DRN-5074284

Financial Ombudsman Service

The complaint

Ms D complains that Scottish Widows Limited (trading as Halifax Financial Services) has failed to manage her pension investments in a professional manner.

What happened

Ms D held pension savings with Halifax. Those pension savings arose from some advice that was given to Ms D by Halifax in 2009. As part of the advice given to Ms D her pension savings were invested into a lifestyling fund. The aim of that fund would be to reduce the risk in Ms D's pension investments as she approached her selected retirement date. Ms D's pension plan showed a selected retirement date of her 60th birthday in May 2018.

Ms D didn't take her pension savings when she reached her 60th birthday. In line with the terms of her pension plan Halifax deferred Ms D's retirement date to her 75th birthday. But no changes were made to Ms D's pension investments at that time, so they remained in the lower risk funds that had been selected at the end of the lifestyling approach.

Ms D's pension investments fell in value from 2020 onwards. She complained to Halifax that it had failed to adequately manage her pension savings or provide her with sufficient information about the nature of her investments. Halifax didn't agree with Ms D's complaint. It said it wasn't expected to provide her with any advice in relation to her pension savings. And whilst it sympathised with the short-term performance of the pension investments it noted a pension was a longer-term investment. It said that the investments had recently experienced some volatility due to the situation in Ukraine.

Ms D was unhappy with that response, so she brought her complaint to us. The complaint has been assessed by one of our investigators. He noted that the lifestyling strategy was a common investment approach around the time Halifax gave its advice to Ms D. But he didn't think that Halifax was required to provide any more recent advice to Ms D – so it was her decision how to invest her pension savings. He noted that Ms D had sought advice from another financial advisor in 2014. The investigator didn't think Halifax had done anything wrong.

Ms D didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Ms D and by Halifax. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words

I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

This complaint isn't about whether the advice Halifax gave to Ms D in 2009 was suitable. I will naturally reflect on that advice in this decision, but I want to be clear I am not making any findings about whether or not Halifax's recommendations were appropriate for Ms D's circumstances at that time.

The options available at retirement in 2009 were very different from those available now, that were introduced in new legislation in 2015. In 2009 the overwhelming majority of consumers would use their pension savings at retirement to purchase an annuity. So lifestyle funds were seen as being appropriate since they gradually reduced the volatility of pension investments as retirement approached. That would mean that a consumer would be unlikely to experience a large fall in the value of any annuity they could purchase due to market volatility shortly before retirement.

The way that volatility was managed by lifestyling funds was for investments to be gradually moved into gilt and fixed interest holdings in the years leading up to the selected retirement date. The value of those assets would generally move in the opposite direction to annuity prices, meaning that the value of an annuity that could be purchased would be unchanged by any fluctuations in investment values.

But it seems that Ms D had made the decision to take advantage of the 2015 legislation changes, and not purchase an annuity. So the investments she held as a result of the lifestyling changes were potentially not as suitable as some others might have been for her circumstances.

I think at this stage it would be useful to reflect on the relationship that Ms D had with Halifax. It does seem likely that Halifax provided Ms D with some advice in 2009 about her pension investments. And it might even be the case that Halifax continued providing on-going advice to Ms D after that date. But Ms D tells us that she was later told by her Halifax advisor that the firm was withdrawing from the advice market. And that was confirmed within the report that Ms D was given by the new financial advisor in 2014. That report noted that Ms D was not receiving any ongoing advice from Halifax.

So I am satisfied that, for at least the past ten years and most likely longer, Halifax has not provided advice to Ms D about her pension investments. And I think it likely that Ms D was aware of that situation, both from the conversations she had with her former Halifax advisor, and from the information she received from the new financial advisor in 2014. So essentially it fell to Ms D to make sure that the ongoing investment of her pension savings reflected any changes in her circumstances and risk appetite.

It would have been inappropriate for Halifax to change the lifestyling investment strategy that Ms D had agreed in the early years of her pension without a specific instruction from her. And it would also have been inappropriate for Halifax to point out to Ms D that she might want to change her investments - it is likely that the regulator would have viewed such a comment as the provision of advice. So I don't think Halifax did anything wrong in the movement of Ms D's pension investments to the "lower risk" funds or in leaving those investments unchanged when Ms D decided to defer her retirement.

I can see that Ms D had a discussion with Halifax about her pension investments in 2017. On that call Halifax explained to Ms D that she was able to make changes to those investments if she thought it necessary. But it also told her that the investments could remain unchanged if she thought they remained suitable. As I have said earlier, I don't think it would have been right for Halifax to go further in its comments to Ms D at that time.

I appreciate how disappointing this decision will be for Ms D. She has seen a large fall in the value of her pension investments. But the behaviour of those investments has correctly mirrored changes in the purchase price of annuities. So I cannot conclude that Halifax has done something wrong here in the way it has dealt with Ms D's pension savings.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against Scottish Widows Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 27 December 2024.

Paul Reilly
Ombudsman