

The complaint

Miss K is unhappy that her personal pension plan (PPP) with Scottish Widows Limited (Scottish Widows) has decreased in value significantly.

What happened

In 2008 Miss K says that her employer set up a stakeholder PPP. After her employment ended the funds remained invested within the plan. She also had another pension plan, administered by Firm M.

Miss K received annual statements from Scottish Widows, they have provided a copy of her 2013 statement which included details about how her funds were invested at the time and how this would change as she approached her retirement age of 65 (in 2020). It set out:

"We will start to switch your fund(s) across to the Pens Portfolio Three fund 15 years from your retirement age.

We will start to switch your fund(s) across to the Pens Portfolio Four fund 10 years from your retirement age.

We will start to switch your fund(s) across to the Pension Protector fund 5 years from your retirement age.

We will start to switch your fund(s) across to the Cash fund 5 years from your retirement age."

This statement suggested that Ms K seeks advice from her financial adviser to check that the PPP is still suitable for her needs.

In March 2020 Scottish Widows wrote to Miss K, the letter was entitled "YOU'RE NEARING YOUR RETIREMENT DATE" it provided a summary and some information about approaching her retirement date. This said:

"WHAT WE'RE ASKING YOU TO DO

- ✓ *Read through the enclosed Pension summary, Things to think about and the guides.*
- ✓ *Access free government guidance or speak with a financial adviser - details overleaf.*
- ✓ *Call us by 22nd September 2020, your retirement date, to let us know what you'd like to do with your pension."*

On the second page there are details about the different retirement options and then some information about how Miss K can access advice or guidance:

"We recommend you receive advice or guidance before making a final decision about which retirement option you'd like to select.

You can:

- *visit the government's website for free and impartial guidance at www.pensionwise.gov.uk or call 0800 138 3944*
- *or contact your financial adviser. If you don't have one you can find one at www.unbiased.co.uk They may charge for any advice they give.*

We also have our own financial advisers who may be able to give you advice on the options you have and the products we offer. Call us if you'd like more information. Please note, financial advisers charge for advice."

In July 2020 Miss K emailed Scottish Widows to ask for some information in order for her to make a decision about transferring her pension from Firm M into her Scottish Widow's pension. She then spoke to Scottish Widows on the phone and emailed to confirm she would be going ahead with the transfer.

A letter was sent to Miss K from Scottish Widows in July 2020 summarising their conversation. On the first page Scottish Widows asked Miss K to read through the document and recommended she seek advice if she was unsure about combining her pensions. The document set out some key points which were discussed such as confirming that Scottish Widows had not provided any advice to Miss K and that the transferred funds would be invested in accordance with the current investment choices. The declaration that Miss K agreed to set out:

- *"I understand the money from the pension(s) I want to transfer will go, where available, into the same investment options as my Scottish Widows plan and I understand I can change these options at anytime.*
- *I understand that my transfer payment will be invested in accordance with my most recent investment instruction, where available.*
- *I haven't received any advice from Scottish Widows on whether or not combining my pensions is right for me."*

A letter was provided to Miss K once the transfer had taken place, she also let Scottish Widows know that she wanted to change her retirement date to a later date. A further letter was issued to Miss K to confirm the change of retirement date.

Annual statements were issued to Miss K, I have had sight of statements from September 2020, September 2021 and June 2022. Additionally, I have been provided with the monthly fund valuations of Miss K's PPP from November 2021 to November 2023. The PPP was valued the highest in December 2021 at around £86,000, there were some fluctuations, but by November 2023 the fund value had dropped by around £26,000.

Miss K's annual statement dated September 2020 sets out:

"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."

"ARE THESE FUNDS STILL RIGHT FOR YOU?

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

Following completion of the 'lifestyling' of Miss K's PPP, Miss K's annual statement of September 2021 sets out:

"'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."

At the beginning of August 2023 Miss K contacted Scottish Widows to complain about a drop in value of her PPP, she was also unhappy that she was not able to view her valuation online.

Scottish Widows responded to Miss K's complaint, they said that the fund had dropped due to market conditions, not by anything they had control over, so they didn't uphold the complaint.

