DRN-4514636

The complaint

Mrs D complains about Scottish Widows Limited (Scottish Widows). She's unhappy that the value of her pension fund decreased, and says she was never warned that this could happen. She'd like Scottish Widows to restore her fund to its value prior to any losses being sustained.

What happened

Mrs D has held a Personal Pension Plan (PPP) with Scottish Widows since July 2011.

In July 2019, Scottish Widows wrote to Mrs D, providing information about where her pension fund was invested; her investment options; her retirement choices; and outlining what she needed to do if she wanted to make any changes. The value of her pension fund as at 24 May 2019 was confirmed to be £23,014.62.

As Mrs D's retirement date was approaching, Scottish Widows wrote to her on 2 July 2021. Mrs D later contacted Scottish Widows to discuss her retirement options, but as she didn't confirm what she wanted to do with her pension fund, her retirement date was pushed back to age 75.

Scottish Widows sent Mrs D an annual statement for her plan on 30 August 2021. Amongst other things, it confirmed that as of 27 August 2021 the value of her pension fund had risen to £26,005.26.

Mrs D's annual statement for the following year was sent on 15 July 2022. Scottish Widows confirmed that by this point, the value of Mrs D's pension fund had decreased to £20,858.10. Mrs D later complained.

Scottish Widows didn't uphold Mrs D's complaint, explaining, in summary that:

- It was normal for her pension to go up and down.
- As Mrs D's funds were invested, they were subject to market movements and didn't provide any guarantee of fund value or returns.
- When providing a pension value, it always let customers know this was based on the last available bid price which was subject to change.

Mrs D didn't accept this. She said that during her call with Scottish Widows in 2021, she wasn't told that the value of her pension fund could go down. And if she'd known this at the time, she would have taken her pensions benefits then. Finally, she said that as she was invested in low-risk funds, her pension shouldn't have sustained the losses it did.

Scottish Widows later issued its final response on the matter and its position largely remained the same. It suggested that if Mrs D was unhappy with where her pension fund was invested, she should speak with a financial adviser. To acknowledge how long it had taken to respond to Mrs D's complaint, Scottish Widows issued a cheque to her for £100.

Unhappy with Scottish Widows' response, Mrs D referred her complaint to our service. One of our investigators considered the matter, but she didn't think Scottish Widows had done anything wrong. She said the correspondence it'd sent to Mrs D was clear about the fact the value of her pension fund was subject to market movements and could go up as well as down.

Mrs D didn't accept this and maintained that Scottish Widows shouldn't have put her funds at risk in any way. As no agreement could be reached, the complaint has 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 going to uphold it. I know this will be disappointing for Mrs D, but I'll explain my reasons.

I should first say that I have real sympathy for Mrs D. Given how strongly she feels that her pension fund should never have gone down in value, I can appreciate how concerning it must've been when she saw that the value had fallen by almost £5,000. However, in assessing Mrs D's complaint, I've considered whether Scottish Widows has done anything wrong in the way she's suggested.

There's nothing to indicate that Scottish Widows was responsible for providing Mrs D with personal advice; ensuring her investment selections were suitable; or guaranteeing the value of her pension fund. As well as being the provider and administrator of her pension, Scottish Widows' duty was to pay due regard to the information needs of clients like Mrs D, and communicate information in a way which was clear, fair, and not misleading.

Based on what I've seen, I'm satisfied Scottish Widows did all that was required to meet this obligation, It ensured Mrs D had the information she needed to understand which funds she was invested in, and the level of risk involved, so she could make an informed decision about whether they met her needs and expectations, or if change was required.

In correspondence and annual statements Mrs D was sent about her plan over the years, Scottish Widows was consistently clear about the following:

- Her pension fund value wasn't guaranteed and could gain or lose value.
- Which funds Mrs D's plan was invested in, how they were performing, and where she could get further information about them.
- The importance of regularly reviewing the funds she was invested in and their investment strategy to make sure they were still appropriate, as this could make a big difference to what her final pension pot could provide her with in retirement.
- Scottish Widows offered a wide range of funds and investment approaches Mrs D could choose from, depending on how much risk she was prepared to take, and she could explore these online using the links provided.
- Scottish Widows strongly recommended that she speak with a financial adviser if she was unsure about where she was invested and wanted to make changes.

