

The complaint

Miss K is unhappy with the service she received from Phoenix Life Limited (Phoenix Life).

What happened

Miss K took out a personal pension plan (PPP) with Phoenix Life in 1998, at the time she set her retirement date at March 2021. Miss K's PPP was set up to 'lifestyle' as she approached the retirement date. So, funds would be switched from the investments held within her PPP gradually into cash and the Pension Protector fund.

On 7 January 2021 Miss K received her PPP annual statement. This document contained a Pension Summary and information about Miss K's options for taking her retirement benefits. The first page of the Pension Summary provided the details for Pension Wise and explained that they provide free and impartial guidance. On a page entitled "*Retirement Options Statement*" the first option was posed as a question:

"Keep your pension savings where they are"

An answer is provided as:

*"Yes, for as long as desired Your plan includes lifestyle switching. Please see '**Keep your pension savings where they are**' notes in the **More information about your options** section."*

In the "**More information about your options**" section it sets out:

"When considering your options, don't forget that Pension Wise is there to help you understand them, and what each might mean for you. Their contact details are in your letter."

And under the "*Keep your pension savings where they are*" information Phoenix Life set out:

"What do I need to consider?"

If you intend to keep your pension savings where they are, you should consider whether your investment split will be suitable for your needs."

And under the heading "**Postponing retirement - things to think about**" there are a number of bullet points which include:

- *"We recommend you seek independent financial advice on this option."*

Miss K contacted Phoenix Life in March 2021 to defer taking her benefits for five years. Phoenix Life didn't action this request. Miss K's contributions stopped being taken in April 2021.

In April 2023 Miss K received her annual statement and noticed that her fund value had reduced, and her contributions had not been taken. The fund value at this time was £23,861.58 – having dropped from £29,705.16 the previous year.

Miss K raised a complaint, she wanted to know why contributions had stopped being taken. And she said that her fund had lost value due to Phoenix Life mis-managing her plan. She said, if Phoenix Life had not stopped taking contributions the fund would have increased as it had in the past. Miss K said she would like her pension to be put back into the position it would have been in had the mistake not happened.

Phoenix Life responded within their final response on 14 September 2023, they upheld Miss K's complaint. They agreed they had made an error when they stopped taking contributions from Miss K. In order to resolve the complaint, they offered to add the missing contributions to Miss K's plan. Phoenix Life calculated the missing contributions as £2,576.77 gross, £2,061.24 net. And they offered Miss K £200 compensation to apologise for the length of time and inconvenience they had caused her.

Miss K remained unhappy and referred her complaint to this service. In addition to the missed contributions Miss K complains about the service she received when Phoenix Life reinstated her direct debit. And she mentioned some benefits which seemed to have been removed from her policy in around 2022. She also wanted Phoenix Life to provide an explanation as to why they made a deduction of £515.35 from the missing contributions.

After the complaint had been referred to this service Phoenix Life got in touch with us. They said that they had not done what they should have following their final response letter and so they offered Miss K a further £300 compensation. They let this service know that an actuary had calculated what Miss K's plan would have been worth had the contributions been made when they should have been.

In an amended statement from April 2024 Miss K's PPP annual statement set out that the value of her plan was £33,247.82.

The increased compensation offer was put to Miss K by an investigator, but she didn't accept it. As such the investigator carried out a full investigation. The investigator set out that they felt the offer that Phoenix Life had made was fair. That's because they had offered £500 compensation and reconstructed Miss K's policy as if the missed contributions had been taken.

Miss K was dissatisfied with the assessment, she asked for her complaint to be referred to an ombudsman. She said she was satisfied that Phoenix Life had repaid the missed contributions. But said that she hadn't been provided with an explanation as to why this happened. She also said:

- In April 2024 her total fund should have been £35,753.74.
- Lifestyling did not form part of the agreement she had with Phoenix Life.
- Miss K had no knowledge of the lifestyling option prior to 2023.
- Although it states in her pension summary that she chose the lifestyle option, she didn't implement it or instruct that funds were moved.
- Had her plan not been lifestyled she would not have suffered a loss.
- Miss K's contributions had remained the same for at least seven years when they should have been increasing.

Miss K's complaint was referred to an ombudsman. In response to some questions put to Phoenix Life they said that:

- If additional contributions are received from consumers following the completion of a lifestyling strategy, they are invested in the original funds. That is the funds the PPP was invested in prior to the start of the lifestyling strategy.
- They calculated Miss K's loss by adding the missing contributions to the five funds her PPP was invested in prior to the lifestyling.

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 appreciate this will come as a disappointment to Miss K, but, having done so I'm not asking Phoenix Life to do anymore. I will go on to explain why below. But first I must explain what I am and am not considering within this decision. I have considered the missing contributions and loss in value of Miss K's PPP.

