

The complaint

Mr S complains that Aviva Life & Pensions UK Limited ('Aviva') misled him about how much his pension would be worth at retirement.

What happened

Mr S took out a pension with Aviva in 1984 through an independent financial adviser ('IFA').

Mr S recently received a retirement quotation and was disappointed to find out that his pension was worth £238,334.60. This was substantially less than the sum Aviva had estimated his pension would be worth when he took it out.

Mr S complained that he'd been misled by Aviva, adding that he hadn't been told during the years since taking the pension out that the plan was likely to be worth less at retirement.

Aviva didn't uphold the complaint. It said market conditions were very different now compared to when Mr S took out the pension in 1984. It said the estimated returns were reasonable at the time.

Mr S remained unhappy so he referred his complaint to our service.

Our investigator didn't uphold the complaint. He thought the information Aviva had provided was clear that the future returns were estimated and that the projected value wasn't guaranteed. He also thought Aviva had provided valuations to Mr S's IFA over the years so he ought to have been aware that a lower value at retirement was expected.

Mr S didn't agree and asked for an ombudsman to decide the matter. He said as a layperson he had relied on the illustration. He thought it was incumbent on Aviva to do more to let him know how much lower the value of his pension was likely to be at retirement. Mr S added he couldn't be expected to understand that the value estimated in 1984 was unachievable as the maturity bonus could've increased the value substantially.

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.

Having done so, I'm not upholding this complaint for largely the same reasons as the investigator. I know Mr S will be very disappointed by this, so I'll explain why.

First I wish to acknowledge the difficult position Mr S is in. I understand Mr S was relying on this plan to fund his retirement and he was expecting a much higher sum. So, I appreciate how upsetting it must be for him knowing he has a lower pension available to him. But having said that, I don't think Aviva has treated him unfairly here.

It's important to note that Aviva didn't sell the plan to Mr S, it was purchased through an IFA. So, it would've been the IFA's responsibility to explain the features of the plan to Mr S and the risks involved, such as the effect of market conditions on the returns. But Aviva still needed to provide clear information. I've seen a copy of the illustration Mr S says he relied upon and I'm satisfied it clearly explained that on retirement at age 60 there was a 'guaranteed' fund of £53,495 and an 'estimated' fund of £1,146,504. The illustration stated:

"Estimated values are calculated assuming a bonus rate of 7% p.a. compound, with a further 2.50% p.a. calculated on existing bonuses only and estimated pensions are based on current annuity rates."

"Note: Current bonus rates reflect high investment returns. A decline in investment returns may lead to a fall in bonus rates."

So, I think the illustration made it clear that Mr S was only guaranteed to receive the lower sum of £53,495 at age 60 and the higher figure was an estimation based on the current rates and investment returns. And I think Mr S would've known that the projected value of his pension at retirement was dependent upon market conditions and could change over time.

Mr S says Aviva needed to do more to let him know the valuation estimated in 1984 was unachievable. But I can see Aviva sent regular valuations to Mr S's IFA, whose responsibility it would've been to discuss the valuation with Mr S and consider the implications of it. I don't think Aviva needed to do more in the circumstances as it couldn't have reasonably expected Mr S to base his retirement plans on an illustration given to him in 1984. I can also see that Aviva wrote to Mr S in 2012 to explain that because of investment conditions, it was unable to declare any regular bonus in 2011 and would be unable to do so going forwards, as it needed to prioritise the payment of guaranteed benefits. So, I think Mr S would've understood the market conditions were having an adverse effect on his pension.

Mr S says he thought that the addition of the final bonus could make the figure estimated in his illustration achievable. But I'm not persuaded by this – Mr S was told the estimated valuation was based on investment returns and he would've been aware of a series of market crashes since 1984. He was told directly in 2012 that poor investment returns meant Aviva was unable to pay bonuses and that the value of his pension, after around 28 years, was £128,876.88. So, overall, I think Aviva gave Mr S enough information for him to understand his final pension was likely to be substantially less than was estimated in 1984. And I don't think it was reasonable for him to have expected otherwise.

My final decision

For the reasons set out above, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 27 January 2022.

Hannah Wise
Ombudsman