DRN-4444476

The complaint

Mr W complains that ReAssure Limited failed to inform him of the intended short-term nature of their Cash Fund. He says they also failed to manage the performance of his pension funds leading to a financial loss.

What happened

Mr W had a personal pension with L&G invested in a lifestyle plan. He says his chosen retirement date was originally in 2017 but he chose to delay taking his benefits for a further five years.

In late 2020 Mr W's pension was transferred to ReAssure as part of a bulk transfer agreed by the High Court. So, ReAssure became responsible for the administration of Mr W's pension and any complaints that arose from it. At that time his pension was valued at around £85,000.

In January 2021 Mr W took a tax-free lump sum of around £21,000, leaving around £64,000 in his pension with ReAssure.

In March 2023 Mr W received his yearly statement from ReAssure. It showed the value of his pension had dropped to around £52,000.

Mr W complained to L&G (who passed the complaint on to ReAssure). He questioned the due diligence that was carried out on ReAssure before his pension was transferred to them. He wanted ReAssure to make up the shortfall he now had in his pension fund.

In response to the complaint ReAssure said Mr W's funds were invested in a Cash Accumulator Fund and Fixed Interest Fund. They said the funds had been managed within their stated aims and the drop in value was due to global financial circumstances. ReAssure noted that although the Cash Accumulator Fund had shown positive returns, there had been a 20% reduction in the unit price of the Fixed Interest Fund.

ReAssure went on to say they were responsible for the administration of Mr W's funds and acted on instructions given by the policyholder. But they weren't regulated to give financial advice to Mr W and suggested he speak to a financial advisor.

In April 2023 Mr W asked ReAssure what their approach was to re-balancing his plan. Specifically, if they buy and sell investments and how they make sure the level of risk matched the chosen investment style. ReAssure responded, advising they don't adjust any funds without instruction and that Mr W should contact a financial adviser for further assistance

ReAssure wrote to Mr W again in June 2023. They said they'd noticed more than 10% of Mr W's money was invested in a cash-like fund. Such funds are lower risk and it's possible the returns may not be enough to cover policy charges, so the fund could go down in value over time. These funds are intended for short term use.

They explained that if Mr W planned on investing for a longer term, he may wish to consider whether his funds are likely to grow enough to meet his future plans.

Following receipt of this letter Mr W raised a further complaint. He questioned why this was the first and only review of his pension ReAssure had conducted in the three years his plan had been administered by them. Mr W said he was concerned that ReAssure had chosen to invest his funds in low-growth policies on his plan's transfer to them.

He asked ReAssure to accept responsibility for not advising him of the short-term nature of these funds he was invested in. And asked that they compensate him for his losses.

ReAssure first responded to Mr W in July 2023 saying that they had already addressed the issues Mr W had raised in their earlier responses to his complaint.

They sent a further complaint response in September 2023 specifically addressing Mr W's point that ReAssure hadn't advised him of the nature of the Cash Fund. But ReAssure said they were unable to give Mr W financial advice and could only give factual information. So, they didn't uphold his complaint.

Mr W was unhappy with ReAssure's responses and so brought his complaint to our Service. Our Investigator looked into things but concluded that Mr W was responsible for monitoring his own funds and seeking advice if he needed it. She thought ReAssure had acted fairly in administering his funds and responding to his complaints.

Mr W disagreed. He said it was wrong that a pension provider could switch a customer's pension fund without accepting financial responsibility for its poor performance.

As Mr W disagreed, the complaint has been passed to me for a decision.

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.

I appreciate this will come as disappointing news for Mr W but, for broadly the same reasons as our Investigator, I'm not upholding his complaint. I'll explain my reasons below.

To be clear, my decision here focuses on the complaints that Mr W has made to ReAssure, those being the performance of his funds in recent years; and his concerns that the letter from ReAssure in June 2023 was the first time they'd warned him that his fund choice was intended for short term use.

I haven't considered whether it was suitable for Mr W to be in a lifestyle fund as that goes beyond the scope of his complaints to ReAssure and this decision.

Mr W says the information L&G gave him describes his pension as being invested in a lifestyle profile. Plans of that nature were typically designed to reduce the level of risk a pension was subject to, the closer to retirement a consumer was.

Mr W seems to be under the impression that ReAssure chose investments for him when his pension moved from L&G to them. Therefore, he's of the opinion that losses to his fund arose because of decisions ReAssure made. But I don't think that's right. That's because, Mr W's funds were already invested in the Fixed Interest and Cash Funds prior to his pension moving to ReAssure.

Mr W says that originally his retirement date was expected to be in 2017. Generally, Lifestyle funds sought to protect the investment growth which was built up during the life of a pension plan by automatically moving investments into lower risk funds as the member got closer to retirement. It seems likely Mr W's funds were moved into what was considered less risky funds as he approached his expected retirement age in 2017. That's in keeping with the lifestyle profile of his pension.

