DRN-4402697

The complaint

Mr N is unhappy with the performance of his pension with Scottish Widows Limited and the customer service it has provided.

What happened

The investigator set out the background to the complaint when he issued his recommendation. He didn't uphold the complaint. I've included an amended copy of the background below and a summary of his findings and Mr N's subsequent comments:

On 7 September 2022 Mr N complained to Scottish Widows about it withdrawing its online pension servicing facility and having to wait 30 minutes to have his calls answered. Mr N wanted to be able to access regular fund values as his pension fund had fallen in value significantly in a short period of time and he wanted to monitor the ongoing performance.

Scottish Widows wrote to Mr N on 9 September 2022. It acknowledged Mr N had been inconvenienced by the withdrawal of the online service and having to wait 30 minutes to speak with its customer service staff on the telephone. It upheld this part of the complaint and to compensate Mr N for this inconvenience it paid him £53.00 which included a sum to cover his costs.

However, Scottish Widows didn't uphold the complaint about the fall in fund value. It explained how recent geopolitical and economic events had adversely impacted investment conditions. Even bonds (fixed interest securities) which are regarded as lower risk than equities had fallen in value significantly.

Mr N then replied to Scottish Widows in October 2022. He wasn't happy with the explanation about investment performance and commented that his pension should have been invested in safer funds since he was only three years away from retirement. He also raised a new issue regarding his employer making late payments into the pension plan for 11 years and why Scottish Widows hadn't challenged them about this.

Mr N then had to chase a response to his letter on 18 and 21 November 2022 and 5 December before he received an acknowledgement on 7 December confirming Scottish Widows were reopening the complaint. He then chased again for a reply on 4 January 2023 and was informed on 5 January that it had been assigned to a complaint handler. Mr N then chased again on 18 January and 1 February 2023 before the complaint handler contacted him.

Scottish Widows sent Mr N a second formal response to his complaint. It didn't however

uphold the complaint points he raised about the fund performance or the employer making late payments. It didn't repeat or add to the explanation about investment performance that had been provided previously and recommended that Mr N seek independent financial advice if he was unhappy with the funds he was invested in. It also referred him to his employer if he wanted to query the timing of his contributions. Scottish Widows wasn't aware of there being a problem with these. Although it didn't uphold the points, it paid £164.00 for the inconvenience Mr N suffered by the delayed response.

Our investigator considered Mr N's complaint but felt Scottish Widow's wasn't responsible for Mr N's losses. And that it had treated him fairly in regard to his other complaint points.

He said Scottish Widows had moved Mr N's investments into assets that were generally speaking less volatile and less risky over the long term. But unfortunately, these weren't immune to the global events that increased inflation. However, there will have been a broadly corresponding rise in annuity rates at the same time. He didn't think Scottish Widows had done anything wrong in the way the plan had been administered.

The investigator said in relation to the temporary withdrawal of the online service, whilst he understood this must have been frustrating, he'd seen nothing to say this was a contractual obligation. And there were other means of making switches and monitoring the policy value. And Scottish Widows had refunded Mr N the costs of his phone calls and recognised he was kept waiting for some time. He said in relation to the late payment of his employer's contributions this wasn't something Scottish Widows could be held responsible for.

Finally, the investigator said he acknowledged Scottish Widows had taken a long time to respond to his complaint letter in October but complaint handling isn't something we can look into. And in any event Scottish Widows had paid Mr N £164 for the delay which he said seemed a reasonable amount for that period of delay.

Mr N didn't agree and asked for an ombudsman's decision. He said:

- Scottish Widows had removed a fully functioning website and replaced it with an inferior system that still meant he had to make phone calls to make investment changes

- Scottish Widow's standards in terms of communication were the worst he'd ever experienced. It took over four months to get a reply to his complaint. And since then, things hadn't improved on that front – as they'd not been able to action his fund switches nor explain why. Mr N said he raised a new complaint about this.

- He didn't accept that Scottish Widows didn't have a legal nor moral obligation to at least speak to his employer to find out why the payments were late.

