

The complaint

Mrs T complains that Aviva Life & Pensions UK Limited did not de-risk her funds held in her Section 32 pension policies in line with the agreed 'Lifestyle' strategy. Mrs T says the value of her pensions dropped as a result.

What happened

In 2011, Aviva set up two separate Section 32 pension policies, ending 292/8 and 292/383, for Mrs T. At the time, Mrs T chose to apply its '6 Year Lifestyle investment programme'. The aim of the Lifestyle programme was to ensure Mrs T's PPP was invested into more cautious funds in the six years preceding her anticipated retirement age. The Lifestyle programme began in 2018, as scheduled, and was due to be completed by the time Mrs T turns 60 in 2024.

On 20 February 2023, Mrs T complained to Aviva that, since December 2021, the value of her pension ending 292 had fallen by around £52,000 and her pension ending 292/383 had also fallen by around £21,700. She said it looked like the majority of her funds were held in a fund with a 5/7 risk rating, when she thought it was agreed her pension fund would be moved into more cautious investments ahead of her planned retirement in 2024.

On 5 March 2023, Aviva issued its final response to Mrs T's complaint. It also sent a further letter on 6 April 2023. In summary, Aviva said:

One year before Mrs T's scheduled retirement age, her funds should be invested as follows:

- 17% in her chosen funds
- 70% in the Aviva BlackRock Over 15 Tear Gilt Index Tracker fund (risk level of 5 out of 7, with 7 being the highest risk). I'll refer to this fund as the "Gilt" fund.
- 13% in the Aviva BlackRock Sterling Liquidity fund (risk level of 1 out of 7).

In accordance with the above strategy, Mrs T's fund was invested as follows:

- 18% in the Blackrock consensus FP fund
- 70% in the Aviva BlackRock Over 15 Tear Gilt Index Tracker fund
- 12% in the Aviva BlackRock Sterling Liquidity fund

Aviva said the drop in value of Mrs T's funds was due to the condition of the financial markets, which were impacted by the Coronavirus epidemic and the war in Ukraine, which was outside of Aviva's control. Aviva added it was responsible for administering Mrs T's plan but it was not responsible for managing her plan when it came to investment decisions. And if it were to contact her to discuss changing her investments, it could be in breach of the regulator's rules regarding implied financial advice.

Mrs T remained unhappy, so referred her complaint to our Service to review. Mrs T wanted Aviva to agree it had mis-managed her pension. She acknowledged Aviva had invested her funds in line the Lifestyle strategy, but the funds it was invested into were not lower risk or aligned with the overall 'de-risking' objective of the Lifestyle Plan. Mrs T noted the Gilt fund,

part of her Lifestyle plan, was increased to a '5 out of 7' risk rating after she agreed to the Lifestyle plan and Aviva should have informed her of its increased risk rating. To put things right, Mrs T wants Aviva to compensate her for the losses she experienced in 2022.

One of our Investigators reviewed Mrs T's complaint but didn't uphold it. In summary, our Investigator said Aviva invested Mrs T's funds in line with the Lifestyle investment programme. A large portion of Mrs T's funds were invested in gilts (also known as bonds), which are usually considered to be less risky investments. The drop in value of Mrs T's funds was due to the poor performance of the financial markets rather than poor management by Aviva. If Mrs T was concerned about the risk rating of her funds, she should seek financial advice. Our investigator explained Aviva were the administrators of Mrs T's pension and could not provide her with financial advice, so it wasn't for Aviva to approach Mrs T to discuss how her funds were invested.

Mrs T disagreed, saying Aviva should have informed her it increased its risk rating of the Gilt fund to 5 out of 7. She said she could have acted to de-risk her pension fund and minimise her losses if she had been informed about this.

Our Investigator contacted Aviva, which said the Gilt fund was rated as a level '3' in 2014, '4' in 2016 and '5' from February 2018. It did not tell its customers if a risk rating changed by '1' – i.e., if the risk level was raised from '3' to '4'. Our Investigator passed this on to Mrs T and explained we didn't have the power to tell Aviva to change its process. And in any event, it was not for Aviva to advise Mrs T on whether an investment strategy remained suitable for her. Mrs T remained unhappy, reiterating Aviva's strategy did not de-risk her funds when the majority of those funds remained invested in a fund rated '5 out of 7' in the years preceding her retirement. So, this has come 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.

