DRN-4608956

The complaint

Mr C is unhappy with the performance of his pension with Scottish Widows Limited.

What happened

Mr C is not happy that his fund managed by Scottish Widows has lost 30% of its value in recent years. He's also unhappy with Scottish Widows' explanation of why this has occurred. He's commented that it has blamed the stock market but since its upturn his fund has continued to perform poorly. He's also questioned how the fund could be called a 'Protector' fund yet lose so much value.

Our investigator looked into matters but didn't uphold the complaint. The investigator said that he could see no evidence Scottish Widows did anything wrong in the management of his funds. Unhappy with this response, Mr C asked for an ombudsman's decision, he said he didn't expect guarantees, but he did expect a duty of care. And the losses he has suffered cannot be anything but an error.

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.

As the investigator explained a complaint about poor performance would usually only be upheld if this was down to something that the business or fund manager had done wrong either in the management of the fund or in the information provided about it. Poor performance alone wouldn't be a reason to uphold a complaint because the nature of unit linked investments is that they can go up or down.

Mr C's policy began with Scottish Widows in 2013 after his employers set up a group personal pension with it. This shows that his funds were to be invested in what appears to be the employers' default choice in terms of investment approach. Mr C's application form shows that an advisory firm were involved with the setup of the pension.

In 2018 Mr C received an annual statement from Scottish Widows within this statement it said:

'Making sound provision for your retirement has become more important than ever. It may be a good time to think through the level of pension income you're likely to want and whether you need to do more now to help achieve this.'

We will write to you closer to your Chosen Retirement Age to explain the options available to you at that time'

'Please take this opportunity to consider whether your plan still meets your aims. If you feel that these have changed then please consult your financial adviser.'

The statement noted Mr C was paying an amount each year to his named selected financial adviser.

‘The above funds are invested using our Adv targeting annuity Pension Approach. Please refer to our Pension Investment Approach guide for further details.’

‘You should review the funds in which your plan invests from time to time to make sure they are still appropriate for you.’

For more information about your fund(s)' performance and the full range of funds available to you, please visit our website at www.scottishwidows.co.uk and click on ‘Our Fund Prices’ in the ‘Quick Links’ section.’

In 2019 Mr C received his next annual statement which repeated much of the above but it also alerted him he was coming up to his normal retirement age and it said:

‘Financial advice

There are a number of options for you to consider. If you are unsure about what action, if any, you should take we’d recommend you consult your financial adviser.’

‘ADVISER CHARGE £2,895.63

You paid this to your adviser for financial advice. You can review your arrangement with your financial adviser at any time.’

‘HOW YOUR PLAN INVESTS

When you invest money into your plan, we use the money to buy units. The units are a bit like shares in companies and their value can change from day to day, depending on investment performance. We have a wide range of funds and investment approaches to choose from, depending on how much risk you are prepared to take with your investment.

You can choose where you would like your plan to be invested. You should bear in mind that the value of your investment can go down as well as up and could fall below the amounts paid in.

As you’re getting close to your retirement age you should review your investment strategy to make sure it’s in line with your plans for retirement especially if you are considering deferring your retirement.’

In 2020 Mr C’s statements said amongst other things:

‘Lifestyling’ aims to grow your pension pot in the early years and then take less and less investment risk the closer you get to retirement. We offer different Lifestyling Approaches, which you can choose based on how much risk you are prepared to take. Some of our Lifestyle options can also be chosen based on how you may take your retirement benefits.

Automatic fund switches would begin depending on the Lifestyle Approach you select. This can range from 2 to 15 years before your selected retirement age. The aim of this is to try to protect what you’ve built up in your pot from market falls as you get close to your selected retirement age. This approach could restrict the potential for growth as you get nearer to retirement.

‘Although your policy previously contained a lifestyle approach, any automatic switching of your funds has completed. As a result, you may now be invested in lower risk funds with less potential for growth.’

'YOU CAN CHANGE YOUR INVESTMENTS

You may want to change the way your plan is invested since different funds have different aims and risks.

We have a wide range of funds which invest in a variety of underlying investments. Please refer to our pension fund guide online or speak to your financial adviser.'

So, Mr C ought to have been aware his pension was invested in a way that targeted him purchasing an annuity. His fund selection changed as he went through the years in line with the life styling approach until in 2020 he reached his normal retirement age. Scottish Widows then sent him letters with his retirement options, but Mr C didn't respond so it sent him a further letter explaining that his pension retirement date had been deferred until age 75.

Mr C's annual statement that year also explained that his lifestyling approach had finished and it set out the funds he would remain invested in unless he made changes. It warned they may no longer be suitable. Mr C was invested in the Pension Protector fund and Cash. The statements pointed Mr C towards Scottish Widows' fund information available online. So he had the ability to look up what his funds were invested in and information about it. I've looked at what this currently says about the Pension Protector Fund and it says:

Fund Aim: *To provide a return consistent with the variations in market annuity rates with the aim of reducing annuity conversion risk…The Fund Manager will aim to reduce the risk of annuity conversions…*

Whilst this is the current factsheet, I can see that this same explanation was also present in 2021 and I think it's likely the explanation of the funds aims has always been the same or similar as the aim of the fund won't have changed. So given that Mr C was told on his statements that his investment strategy was annuity focussed and the fund information for his main holding also repeated this, I think Scottish Widows provided enough relevant information to Mr C about his investments.

I understand Mr C's upset that a fund called 'Protector' could suffer such big losses, but the objective of the fund is that it will protect the value available when annuitizing. For example as has happened here fund values have plummeted for those in the Pension Protector Fund, however at the same time annuity rates have risen - meaning you get more for your money when taking out an annuity. This is due to the makeup of the fund, the changes in the market that will reduce its value coincide with conditions that mean annuity rates rise, so the annuity available to a customer should be somewhat protected. Hence why this fund was a large part of Mr C's annuity targeted lifestyle approach. Furthermore, recent events such as Liz Truss' budget has meant that UK based funds previously considered to be safe or even described as dull have suddenly become quite volatile and suffered large losses.

I appreciate if Mr C doesn't plan to annuitize this isn't helpful but Mr C was told his funds were invested targeting an annuity and information about his funds was available. He was also prompted to take advice and to consider his fund selection a number of times. Scottish Widows couldn't give Mr C advice and it couldn't manage his investments for him. I note Mr C was paying a financial adviser a sum each year and they were also involved in the setup of his plan. I don't know what his agreement was with this firm, but it may be that it had agreed to provide investment advice as part of its service agreement with Mr C.

Ultimately, I don't think it would be fair or reasonable to hold Scottish Widow's responsible for the unfortunate losses Mr C has suffered. As the investigator said, there's no evidence of poor management on Scottish Widows' part in terms of Mr C's investment. And it wasn't responsible for making sure Mr C's investment selection was suitable for him.

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 Mr C to accept or reject my decision before 1 April 2024.

Simon Hollingshead
Ombudsman