Although Scottish Widows says its call handlers are trained to always say that any plan value provided isn't guaranteed and can rise or fall, Mrs D maintains that she wasn't made aware of this during a 2021 call. But even if this wasn't confirmed during the call in question, I'm not persuaded that this negates any awareness and understanding Mrs D should reasonably have had about her plan value given the information (and warnings) Scottish Widows had repeatedly provided about this over the years. So, I'm unable to find that the omission Mrs D says Scottish Widows made during the 2021 call was such that it would be reasonable to conclude it was responsible for any loss her fund sustained after this. Ultimately it was Mrs D's responsibility to ensure she understood the nature of her plan and if she didn't, she ought to have sought advice.

Mrs D's plan is invested in Scottish Widows' *"Cautious Targeting Annuity PIA"*. This is a lifestyle strategy which uses a specific mix of funds, based on a plan holder's appetite for risk and selected retirement option. The information Scottish Widows provided to Mrs D about this stated:

"This aims to help protect the value of your pension savings (although there are no guarantees) by gradually moving them into lower risk investment funds as you approach retirement (…) Please consider if you want to remain in the PIA with the same level of risk and continue to target an annuity (…)"

So, in the earlier years, Mrs D's pension was invested for growth, before moving to investments that were designed for her intended retirement date and method of accessing the fund – purchasing an annuity. In line with this, I've seen that by age 65, Mrs D's pension was split 75% in the Pension Protector fund and 25% in Cash.

I've carefully reviewed the available Pension Protector fund fact sheet. This says the fund aims to:

"*(…) provide a return consistent with the variations in market annuity rates with the aim of reducing annuity conversion risk (…)*".

And under the *"Information Statement"* section of the factsheet, it states:

"The Fund does not provide any guarantee of the level of pension in retirement or the cost of buying that pension. It may not be effective for those who intend to buy an inflation-linked pension and does not provide protection against changes in the cost of buying a pension that arise from changes in life expectancy".

I'm satisfied that the underlying nature of the investments within the Pension Protector fund was clearly explained. The factsheet also makes it clear that the fund doesn't guarantee the level of pension in retirement. Mrs D's annual statements confirmed the same. As I've not seen any evidence that Mrs D was ever led to believe that where she was invested would protect investors from a fall in value, I'm unable to find that the fact that her plan value dropped means that Scottish Widows did something wrong.

The aim of the Pension Protector fund is to provide greater stability and retain as much as possible of a pension's value while still offering the potential for some growth when markets rise. The fund invests mostly in fixed interest securities, which are widely accepted as low-risk types of investments. It's the type of fund I'd expect to see where a fund holder, like Mrs D, was very close to retirement.

But unfortunately, even low risk funds can be subject to market volatility and therefore some risk. However, this volatility and the ensuing drop in value was not as a result of any error or mismanagement by Scottish Widows and couldn't have been reasonably foreseen. As Mrs D's pension was still being invested, it remained a possibility that the value of her plan could rise or fall.

Scottish Widows provided Mrs D with many opportunities over the years to review the funds she was invested in and consider whether they still met her needs. But there's nothing to indicate she ever acted on these prompts.

I don't underestimate Mrs D's sincerity or her strength of feeling in bringing this complaint. However, as a result of the above, I'm afraid I'm not satisfied there's any evidence that Scottish Widows has acted inappropriately here. Because of this, I can't fairly hold it responsible for the financial losses Mrs D has complained about or the loss of expectation she claims to have suffered.

Finally, I'm aware that Scottish Widows sent Mrs D a cheque for the length of time it took to respond to her complaint and the frustration this caused. Complaint handling isn't something which falls within this service's jurisdiction, so I'm unable to comment on this. Therefore, I leave it to Mrs D to decide whether or not she chooses to accept Scottish Widows' compensation.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 22 February 2024.

Chillel Bailey
Ombudsman