DRN-5248109

The complaint

Mr H complains that Scottish Equitable Plc trading as Aegon has failed to invest his pension savings in a professional manner.

What happened

Mr H held pension savings with Aegon. Those pension savings arose from a policy Mr H had opened in 2001 to receive pension contributions from him and potentially his employer. From the start of his pension plan Mr H's pension savings have been invested using a lifestyling strategy. I understand that Mr H has now transferred his pension savings to another provider.

Mr H's pension savings were invested using a lifestyling strategy. That strategy would move his pension investments into alternative funds around the time that they might be needed to provide a retirement income. Mr H had selected his 65th birthday in August 2021 as his retirement date. Aegon completed the lifestyling switches in accordance with its normal practice in January 2022. His pension investments were moved into Aegon's Retirement Fund.

Mr H says that his pension investments fell in value following that switch. He says that was because the fund in which they were was not "safe" or "low risk" as Aegon had told him it would be. He complained to Aegon about how his pension investments had been managed. Aegon didn't agree with the complaint. It said that the fall in the value of Mr H's pension savings was due to market fluctuations rather than something it had done wrong. Unhappy with that response Mr H brought his complaint to us.

Mr H's complaint has been assessed by one of our investigators. He thought that Aegon had correctly applied the lifestyling strategy that Mr H had selected. And he agreed with Aegon's interpretation that the fall in the value of Mr H's pension investments had been due to external market factors rather than something it had done wrong. So he didn't think Mr H's complaint should be upheld.

Mr H 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 Mr H and by Aegon. 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.

Aegon did not provide Mr H with any advice, or recommendations, about his pension investments. The fees it charged to Mr H were for the administration and management of his pension plan. Essentially decisions about the investment of the pension savings were decisions Mr H needed to take for himself. So it was for Mr H to review the way in which his pension savings were invested, and to satisfy himself that the investments were appropriate for his circumstances at that time.

As I have said earlier, Mr H's chosen pension investment was into a lifestyling fund. The options available at retirement when he made that initial investment decision were very different from those available now – following changes that were introduced in new legislation in 2015. Before then 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 around 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.

In line with its regulatory responsibilities I can see that Aegon made Mr H aware that his pension investments were subject to lifestyling. On each of the annual statements it sent to Mr H Aegon suggested he should check that his pension investments remained suitable for this circumstances and retirement plan.

In the lead up to his selected retirement date Aegon sent Mr H some more detailed information about how lifestyling would impact his pension investments. Specifically it warned in respect of delays to taking his retirement benefits past his selected retirement date. It said;

> *"If you're invested in a lifestyle fund, when we delay your retirement date, this date and the year your fund is targeting may be different. This could result in the mix of your investments not being the most appropriate for you. That's why it's important you tell us if you want your fund to match the new retirement date as we'll then switch you into the appropriate version of your current lifestyle fund."*

In 2022 economic circumstances and government policy led to falls in the value of the gilt and fixed interest investments that Mr H was holding as a result of the lifestyling changes. But those falls in value were offset by increases to annuity rates. That meant that a consumer, who was buying an annuity as envisaged by the pension plan design, would have seen little change in the value of the annuity they could purchase despite the fall in the value of their pension savings.

I have looked carefully at the specific performance of the Retirement Fund into which Mr H’s pension savings were invested. The fund invests pension savings into a mixture of long dated gilts (around 75% of the fund) and cash (around 25% of the fund). Aegon says that it is expected to perform in line with a composite benchmark made up of the FTSE Actuaries UK Conventional Gilts Over 15 Years benchmark and the Bank of England Sterling Overnight Index Average benchmark.

There is little doubt that investments in the Retirement Fund saw a large fall in their value during late 2021 and early 2022. But that fall was mirrored by similar falls in the benchmarks I have set out above. So I cannot conclude there is any evidence that Aegon failed to manage the Retirement Fund in a professional manner.

I have seen that Mr H has said that Aegon has failed to provide him information about the total contributions he has made to his pension plan. I haven’t any reason to think that Aegon has deliberately withheld that information – it seems more likely that his request has been overlooked. But I can see that, in October 2022, Aegon wrote to Mr H to confirm that the total amount that had been paid into his pension plan was £57,756.60. It also offered Mr H the opportunity to get further detail on his pension plan via his online account. So I’m not persuaded Aegon has done anything wrong here either.

I appreciate how disappointing this decision will be for Mr H. He has seen a fall in the value of his pension investments. But the behaviour of those investments has correctly mirrored changes in the purchase price of annuities. So I cannot conclude that Aegon has done something wrong here in the way it has dealt with Mr H’s pension savings.

My final decision

For the reasons given above, I don’t uphold the complaint or make any award against Scottish Equitable Plc trading as Aegon.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr H to accept or reject my decision before 6 February 2025.

Paul Reilly
Ombudsman