Whilst the complaint has been with this service Miss K has raised that she doesn't think her PPP ought to have been lifestyled. Miss K has said that this forms part of this complaint, because she has complained about the drop in value of her PPP, but I disagree. When Miss K raised this complaint with Phoenix Life she didn't complain that she didn't know her PPP was to be lifestyled, or that her PPP shouldn't have been. So, under this complaint I will consider if Phoenix Life's actions have led to the loss in value of Miss K's PPP. But I won't consider if the lifestyling of her PPP was the correct action for them to take. Miss K is free to pursue this separately with Phoenix Life if she is unhappy. I also have not considered whether or not Miss K's contributions ought to have been increasing annually for the same reason.

Missing contributions

Phoenix Life have agreed that they made a mistake – they shouldn't have stopped taking Miss K's contributions in 2021. They offered to reinstate Miss K's PPP as if she had paid them – without her having to make up those contributions. They employed an actuary to carry out this calculation. I think this is fair. Miss K's pension will benefit from these additional contributions without Miss K actually having to personally pay them. So I'm not asking Phoenix Life to do any more here.

Loss of value

Miss K has said that, had Phoenix Life made the contributions as they should have, her PPP would have continued to increase in value. As it had done over previous years.

I can understand why Miss K is frustrated with the drop in value of her PPP. However, I can only uphold this part of her complaint if I think Phoenix Life has caused the drop in value due to the mis-management of her fund. And based on everything I have seen I don't think they have.

The years Miss K's PPP saw a loss in value, and her intended retirement date, coincided with changes in the market due to the economic and political instability due to events such as the pandemic and the Russian war. These events affected the markets greatly and in turn affected the value of Miss K's pension, as well as most investment products generally.

Phoenix Life are the administrator of Miss K's PPP. They are not able to provide Miss K with individual advice about where her funds should be invested. And they're not able to make changes to Miss K's investment funds without direction from her, or her appointed financial adviser. Within their annual pension summaries Phoenix Life provide the details for Pension

Wise which is a free service that provides guidance to consumers. And they recommended that she seek independent financial advice as she approached retirement. All of these things were the right thing for Phoenix Life to have done. It was for Miss K to consider if she requires financial advice in order to review if the way her PPP was invested remained suitable for her.

I appreciate Miss K has put some figures to this service as she believes that she has lost out due to the lifestyling of her PPP. As set out above I'm not considering if it was right for Phoenix Life to have lifestyled Miss K's PPP. Instead, I am considering if they mis-managed her fund. And I've not seen any evidence that they did. So, I can't hold them responsible for a drop in value of Miss K's PPP.

If Miss K wants to complain that her funds should have remained where they were – had the lifestyling of her PPP not occurred - she is free to raise that as a separate complaint.

Phoenix Life have told this service that they arranged for an external expert – an actuary, to carry out a calculation. They said the actuary checked what Miss K's PPP would have been worth, had the missing contributions been added to her PPP when they should have been. And they said that any new contributions would have been invested in the original funds.

So, I am satisfied that the updated valuation Phoenix Life has provided to Miss K is accurate.

Service

Phoenix Life said they would reconstruct Miss K's PPP in their final response of September 2023. But they didn't. Miss K had to contact them again for them to arrange for her PPP to be updated. And Phoenix Life took too long to arrange for her to make an additional payment into her PPP. Miss K suffered stress and anxiety when she realised that her PPP contributions had not been made. And whilst Phoenix Life went over and above what I would have expected them to do in order to resolve the issue, they didn't do what they said they would. This caused additional distress to Miss K. Phoenix Life have offered a total of £500 compensation to Miss K which I think is fair and reasonable. So, I'm not asking them to do any more.

Additional considerations

Miss K has asked what the deduction of around £500 was from the contribution value Phoenix Life provided within their final response letter. Phoenix Life provided two values – one which was how much would end up in Miss K's PPP (gross value) and one which reflected what they would contribute (net value). The difference is the tax relief applied to the contributions within the PPP.

The above has been superseded with the calculation that Phoenix Life arranged. That calculation took into account any investment loss/growth over the time that the contributions would have been made. This is a more accurate way to place Miss K back into the position she would have been in but for their error.

Miss K has also asked why or how the error occurred. Phoenix Life say there is no explanation. Unfortunately, errors do occur, it would be human or systematic errors. What's important is that as soon as an error is noticed the firm does something to put things right. I think Phoenix Life did that in this case.

Additional benefits had disappeared from Miss K's PPP. I note that this has been resolved by Phoenix Life and Miss K did not mention it again, so I've not considered it in full.

However, I can see that the benefits that should have been reinstated when Miss K restarted contributions have been.

Putting things right

In order to resolve Miss K's complaint Phoenix Life should:

- Reconstruct Miss K's PPP as if the missing contributions from April 2021 to May 2023 had been received and invested how they would have been in line with the actuary calculation.
- Award £500 compensation to Miss K for the distress and inconvenience the service she received caused her.

My final decision

I uphold Miss K's complaint and direct Phoenix Life Limited to award redress as set out above, where they have not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 13 January 2025.

Cassie Lauder
Ombudsman