- Whilst he accepts there is little he can do due to the unusual financial climate. Scottish Widows should've explained at outset that his funds could be affected by interest rate rises. Had he been aware of this, he could have stopped adding money to the fund or transferred out.

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.

Firstly looking at the main cause of the complaint, the performance of Mr N's funds. I do understand his frustration about the loss of value at an important time in his retirement planning. Unfortunately as the investigator explained, significant and unexpected world events caused interest rates to rise and this had the knock on effect of reducing the value of Mr N's plan. As by this point he had exposure to UK fixed interest investments. However, poor performance in itself is not a reason to uphold a complaint or find a business has done something wrong. I'd need to see that Scottish Widows made an error or treated Mr N unfairly in the way it administered his policy. And having looked at the information it provided Mr N and the circumstances here, I don't think it did anything wrong.

Mr N’s plan was setup by his employer, and it chose the investment strategy. Scottish Widow’s couldn’t give advice to Mr N, its responsibility was to give him sufficient information about his plan. I’ve looked at his statements and whilst they’ve changed over the years the majority of them informed him that he was invested in the adventurous investment approach targeting an annuity. The statements also told him where his money was invested, and he had access to the fund fact-sheets which explained the make-up of the funds and their aims. The statements gave a lot of information about Mr N’s options, his investments and made it clear he needed to consider whether the fund selection and the lifestyling was appropriate for him.

Mr N expected Scottish Widows to protect his fund value by moving it into lower risk funds – as this was how his lifestyling was broadly described. Whilst the funds Mr N was moved into (and the asset classes within) are generally considered lower risk than share based investments, it did still carry risk and unfortunately it was this asset class that was hit hard by issues in the UK economy. However, part of the lowering of risk or protection given by the lifestyling funds selected are that as interest rates rise, so do annuity rates. And annuity rates have increased significantly over the last few years. Broadly speaking since the end of 2021 rates increased approximately by 40%. So although the fund value decreased, the higher annuity rates would mean an annuity providing a similar level of income/benefits to that lost in fund value could be bought.

So I don’t think Scottish Widows did anything wrong here. I appreciate Mr N thinks Scottish Widows should’ve warned him that interest rate rises could affect his funds, but he had access to information about these funds. And Scottish Widows cannot reasonably send out warnings or information to investors about what it thinks an asset class might do and for every scenario. This could also be considered investment advice which it isn’t permitted to provide. In conclusion of this point, Scottish Widows wasn’t monitoring the suitability of the strategy for Mr N’s particular circumstances. It had no responsibility to do so. And it alerted Mr N that he was in a strategy targeting buying an annuity, and that he should review whether that was the right strategy for him.

In relation to the other points Mr N has raised. I appreciate he is frustrated with Scottish Widows’ websites’ functionality. From what he’s said, it sounds like from his perspective that this has taken a backward step and is less user friendly than it was previously. However, whilst this may be true, it doesn’t mean that Scottish Widows has done anything wrong that I can or should put right. It may be providing a worse product in terms of its customer experience and this of course could cause it to lose custom. But it isn’t obliged or contracted to provide Mr N with a particular website experience or functionality. It also paid Mr N compensation for having to wait to speak to a call handler, when the website functionality was withdrawn – which seems reasonable.

As the investigator explained we cannot look into matters relating to complaint handling. And I note Mr N said he has raised a new complaint relating to further issues he’s had – which is the correct route to take matters in – as I cannot consider that in this decision. I’ve got no reason to doubt Mr N’s explanations of his experiences as a customer of Scottish Widows and this isn’t out of line with what other customers have told us about it. But here it has offered compensation (for something that we cannot look into in any event) and Mr N can raise a new complaint(s), as he has done so, if further issues occur.

Finally in terms of the late contributions received from his employer this isn’t something Scottish Widows is responsible for, and Mr N should explore other avenues as suggested by the investigator if he remains unhappy about the situation.

My final decision

For the reasons explained above, Scottish Widows Limited does not have to do anything more to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 20 May 2024.

Simon Hollingshead
Ombudsman