DRN-4277588

The complaint

Mr D complains about the fall in value of his Scottish Widows Limited (SW) pension fund. He's also unhappy that he wasn't able to access his account online, with the amount of time he had to wait to speak to SW and with the charges applied to his pension.

What happened

Mr D had a personal pension with SW that was set up in 2012 by an employer who Mr D no longer works for. Mr D paid monthly contributions to the pension plan after he stopped working for that employer. Approximately 75% is invested within the Pension Protector fund and 25% in a cash fund.

In October 2022, Mr D complained to SW. In summary, he said he no longer had online access to his pension. He was unhappy that he had to wait for 45 minutes on hold before he was told his fund had significantly dropped in value. Mr D says he asked for details of the other funds available but was told this information wasn't available online and it would need to be posted to him. He also complained that he thought the fund charges were excessive considering the fund had fallen in value.

SW responded to Mr D's complaint. It explained that the Pension Protector fund aims to produce a return that reflected the price of annuities and was aimed at people who wanted to buy an annuity at retirement. SW said that as annuity rates had increased recently, the fund had fallen in value to reflect this. So, it didn't agree that the fund had been mis-managed.

SW explained that a recent upgrade to its systems had meant that online access had temporarily been lost. It did explain to Mr D where he could obtain information about the funds available online. And it apologised for the delays Mr D experienced when trying to call. SW offered £75 compensation to reflect this.

Unhappy with this response, Mr D referred his complaint to our Service. He said he'd never been made aware that the Pension Protector fund aimed to produce a return in line with annuity rates. He said he thought it was designed to protect the pension fund as he neared retirement. Mr D also questioned why he was paying charges for such poor service and fund returns. Mr D has since transferred his pension to another provider.

One of our Investigators looked into the complaint. She explained that the fall in value was reflective of the nature of how Mr D's pension plan was invested and current market conditions. So, she didn't think that this part of his complaint should be upheld. But, our Investigator thought that Mr D wasn't able to access information in a timely manner which delayed him being able to transfer to a new provider. She wasn't persuaded that Mr D had suffered a financial loss as a result of this, but did recommend that SW increase its offer of compensation to £150.

SW accepted this, but Mr D didn't. He said he'd never been provided with financial advice to explain how the Pension Protector fund worked and he'd never intended to purchase an annuity. He thought the Pension Protector fund simply protected the value. Mr D questioned whether he'd been charged the correct fees, and noted that he thought the fees were high for a passively managed fund.

Our Investigator reviewed things again. She explained that a complaint about whether he'd been charged the correct fees would need to be raised as a new complaint to SW and dealt with separately. She wasn't persuaded to change her mind with regards to the outcome of the complaint.

Mr D didn't accept this and asked for an Ombudsman to review his complaint. So it's been passed to me to consider and make a final 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.

I'll address Mr D's complaint points individually for ease.

Fall in fund value

Mr D is unhappy that his fund has fallen in value. Fund growth can't be guaranteed and it's not my role to look into the performance of the investment. Investment performance is not something that our Service can consider, as investments are subject to market volatility. However, we can consider whether the funds have been managed in line with the terms and conditions of the plan and what was agreed when the pension was taken out. How a fund is managed is generally a matter for the business' commercial discretion.

Mr D's pension was predominantly invested within bonds which are generally considered lower risk. However, it has fallen in value recently. That's reflective of wider market events and the type of assets Mr D's fund was invested in.

Mr D's pension had a "lifestyling" feature, which meant that as he neared retirement, more of the funds were invested within bonds and gilts or cash. It seems this was chosen by his employer when the pension was set up. This was prior to 'pension freedoms' being introduced in 2015 when other flexible options weren't available. So, the lifestyle approach's goal was to invest for an annuity purchase, as that was generally the only option at that point. Gilts have an inverse relationship with annuities - when interest rates increase, the value of gilts go down and annuity rates go up. This can mean that when annuity rates go up, as they have recently, the fund value may go down. But this is because less money is required to purchase the same level of income. Therefore, whilst the value of Mr D's fund may now be lower than it was, he is still able to purchase a similar income via an annuity if he chooses to. I understand Mr D views this as him having lost money. But given the nature of what the fund is trying to achieve and what it was set up to do, I don't agree this is the case.

