DRN-4540810

Financial Ombudsman Service

The complaint

Mr E complains that The Royal London Mutual Insurance Society Limited (RL) failed to adequately manage his pension investments, leading to poor performance. He'd like to be compensated for this.

What happened

Mr E has a flexi-access pension plan with RL under income release. It is invested in the Governed Portfolio 7 investment strategy. I understand that Mr E has been taking income from his pension since 2014.

Mr E's 2022 annual statement showed that the value of his pension as of 16 November 2022 was £12,218.73. The value on the 2021 annual statement as of 15 November 2021 had been £12,658.78. Mr E complained to RL about the fall in the value of his funds on 29 March 2023.

RL issued its final response to the complaint on 5 April 2023. It said it hadn't done anything wrong. It said that the values of Mr E's investments could go down as well as up, depending on prevailing investment conditions. And that there were no guarantees to the value of his plan. It also listed some of the reasons financial markets had been negatively impacted over the period in question.

RL said that its fund managers tried to get the best possible return for clients' investments but were always subject to the performance of the stock market, which had been volatile in recent years. It also told Mr E that it was his or his financial adviser's responsibility to consider whether his investments remained appropriate for him. And explained how he could switch his investments if he wanted to. RL also explained that it had always applied an Annual Management Charge (AMC) to Mr E's pension. And that this covered the costs of administering the plan and the investment within the plan.

Unhappy with RL's response, Mr E brought his complaint to this service on 12 September 2023. Since then, the 2023 annual statement showed a plan value of £12,632.06 as of 15 November 2023. And the value of the fund as of 22 November 2023 was £12,824.22.

Our investigator didn't think that RL had done anything wrong. He felt the fall in value from 2021 to 2022 was the result of market performance. And that as there was no guarantee of growth within the investment, he couldn't say that RL should make up any investment loss. He felt RL had fulfilled its role as the provider of Mr E's pension and had managed his investments in line with his chosen investment strategy.

Mr E didn't agree with our investigator. He felt that RL's fund managers should've reacted better and made changes. And that although the November 2023 fund value was back at November 2021 levels, he didn't consider that flat performance was good enough. Instead, he felt the fund managers should've been working to grow his fund, regardless of market forces.

Mr E also felt that it shouldn't be the consumer's responsibility to switch between funds when times became difficult. He felt RL had professional fund managers and that they should have the skills to cope with market events while still growing customers' money.

As agreement couldn't be reached, the complaint has come to me for a review.

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'll explain why below.

I would like to note at the outset that it isn't RL's role to actively manage the funds. Instead, as the pension provider and administrator, its role is to provide information about fund choices to its customers, so that they can make an informed decision about where to invest, and then to invest its customers' funds in line with their instructions. RL doesn't give advice on the best way to invest funds, it simply acts on its customers' investment instructions.

Mr E is unhappy about the investment performance of his pension between November 2021 and November 2022.

Whilst I can consider complaints about investment performance, in most instances, I would need to see evidence that RL had done something wrong. I can't just rely on actual or perceived poor performance. That's because, even if the fund has underperformed compared to the rest of the market, we don't usually think this proves the fund was mismanaged. Many consumers saw the value of their pension funds fall over the period being complained about, given the prevailing economic conditions. So, to be clear, this isn't just a RL issue.

I think it's important to be clear about the level of service Mr E was paying for. The charges associated with his plan covered the costs of administering the plan and the investment within the plan. No charges were made for any investment advice and none was ever given by RL.

Therefore I haven't considered whether the investment in the Governed Portfolio 7 investment strategy was suitable for Mr E, as he or his financial adviser made the decision to invest in that fund.

Whilst it's clear Mr E is disappointed with the performance of the fund, that doesn't mean that it's been mismanaged by RL. The fund factsheet sets out the aim of the fund and how it is invested.

Mr E felt that it shouldn't be his responsibility to switch between funds when times became difficult. He felt RL's fund managers should be doing this for him. However, I wouldn't have expected RL to make an investment decision for Mr E without his authority. If Mr E had ever wanted to transfer to another fund, he could've instructed RL. He may have wanted to seek advice from an independent financial adviser before doing so. But it wasn't RL's role to make this decision for him.

I appreciate that Mr E doesn't consider the flat investment performance between November 2021 and November 2023 to be good enough. He felt that RL's fund managers should've found a way to grow his fund, regardless of market forces.

I've read the fund factsheet for Mr E's chosen investment, and this doesn't give any guarantees about the performance of the fund. The fund is considered to be appropriate for moderately adventurous/adventurous investors and is primarily invested in a Global Managed fund. Such funds can fall in value. I think it's clear from the factsheet that the fund was subject to fluctuations and could increase or decrease in value.

However, the factsheet did explain the governance in place for the chosen investment. It said:

Your portfolio comes with ongoing governance. This simply means that our investment experts check it regularly. It allows us to maintain the best mix of assets in line with the risk category - and to make sure it is performing in line with its overall objectives - aiming to give you the best returns. The value of your investment can go down as well as up and you may not get back the value of the original investment.

I consider this is clear that although the fund managers would attempt to make adjustments to the investments to ensure the best returns, it was still possible that the fund value would go down.

I also note that the fund factsheet explains how RL's fund managers have reacted to market movements, and how this has led to changes being made to the overall investment strategy. So I can't fairly say that RL's fund managers didn't act in line with the promised governance.

I also considered the annual statements which I understand RL sent to Mr E each year. I've been provided with the annual statements from 2020 to 2023. I consider that these also made it clear that the value of his investment could go down as well as up. I say this because they stated:

Remember that investment returns are never guaranteed. So while your savings could grow, their value can also go down. This means you could get back less than you paid into your plan.

The statements also reminded Mr E to review his funds from time to time to make sure they remained appropriate for him. And gave details about where Mr E could find more information about the investment options available to him.

The statements also appear to show that Mr E had a named independent financial adviser connected to his pension in 2020 and 2021, although he'd been removed in the 2022 and 2023 statements.

I can see that Mr E wanted RL's fund managers to make changes to his investments so that he always saw a positive performance. He felt it mismanaged his pension because his fund didn't grow between November 2021 and November 2022. But RL is not Mr E's financial advisor. So, it simply acts on the instructions he provides. It isn't for RL to ensure that any investment decisions are suitable for Mr E's needs – those were essentially decisions he needed to make for himself. And I'm satisfied that RL provided Mr E with enough information about the funds he could choose from. I'm also satisfied that if Mr E had wanted someone to advise him on the appropriateness of his investments, he had enough information about how to seek financial advice.

The regulator also sets out the timing and content of the regular statements that need to be issued to pension investors. Generally, that sort of communication needs to be issued at least once a year. I can see that RL did provide that sort of information to Mr E through annual statements. And that they explained that he should review the ongoing suitability of his investments.

I do understand that the performance of Mr E's pension during 2022 was disappointing. But those falls mirrored falls across a whole range of investment classes and were entirely outside the control of RL. And the fund factsheet and the annual statements made it clear that his pension value wasn't guaranteed and might fall.

I know Mr E doesn't agree, but it is his responsibility to monitor his pension investments. Only he can instruct RL to make changes to his investments if he felt they'd become unsuitable for his circumstances.

So, whilst I appreciate that my decision will be disappointing for Mr E, I don't agree that RL has treated him unfairly or done anything wrong. So, I don't uphold the complaint.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 2 February 2024.

Jo Occleshaw
Ombudsman