An investigator reviewed Miss K's complaint, they didn't uphold it. Miss K didn't agree, she said that the plan was called 'Pension Protector' and Scottish Widows had lost more than a quarter of her pension value within two years. She felt that Scottish Widows ought to have explained the nature of the product and conflict when she let them know she didn't want to take an annuity in July 2020. She asked for an ombudsman to carry out a review so the complaint has been passed to me to reach a final 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 can understand why Miss K is frustrated with the drop in value of her PPP fund and why this has given her cause to worry. However, I can only uphold this complaint if I think Scottish Widows has caused the drop in value. And based on everything I have seen in my investigation I don't think they have.

Miss K has said that she feels it is common decency for Scottish Widows to explain the product to her and any conflict when she explained (during the transfer process in late 2020) that she did not want an annuity in retirement. And as the funds were being switched (a process called 'lifestyling') in order to prepare for her to purchase an annuity this was not the correct product for her.

It's worth noting that the process of lifestyling had almost completed prior to Miss K transferring her pension from Firm M into her Scottish Widows pension. And it had completely finished by her original retirement date in September 2020 – a year before the drop in value of her PPP which began in around December 2021.

Scottish Widows provided information about what fund Miss K's PPP was invested in and information about 'lifestyling' within her annual statements. The statements pointed Miss K towards Scottish Widows' fund information available online. I've looked at what is currently available 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 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, I think Scottish Widows gave Miss K enough relevant information about her investments.

I understand Miss K'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 Miss K's annuity targeted lifestyle approach. Furthermore, recent events, such as Liz Truss' budget, mean 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 Miss K doesn't plan to annuitize this isn't helpful but Miss K was told her funds were invested targeting an annuity and information about her funds was available. She was also prompted to take advice and to consider her fund selection a number of times. Scottish Widows couldn't give Miss K advice and they couldn't manage her investments for her.

Scottish Widows told Miss K how she could seek free pension guidance, or access reputable financial advisers. This was enough, in my opinion, and it was up to Miss K to take appropriate action to ensure the transfer, and retirement strategy, remained suitable for her.

The final years leading to Miss K's revised retirement date (from December 2021) coincided with changes in the market due to the economic and political instability due to events such as Liz Truss' budget, the pandemic and the Russian war. These events affected the markets greatly and in turn affected the value of Miss K's PPP, as well as most investment products generally. This was out of Scottish Widows' control. I've not seen anything to suggest that Scottish Widows were mismanaging Miss K's PPP and so I can't hold Scottish Widows responsible for the decrease in the value of her PPP during this period.

Online access

Miss K has complained that around the time of the transfer of her pension with Firm M, online access was removed for her. She was told she would be notified once it was reinstated, however she never was. Scottish Widows provided a copy of the terms and conditions of their online access, at section 5 '*General*' it states:

"Scottish Widows may suspend or terminate your use of the services at any time for any reason."

So, access could be removed at any time for any reason. During the period the online service was unavailable, Miss K was able to check the value of her PPP on the telephone if she wanted to monitor it. Whilst I appreciate online access offers a convenient way for Miss K to access her PPP information, it isn't something that is guaranteed and there were alternative ways for her to monitor her PPP value. So, I'm not suggesting Scottish Widows do anything in relation to this point.

Summary

Miss K's PPP began to drop in value over a year after the plan had been 'Lifestyled'. At the time of the transfer in from Firm M Scottish Widows suggested Miss K seek financial advice if she needed to, and provided her with information about how she could obtain free guidance or contact reputable financial advisers. I think this was the right thing for Scottish Widows to have done at the time. I've not seen anything to show that Miss K took any action. And the drop in fund value was due to reasons that were out of Scottish Widows' control.

Whilst Miss K didn't have access to her PPP online, she was able to contact Scottish Widows on the telephone to monitor her PPP value and she received annual statements. So, she was able to monitor her PPP if she wanted to do so. Scottish Widows aren't required to offer the online service. So, I don't think being unable to access her PPP online stopped Miss K from being able to monitor the value of her policy.

My final decision

It's unfortunate that Miss K's fund value dropped, so close to her retirement date. However, I'm satisfied the drop in the value of the pension was due to the change in market conditions, rather than because Scottish Widows failed in their regulatory obligations to Miss K or mismanaged the fund. So, I don't uphold Miss K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 16 May 2024.

Cassie Lauder
Ombudsman