However, a large proportion of Mr W's funds were still invested in the Fixed Interest Fund and while it's likely the aim of the Lifestyle plan was to protect the fund as much as possible, this isn't something that can be guaranteed. It's still dependent upon the performance of the investment markets which no pension provider can predict.

In Mr W's case his funds being held in the Fixed Interest Fund coincided with changes in the market due to the economic and political instability arising from events such as the global pandemic and the Russian war. These events affected the markets significantly and in turn likely affected the value of Mr W's pension, as well as most investment products generally.

I can understand why Mr W is concerned about the drop in value of his funds and why that would cause him to complain to ReAssure. However, our Service wouldn't generally uphold a complaint based on poor performance alone. I can only uphold this part of the complaint if I thought ReAssure had caused the loss Mr W has suffered. And based on everything I have seen, I don't think they have.

It's also important to note that ReAssure were Mr W's pension provider. And while they had many obligations towards him, it wasn't their role to give financial advice. ReAssure don't hold the required permission to give financial advice to their customers. Instead, they recommend their customers seek advice from financial advisers.

ReAssure wrote to Mr W in June 2023 specifically pointing out that he had more than 10% of his pension invested in cash-like funds. They also said these funds could go down over time and are more intended for short-term use. So, I'm satisfied ReAssure explained the purpose of funds such as this and that the value wasn't guaranteed.

I appreciate why it would concern Mr W that he'd never received a similar letter before, and why he felt that meant ReAssure hadn't reviewed his pension before. But I don't think ReAssure acted unfairly here. I'll explain why.

As I've previously said, ReAssure weren't allowed to advise Mr W on his pension investments. They could only give him factual information. So, any 'review' of Mr W's pension by ReAssure wasn't intended to include an assessment of the suitability of his investments or recommend any changes.

I note that ReAssure sent Mr W annual statements regarding his pension. In 2020 the document was entitled 'yearly review' but in recent years it's been called an 'annual statement'. I can certainly appreciate why Mr W might have felt ReAssure should review his pension investments for him given the terminology used by ReAssure in 2020. But that's not its role. And regardless of its name, I think the document aims to give Mr W an overview of his pension each year along with information about his holdings and the options available to him.

In recent years the Regulator, the Financial Conduct Authority, has sought to encourage firms like ReAssure to give greater levels of support to their customers while keeping within the existing boundaries between providing advice and information. And I think that's what's happened here. ReAssure's letter in June 2023 gave Mr W a greater level of guidance than he'd previously received in his annual statements.

There weren't specific rules which said ReAssure must provide information to Mr W like it did in June 2023. And, just because ReAssure gave greater guidance to Mr W in June 2023, doesn't automatically mean they've acted unfairly before. I think it's likely ReAssure did this in an attempt to provide a better level of service, but that doesn't mean the service they previously provided was below the level expected of them.

ReAssure needed to provide Mr W with information that was clear and not misleading. They also needed to act in his best interest. So, I've considered if the information Mr W had previously been sent by ReAssure met those standards.

The statements ReAssure sent recorded that Mr W was invested in the Fixed Interest and Cash Funds. It also contained information such as;

> ***Review your investment***
>
> *You should regularly review the funds you're invested in especially if your circumstances or plans have changed. Please keep in mind that the value of any investment can go down as well as up. You should always make sure that your policy and the funds you're invested in match your attitude to risk and what you have planned for your money. For example:*
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> • *If you stay in low risk funds too long you may miss out on strong growth in financial markets and your policy could be more vulnerable to the effects of inflation.*
>
> • *On the other hand, if you're planning on taking a large proportion of your savings soon, being in higher risk funds puts you at risk of sudden movements in the stock markets affecting what you may get back.*

ReAssure also included leaflets and information about their Investment Pathways, which explained that different options were available dependant on when and how customers wanted to access their funds. They suggested speaking to a financial adviser or Pension Wise before making any decisions.

Mr W's statements also gave an indication of what ReAssure thought his pension might be worth in the future. It explained that assumptions had been used such as the growth rates based on Mr W's current mix of investments. In the statements I've seen from 2021, 2022 and 2023 they estimated that the longer Mr W remained invested in his current mix of funds, the less his pension would be worth. For example, the 2021 statement estimated Mr W's pension would be worth £61,500 at age 70, dropping down to £53,900 by age 90.

I'm satisfied that the information contained in Mr W's yearly statements was clear and it encouraged Mr W to review his investments regularly. It explained that Mr W had a responsibility to ensure his investments were suitable for him which wasn't something ReAssure could help him with. The options available to Mr W were explained, and information given as to how he could get advice if he wanted it. I've seen nothing to suggest ReAssure did anything wrong or acted unfairly towards Mr W in the communications they sent to him prior to June 2023.

My final decision

Taking into account everything I've said above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr W to accept or reject my decision before 2 January 2024.

Timothy Wilkes
Ombudsman