Mr D says he never intended to purchase an annuity when he came to retirement. This may well be the case but there were less flexible options than there are now available when the pension was set up. But Mr D's complaint is against SW, and SW didn't arrange this pension for Mr D, it was arranged by his previous employer with the assistance of another financial adviser. This means that SW wasn't responsible for ensuring the pension was set up as Mr D wanted, or in line with how Mr D wanted to invest. All it had to do was set it up and administer it, and I can't see that it hasn't done this correctly. SW sent Mr D annual statements explaining how the fund worked and it's aims. I've also noted that the annual statements encourage Mr D to get in touch if he wishes to review his investment strategy or his pension and retirement options. Had Mr D had questions about this, he could've got in touch with either SW or reviewed things with a financial advisor. I've seen nothing to suggest he did.

Mr D has asked why around 75% of the fund is within the Pension Protector fund. SW has explained that this is in line with its lifestyle fund switching feature. It's confirmed this was done in the five years leading up to Mr D's original selected retirement date of 2019. I've seen a copy of the most recent annual statement sent to Mr D and this investment split is in line with the lifestyling option which is part of Mr D's pension.

Based on this, I don't think that SW has made a mistake or done anything wrong with regards to how Mr D's pension was invested. Or that it hasn't been invested in the way it was agreed to be from the outset.

Online access and delays in obtaining information

I agree with our Investigator that Mr D could've been provided with better service. From what I can see, the SW online system was down for some time whilst being upgraded. Mr D had to call to obtain information and has told us he had to spend a lot of time waiting for calls to be answered. Mr D has also told us SW couldn't tell Mr D what funds were available to him when he first called and was told this information would need to be posted to him. SW hasn't disputed this but did explain within its final response letter where he could obtain this information.

Because of this, Mr D says he felt the need to move his pension elsewhere. Had SW been able to tell Mr D what funds were available to him sooner, he could've simply switched funds rather than change providers. So I agree Mr D has been inconvenienced by this.

Our Investigator explained that Mr D's fund had actually increased in value by the time he was able to transfer it to the new provider, so she didn't think he'd suffered a financial loss. And I've seen nothing to suggest this isn't the case. That said, I do think SW should've been able to provide Mr D with the information he needed, even with its online services down. And it could've explained to him sooner how to find the information about its funds online.

I've thought about this, and I agree that the £150 our Investigator has suggested for the distress and inconvenience this matter has caused is a fair amount in the circumstances.

Charges applied

Mr D has suggested that the charges are too high in relation to the poor fund performance. Generally speaking, charges for pension funds are a set percentage of the value of the fund, and so are, in effect, reflective of its performance. As the value of a fund rises, so do the charges. But the inverse is also true. And this is the case for Mr D's fund. Whilst we aren't able to fully audit the fund to ensure that charges have been applied correctly, from the evidence I've seen there is nothing to suggest they are incorrect here.

Mr D has more recently disputed whether the charges have been applied correctly as he believes he should be getting a discount from when the pension was originally set up. I can't see he's previously raised this particular point with SW. And SW is entitled to address this complaint point before Mr D asks our Service to look into it. So I make no finding on that within this decision. SW has told us it will respond to Mr D directly in relation to this point. And, if Mr D remains unhappy after he receives this response, he can bring that point to us as a new complaint.

Putting things right

Scottish Widows Limited should pay Mr D £150 for the distress and inconvenience caused by its systems upgrades removing his online pension access which caused delays in providing him information.

My final decision

I uphold this complaint and direct Scottish Widows Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr D to accept or reject my decision before 31 August 2023.

Rob Deadman
Ombudsman