this.
It's probably important to explain that low risk is not the same as no risk. As I say, the lifestyle approach is used to manage investment risks as a customer's chosen retirement age approaches. But even then, risk is not eliminated. Fixed interest investments are generally considered low risk but in certain situations, fixed interest investments can fall in value sharply. Unforeseeable global events meant that the value of gilts fell, and 75% of Mr T's pension fund was invested in gilts in line with his chosen lifestyle approach. So, I'm satisfied that the fall in value Mr T unfortunately suffered wasn't due to any error by Aviva. The fund appears to have achieved similar returns to the appropriate benchmark indices, indicating it didn't perform any worse than comparable funds.

But, even leaving this aside, Aviva isn't responsible for monitoring its risk ratings on Mr T's behalf and warning him about changes, as Mr T suggests. Aviva is responsible for administering Mr T's pension in line with his chosen approach. It is for Mr T, or his employer's adviser, to monitor his investments to make sure they are suitable for the for the target it was originally designed for and if it's no longer viable, to seek to change the programme.
I'm also persuaded that Aviva took reasonable steps to draw Mr T's attention to this, as I can see the annual statements Aviva sent to Mr C in 2019, 2020, 2021 and 2022 made clear:

- His pension fund value wasn't guaranteed and could still go down as well as up.
- Mr T could read about his funds and their performance using the link provided to the Aviva website.

- Which funds Mr T's pension was invested in, and that he should review these fund choices regularly to check they were still right for him, as how his money was invested could make a big difference to his final pension pot.
- Aviva offered many different funds to choose from, with different levels of risk and reward, and Mr T could explore these online using the link provided.
- Mr T should speak to a financial adviser if he was in doubt about whether the funds remained suitable for him or if any changes may be needed and gave details of how to find one.

In summary then, I don't think Aviva has made an error or treated Mr T unfairly. It was for Mr T to check his pension investments were suitable for his requirements and he could have switched his funds if he thought that suited his particular circumstances at that time.

My final decision

For the reasons I have given I don't uphold this complaint. and I make no award

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 27 December 2023.

Wendy Steele
Ombudsman