DRN-4549434

The complaint

Mr S complained that his investments managed by Aviva Life & Pensions UK Limited (Aviva) had significantly fallen in value, despite him asking that they be protected as he was close to his planned retirement date. He believes that Aviva is responsible for this fall in value.

He also complained about the service he received from Aviva when he engaged with it on this matter. He would like compensation for the loss in value.

What happened

In September 2018 Mr S applied to withdraw 25% of the pension benefits he held with Aviva as tax free cash, leaving the remaining funds invested. In his application form he indicated that he had not taken any financial advice before making the request. The form also contained the information that:

The funds held in your Income Drawdown pot will reflect the funds held in your Aviva personal pension at the point your Income drawdown pot is set up. Remember that your investment programme will automatically continue until your selected retirement date or age 75 and will apply to your Accumulation and Income Drawdown pots (if applicable).

Mr S has also stated that he had told Aviva at this time that he wished for his remaining funds to be ‘protected’, as he was approaching the age at which he wished to retire and would have limited opportunity to replace any funds lost to poor investment performance.

Between 29 November 2018 and 29 November 2020, the value of Mr S’s remaining benefits rose from c £67,000 to c £76,000, an increase of around 13%. In the year to November 2021 the fund value fell to c£75,000 before falling to c£60,000 in November 2022, a fall of around 20%.

On 14 March 2023, Mr S called Aviva to ask to switch his funds. Unfortunately Aviva incorrectly transferred him to the wrong department, which was unable to transfer him back to the correct department. He rang again and asked to make a complaint about how his calls had been handled. He called again on 22 March 2023 to chase the progress of his complaint.

Aviva issued its response to his complaint on 24 March 2023. It apologised for how his calls had been handled and sent him a cheque for £50 in respect of the distress and inconvenience it had caused him.

It also explained to him that the reduction in value of his remaining benefits had been due to changes in global investment markets. It informed him of his right to switch his funds if he felt they were no longer suitable for him, and recommended seeking advice from an Independent Financial Adviser before making any decisions.

Unhappy with this response, Mr S brought his complaint to this service.

In their view, our investigator found that the £50 compensation for distress and inconvenience was fair and reasonable in the circumstances, but that they did not find Aviva responsible for the fall in value of Mr S's pension benefits. As a result, they recommended that Aviva should take no further action.

Mr S was unhappy with this conclusion, and so this case has been passed to me to review the evidence again 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.

Having done so, I agree with our investigator and do not uphold this complaint.

I can appreciate that this will be disappointing to Mr S, so I will explain my reasons.

There are two elements to the complaint that Mr S has made. In the first element, he complained about the way Aviva handled the telephone calls he made to it. Aviva has acknowledged that the service it provided in this respect was unsatisfactory, apologised to Mr S and paid him £50 in respect of the distress and inconvenience it had caused him. I think that this is fair and reasonable in the circumstances of this case.

The second element is related to the fall in value of Mr S's benefits. Mr S feels that Aviva failed to – in his words – 'protect' the value of his benefits, as he says he asked it to in 2018. Looking at this element, I think it's important to establish that Aviva acted solely as the administrator of Mr S's pension. It is not authorised to provide any investment advice, but to act as directed by Mr S in relation to any investment decisions relating to his pension.

When Mr S took his tax free cash in 2018, the form he signed made it clear that he would remain in the Lifestyle Programme that was explained to him in Aviva's final response to his 2018 complaint.

It also explained that he could move his investments if he felt they were no longer appropriate for him. Mr S was also informed on the annual statements he received that:

The switch process to gradually move your plan into lower-risk investments has already started. If you think the lifestyle investment programme is no longer suitable for you, it is possible to opt out. Please contact us if you want to do this. If you are happy to remain in the lifestyle investment programme you do not need to take any action.

in its response to Mr S's most recent complaint, Aviva indicated that he was invested in two funds:

- Aviva Pension Cash FP Pn fund
- Aviva Pension Pre-Retirement Fixed Interest FP Pn fund

It explained that these are both assessed as being lower risk funds, investing in cash and cash alternatives such as short-term bonds and gilts, aimed at providing growth rates similar to bank and building society rates but minimising the risk of significant reductions in value. Unfortunately, in the circumstances of this complaint, this did not prove to be the case.

Unfortunately for Mr S, market related events in 2022 in particular caused interest rates and inflation to rise rapidly. In this environment, the value of cash based investments such as fixed rate bonds and gilts fell rapidly, reducing the returns from, or causing losses for, very many types of investment. Lifestyle products, such as the one that Mr S was invested in, were designed to protect the value of the pension income that the funds could provide via an annuity. As interest rates rise, the cost of providing annuities falls, protecting the value of the income that could be obtained, but not necessarily the value of the underlying funds.

Mr S stated that he had asked Aviva to 'protect' the value of his remaining benefits. As Aviva does not provide financial advice, it can only act upon receiving a formal instruction from a customer to change their investments, which should include specific information including the amount of each investment fund to be sold and the way in which it should be invested. As Mr S did not provide any formal instruction to Aviva to change the investments his benefits were held in, I can't see that it has done anything wrong in this respect.

While I can appreciate that Mr S is disappointed in the performance of his pension funds over the period in question, I do not find that the fall in his fund values was caused by any action or inaction by Aviva

Consequently, and disappointing as it will be for Mr S to hear, I do not find Aviva responsible for the loss in value to his pension fund.

My final decision

For the reasons explained above, I do not uphold Mr S's complaint.

Consequently, I shall not be asking Aviva Life & Pensions (UK) Limited to take any further action in relation to resolve Mr S's complaint than it has already offered to him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 18 April 2024.

Bill Catchpole
Ombudsman