DRN-4321597

The complaint

Mr E complains about MetLife Europe d.a.c.'s ('MetLife') management of his pension investments.

What happened

Mr E said he had received poor pension management of his MetLife Pension over the last three years and the value of his retirement pot had reduced. He felt MetLife should have taken steps to prevent this and put his money into funds that were less volatile as he was coming up to retirement. The fact the plan had a Guaranteed Secure Income did not mean they could neglect the management of his underlying fund. He said he wanted to take 25% tax free cash and the rest by way of drawdown, so the guarantee wasn't his main aim. He relied on MetLife to manage his fund and paid them to do so. They should have acted in his best interests. He and his wife had a very low income and little capacity for loss of this magnitude.

In addition he complained that he asked for an income quote in July 2023 and was told it would be around £14,500 per annum on two occasion. He decided to accept this figure but was later told this was wrong and it was actually around £3,600 per annum. The impact was a big shock, devastating and crushing for his mental health and well-being. He was coming up to 65 and trying to plan his future. He had planned on this amount. Met Life would not honour the quote. It initially said it would make a gesture of goodwill but then changed its mind.

MetLife said Mr E complained that his annual benefit statement showed his pension value had fallen about £12,000. He was invested in their retirement portfolio with an optional income guarantee. The money was invested in their managed wealth portfolio. The secure income option was designed to protect a pension savers income against market falls in the run up to retirement, but allowed them to remain invested in the market. It was not a capital guarantee and did not protect the underlying value of money invested. His expectations about how it managed his savings did not reflect the way the product was set up nor its regulatory permission or terms and conditions. Mr E used a financial adviser when he selected this product. There was no evidence the fund had been mismanaged and the falls in value were consistent with changes in value of the asset classes. Only Mr E could instruct it to change his chosen investment fund or investment choice.

The Investigator said that MetLife could not be expected to honour the incorrect quote but an award of £150 for distress and inconvenience would be fair and reasonable. With respect to fund performance MetLife had not provided financial advice on the product to Mr E. Between May 2021 and 2023 the Secure Income base increased by around £4,700 despite market movements. This meant that if he retired at age 65 and remained in the product he would have Guaranteed Income from this of around £3,600 per annum. Met Life's annual statements invited him to review his investment choice and long-term needs. The key feature document made clear this secure Income option had an income guarantee not a fund value guarantee and warned it would be affected if he took his pension commencement lump sum. He felt the policy's management was consistent with MetLife's commitment.

Mr E said the £150 was woefully inadequate given the multiple failures in advising him and offering a payment and then withdrawing it. The impact was horrendous and stressful whether or not there was a financial loss. Further he didn't think the investigator had considered the crash in his pension fund value as he was coming up to his retirement age. He didn't understand why MetLife didn't have a Lifestyle switching approach. But they did nothing. He had spoken to an IFA who told him Met Life should have taken more care over the last 5 years up to his retirement. He said the product had options of a secure income, or 25% Tax Free Cash (TFC) and reduced secure income or 25% TFC and a transfer out to a private annuity provider. The guaranteed income was actually very poor in itself and it reduced considerably if 25% TFC is taken leaving not enough to live on. Therefore the fund value was also important.

The Investigator said the award was not designed to be punitive and there was no financial detriment, he remained of the view that £150 was fair and reasonable.

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.

There are two key issues:-

1. The fall in value of Mr E's fund in the time before his retirement date, and

2. The incorrect statement (a misstatement) about the value of his pension income.

Fall in value

I have reviewed the product information for the fund Mr E was invested in and note there was no capital guarantee. While there is an investment objective around volatility this is not guaranteed. I have no evidence MetLife failed to manage the fund in accordance with the objective.

While some funds adopt a Lifestyle approach to investment in the years prior to retirement, this is <u>not</u> a feature of the fund that he was invested in and Met Life could not have made any change to his investment without his permission.

I have seen the key features document for Mr E's pension which say that it is possible to select an optional Secure Capital Option <u>or</u> Secure Income Option. It warns you may receive less than you paid in. If a secure option is selected then either the capital *or* the income will be guaranteed. It seems that Mr E took financial advice from another provider before selecting the secure income option. So only the level of income and not the level of his underlying investment was guaranteed.

As Mr E says there were two parts to his policy, the income guarantee and the underlying fund that was invested. He calls these the Pension Pot Fund Value and the Secure Income Base. That meant he could take the income option or if better transfer the fund value to buy an annuity with another provider or to take it as drawdown (if it was large enough). But there were no guarantees attached to the level of the 'Pot Value'. As I have said I don't have evidence that MetLife mis managed the investment in this fund. I do understand the effect of the falls in value in the period prior to Mr E's retirement. But that does not mean MetLife did anything wrong.

I note also that the key features document lists 'your commitment' as being to '*review your MetLife Portfolio regularly with your Financial Adviser to ensure it remains suitable'.* Mr E was provided with annual benefit statements and I have seen those for 2022 and 2023, both of which show a fall in value of the fund. So Mr E was provided with information that enabled him to see how the value was changing from year to year.

So I don't think MetLife did anything wrong and I cannot hold it responsible for the fall in value.

Misstatement

Secondly Mr E says he was incorrectly told that his pension would be much higher and this raised his expectations. MetLife did correct the position and said it would make a payment for distress and inconvenience, but then didn't follow through.

MetLife accept this error happened. I can therefore consider an award for any financial loss and distress and inconvenience arising from that.

An award for financial loss is intended to put Mr E as closely as possible back into the position he would have been in but for the error.

In this case the error was to tell him the income was higher than was actually the case. Had there not been an error he would have been told the correct lower figure. So putting Mr E back in the position he would have been in but for the mistake means he was entitled to the correct lower amount he was always entitled to and not the higher amount. So I don't think there is a financial loss as a consequence of what was said and I cannot direct MetLife to pay Mr E an amount he was never entitled to.

However it did make a mistake so I can consider an award for distress and inconvenience. The purpose of the award is to reflect the impact on Mr E not to punish Met Life. Mr E has said that the impact was a big shock, devastating and crushing for his mental health and well-being. He said he was coming up to 65 and trying to plan his future, he didn't sleep for several nights after receiving the news. He had planned on the higher amount. He was on a very low income so the loss of expectation had a big impact on him. However I note that this happened over a relatively short period of time being a few days. Having considered all that he has said and the time period of the events I think an award of £350 is fair and reasonable in the circumstances.

Putting things right

In order to put things right I think MetLife should pay Mr E £350 for distress and inconvenience. For the avoidance of doubt this is the total amount so if it has already made a payment for distress and inconvenience it need only pay such further amount as it needed to bring the total to £350.

My final decision

I uphold this complaint in part.

I direct that MetLife Europe d.a.c. must within 30 days of this service notifying it that Mr E has accepted this direction pay Mr E a total £350 for distress and inconvenience (it need only pay such further amount as is required to bring the total to £350.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 1 December 2023.

Colette Bewley
Ombudsman