DRN-4065121

## The complaint

Mr K complains that The Royal London Mutual Insurance Society Limited (Royal London) mismanaged his pension fund, causing him a loss.

## What happened

Mr K was a member of his former employer's group personal pension with Royal London. And in 2022, upon reaching his selected retirement age, 100% of Mr K's pension automatically switched to the RLP Annuity Fund. Later that year, Mr K complained to Royal London that his pension had suffered a huge loss when the Lifestyle Strategy it followed shouldn't allow this so close to his retirement age. Mr K said he chose this to minimise risk and avoid losses in the knowledge he won't make large gains and that he paid Royal London to manage his fund. He asked it to compensate him in light of its poor management of this.

In response, Royal London said, in summary, that when Mr K's scheme was first set up the financial adviser for this selected a portfolio that included a lifestyle strategy. It said this meant Mr K's funds were automatically switched into the RLP Annuity Fund as per the terms and conditions of the Lifestyle Strategy to move these into lower risk assets as he approached retirement. And that the majority of the RLP Annuity Fund is invested in corporate bonds and gilts, known as fixed interest stock. Royal London said that while it does all it can to ensure the highest returns based on the investment strategy, values can still go up and down. And that lower risk investments, including fixed interest stock, have recently seen significant drops due to increased volatility based on social, economic and political events. It said that the only way it could change the strategy was as a result of an instruction from Mr K or his financial adviser.

Unhappy with this, Mr K brought his complaint to our Service. He added, in summary, that he's only a few years from retirement and would like his funds to be in the lowest risk investments. He said that while the Lifestyle Strategy is described as being for people approaching retirement, the fund his pension has been switched into isn't low risk based on the 13% drop in value over 12 months. He said Royal London made this switch without him requesting it. And that while Royal London has since suggested he could move his funds, this was only after the loss had already happened.

One of our Investigators looked into it and said Royal London had acted in line with the Lifestyle Strategy that applied to Mr K's pension plan and made it clear to him that this involved making automatic changes to his funds as he reached retirement age. She said that fixed interest investments that the RLP Annuity Fund is largely invested in are generally considered low risk, but are still subject to market conditions and aren't guaranteed. So she didn't think Royal London had done anything wrong.

Mr K didn't agree. He added that Royal London ought to have managed the market conditions, given it's a large organisation that he pays hundreds of pounds a year to. And that other funds it provided at the time grew, while his declined. He said Royal London neglected to tell him that his low risk managed fund was more at risk than others and continued to assure him that it was right for his time of life and low risk.

So the complaint's been passed to me for a decision.

**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 Mr K's complaint, for largely the same reasons as our Investigator. I'll explain why.

It isn't in dispute that a Lifestyle Strategy was in place for Mr K's pension with Royal London. Such strategies usually seek to manage investment risks as someone's retirement age approaches, by gradually moving investments out of equity type investments and into fixed investments, such as gilts and bonds. This is because this type of investment usually exhibits lower volatility than equity assets over the long term.

I haven't seen anything to suggest Royal London provided Mr K with advice on his pension and investments. This means it was responsible for providing Mr K with accurate information and ensuring his plan followed the selected Lifestyle Strategy, while he was responsible for how his funds were invested, ensuring these were suitable and monitoring performance.

Royal London's said Mr K would have been provided with a welcome pack when he enrolled in his pension. And I think it's likely this explained that it would automatically make certain fund changes as he approached retirement as part of the Lifestyle Strategy. This means Royal London didn't need to receive a specific request from Mr K to make changes at those times. And I think Royal London clearly reminded Mr K of this in correspondence it made available to him, in advance of reaching his selected retirement age.

For example, Royal London sent Mr K a breakdown of his plan details when it wrote to him on 2 July 2020, which clearly said that the Lifestyle Strategy is based on his chosen retirement date, investment switches are made automatically and at that date 100% of his pension would be invested in the RLP Annuity Fund. The Lifestyle Strategy factsheet available to Mr K online also said Royal London would move 100% of his plan into this fund on his retirement date, in the way it did. And I can't see anything to suggest Mr K provided Royal London with any alternative investment instructions. So I think Royal London correctly followed the Lifestyle Strategy that it clearly set out in Mr K's case.

It's understandable Mr K's disappointed his plan value dropped by 12%, when the RLP Annuity Fund is largely made up of fixed interest investments that are usually considered to be lower risk. But I think it's important to bear in mind that lifestyle strategies don't eliminate risk. In certain situations fixed interest investments can sharply fall in value and this can't always be anticipated. This was unfortunately the case here, as I can see that Mr K's fund value fell sharply in September and October 2022 and Royal London's explained this was a result of the market conditions.

While I can see Royal London said in documentation that the Lifestyle Strategy was targeting a secure income and aimed to deliver a level of growth consistent with the level of risk Mr K was taking, I can't see that it assured him this was right for him at his time of life. Instead, I think Royal London made Mr K reasonably aware of the risks involved, as I can see it regularly explained in the documentation it sent him, including statements, that investment returns are never guaranteed, the value can go up and down and that he could get back less than what he paid into his plan. And I can see that Royal London also regularly reminded Mr K to check he was happy with his investments and that these were suitable for him, recommending he seek advice on this.

In summary, while what happened was unfortunate timing for Mr K given his upcoming retirement, evidence shows Royal London correctly followed the Lifestyle Strategy set out. Royal London wasn't responsible for ensuring Mr K's funds were appropriate for him. And I haven't seen anything to suggest it mismanaged these – the underlying funds appear to have achieved similar returns to the benchmarks they track, indicating they performed in line with comparable funds.

## My final decision

For the reasons I've given, my final decision is that I don't uphold Mr K's complaint against The Royal London Mutual Insurance Society Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 7 August 2023.

Holly Jackson
**Ombudsman**