DRN-4932591

The complaint

Mr G complains that Aviva Life & Pensions UK Limited (Aviva) were meant to be investing his money in a safe fund but he suffered big losses in his pension's value.

What happened

Mr G's policy was opened in April 2018, his employer at the time chose for their scheme members to be invested within a default investment option which was the Aspiring Lifetime (flexible retirement) investment programme.

The illustration issued at outset showed Mr G's funds would be invested in two funds the flexible retirement fund and the transition fund. With a selected retirement age of 65 – in October 2022.

In September 2020, Mr G contacted Aviva and asked to change his investment programme end date to 2 January 2021 – this was confirmed in a letter sent by Aviva on 24 September 2020.

In December 2020 Mr G signed a letter of authority for a financial adviser to get information about the plan. The information provided showed that nearly all his money had now moved into the flexible retirement fund as part of the de-risking element of his plan.

On 2 January 2021, Mr G received a letter confirming the end of his investment programme and this said his funds would no longer automatically move.

On 28 and 29 January 2021 Aviva wrote to Mr G to confirm the purchase of approximately £45,000 worth of units in the flexible retirement fund. I understand this came from Mr G's redundancy payment.

His annual statement sent in December 2021 showed the value of his plan was £60,261. And that the entirety of his fund was invested in the flexible retirement fund.

Mr G complained to Aviva in June 2023 as the value of his plan had dramatically decreased since the end of 2021, with the value of the plan on 30 November 2022 at £43, 672.

Aviva investigated the complaint and issued their final response on 25 July 2023. They explained the policy had been invested in the way agreed at the outset and the fall in value was due to market conditions impacting the UK and international Bonds and UK Gilts sector – of which Mr G was primarily invested in. And didn't uphold the complaint.

Unhappy with this, Mr G contacted our service in November 2023 and asked us to look into the matter.

Our investigator looked into matters, but she didn't think the complaint should be upheld. She explained that the pension had been invested in line with the employers' instructions – and Aviva had administered the policy in line with its terms and conditions.

Mr G didn't agree. He said:

- He wanted us to investigate that Aviva at some point changed the funds he was invested in as he was losing money and crystallised his losses.

- The investigator had pointed to the losses being caused by the mini budget but in fact they had already started before this point.

- The investigator had said Aviva had acted appropriately in the management of the fund – in not making changes. Mr G believes it should've made changes as it lost money over a sustained period of time.

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.

And having done so I agree with the findings of the investigator and for broadly the same reasons.

Mr G's response to the investigator's view centres around Aviva's ability to have reduced the losses suffered by making changes to the lifestyling programme. In its brochure explaining the investment solution Mr G was in, it says:

'Aviva monitors this solution to ensure that it meets our investment criteria, especially when external factors, such as financial markets, the economy, regulation or legislation change. As a result, Aviva may, for example, alter the timings of the movements between funds, their frequency, or the funds and the make-up of the funds included in the programme. Please be aware there is no guarantee that this programme will benefit your retirement savings.

The value of an investment is not guaranteed and can go down as well as up. You could get back: less than the amount paid in.'.

Mr G points out that the fund had already been suffering losses a year before the mini budget that has been cited as the key factor in the fall in value of funds made up of UK Gilts. However, Aviva's description of what it will do makes no mention of guaranteeing performance and its decisions have to be taken with all its customers who are invested in the investment solution in mind. Some will be closer to retirement than others and making changes after a loss can lock in those losses, as Aviva have said the hope is the investment will recover. Furthermore, Mr G's investment programme had ended by January 2021 at his request and this was before the fund suffered significant losses. It was explained his funds wouldn't automatically move after this point. So, any changes made to the investment programme wouldn't have applied to Mr G in any event.

Mr G could've left the investment solution/switched funds at any point and Aviva's statements make clear he was free to select alternative funds. Unfortunately, the fund he was invested in was mostly invested in UK Gilts and as previously explained external factors such as the war in Ukraine and the mini budget have caused volatility and losses in this investment sector. I appreciate this came at the worst time for Mr G as he was closing in on retirement but I cannot hold Aviva responsible as it had no obligation to make changes, provide advice or to monitor Mr G's investment performance.

Mr G says he wants us to investigate that Aviva crystalised his losses by changing his funds as a reaction to the losses. This runs rather contrary to his point that it didn't react to stem his losses. However, I can find no evidence that this occurred. Aviva has confirmed it did not make any changes without Mr G's permission and it followed the investment solution in terms of the funds selected. This is backed up by his annual statements. Mr G in his complaint form said there was a change made with his permission and I think he must be referring to changing the date of the investment programme ending. He's said Aviva did not adequately explain the consequences of this and this crystallised his losses. However, Aviva is and was just the administrator of the scheme it could not give Mr G advice about what funds to invest in. Mr G was fully invested in the default investment solution chosen by his employer – Aviva made no changes to this apart from ending the investment programme early at Mr G's request.

I can appreciate the losses Mr G suffered must have been distressing but the fund selection was down to his employer – although he had the opportunity to make changes to this. And unfortunately, funds can go down as well as up. Aviva made Mr G aware of this. The evidence suggests, and Aviva has confirmed to us that the only fund switches made were in line with the investment solution agreed with his employer for the scheme. So I don't think it did anything wrong or made an error.

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 G to accept or reject my decision before 24 October 2024.

Simon Hollingshead
Ombudsman