Having done so I am not upholding the complaint. I realise this will be very disappointing to Mrs T, but I'll explain my reasons.

It is not in dispute that a Lifestyle approach was chosen when Mrs T took out her PPP. These are designed to manage investment risks as a customer's retirement age approaches. Generally, funds are moved over a number of years from equity-type assets into cash and fixed-interest assets, such as gilts. As our Investigator explained, investments such as gilts are, traditionally, considered to be less volatile and lower risk over the long term than equity assets. I note Mrs T has provided copies of a letter she was sent about the Lifestyle programme ahead of its activation in March 2018. The letter set out the advantages and disadvantages of the Lifestyle programme. It told Mrs T she could opt out of the Lifestyle programme if it was no longer suitable for her. The letter also said:

"We cannot guarantee that the 6 Year Lifestyle investment programme will prove beneficial to the value of your plan... We are unable to give financial advice... if you would like advice, please contact your financial adviser."

So, I think Mrs T was made aware of the Lifestyle programme, and that it was for her to decide whether it remained suitable for her, before its implementation in 2018.

It does not appear to be in dispute that Aviva invested Mrs T's funds in line with the agreed allocation of funds set out in the Lifestyle approach. I note that Mrs T's 2021 and 2022

annual statements showed the funds invested within both her pension plans were being rebalanced in line with the agreed proportions set out in the 6 Year Lifestyle Investment Programme.

I think the crux of this complaint is that Aviva invested Mrs T's policies in funds that were ultimately reclassified as being higher risk and so did not 'de-risk' her pension. The annual statements Mrs T has referred to in making her complaint say the Lifestyle programme is designed to move her investments from funds "with a greater exposure to the stock market into more cautious investments into more cautious investments". That is what Aviva did – it moved the majority of Mrs T's funds to the Gilt fund.

I understand Mrs T's concern about the riskiness of the funds she was transferred into as part of the Lifestyle approach. Aviva has clarified that prior to 2016, its risk scale ran from 1 to 5, with 5 being the riskiest. So, in 2016, the Gilt fund was a '3 out of 5' in terms of risk. In 2017, Aviva widened its risk scale from 1 to 7 with the Gilt fund being assessed as a 5 out of 7. So, the risk rating of the Gilt fund has remained broadly the same since 2016 and remained the same from 2018, when Aviva began to implement the Lifestyle approach to Mrs T's PPP. But, in any event, Aviva was not responsible for monitoring its risk ratings on Mrs T's behalf or to notify her changes outside of its policy mentioned above. Only Mrs T could decide if her chosen investment strategy remained suitable for her – Aviva was responsible for applying Mrs T's chosen investment strategy, it was not able to advise her whether the Lifestyle strategy remained suitable for her.

I also note the annual statements also reminded Mrs T of the following disadvantages of the Lifestyle Programme:

- *"There is no guarantee that the investment programme will prove beneficial to your pension fund.*
- *The value of your investments, even in lower risk funds, can fall as well as rise and the value of your pension fund is not guaranteed."*

Turning to Aviva's responsibility to administer Mrs T's policy in accordance with her chosen investment strategy, it appears Aviva applied the Lifestyle strategy as it was required to do. It sent Mrs T annual statements which informed her about the performance of her PPP, made clear which funds she was invested into and reminded her to regularly review her fund choices to ensure they continued to meet her needs. So, I'm satisfied Aviva did what it was required to do in administering Mrs T's PPP and Lifestyle programme.

I understand Mrs T's disappointment that her PPP has not performed as she hoped. Over the period of time Mrs T has complained about, unforeseeable global events meant that the value of gilts fell. The majority of Mrs T's pension fund was invested in gilts in line with the chosen lifestyle approach. Mrs T's unhappiness with the performance of her investments is not, in itself, evidence of any wrong doing by Aviva. And overall, I have seen no evidence to show the fall in value of Mrs T's investments was a result of any error by Aviva.

To summarise, I think Aviva applied Mrs T's chosen Lifestyle strategy to her PPP. It was for Mrs T, or her financial adviser, to ensure her investments remained suitable for her, not Aviva. I do not think there is sufficient evidence to show Aviva made an error that has caused Mrs T a financial loss, so I have not asked Aviva to compensate Mrs T as she has requested.

My final decision

For the reasons explained above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 21 November 2023.

Victoria Blackwood
Ombudsman