

The complaint

Mr B complained that he has suffered a financial loss as a result of Sun Life Assurance Company of Canada (UK) Limited (SLOC) not informing him when the value of his funds fell significantly. He complains that a fall of this magnitude should have been brought to his attention and may arise from mismanagement of the funds by SLOC.

Mr B would like to be compensated for any financial loss he has suffered as a result.

What happened

Mr B took out a private pension with SLOC in February 1999, having been advised by an agent working for SLOC. The scheduled retirement age was set at 60 and the funds invested in an index-linked fund.

In February 2022, SLOC sent Mr B a statement showing his plan was valued at c£57,000. In the autumn of 2022, Mr B noticed some errors on this statement and brought these to the attention of SLOC, who corrected the errors and provided an updated statement. This showed a fund value of c£34,000. He wrote to SLOC in October 2022 to seek clarification but received no reply.

In February 2023, Mr B received his next annual statement which showed a fund value of c£38,000. Mr B contacted SLOC on 4 March 2023 which confirmed that the valuation was correct, and that the value of the fund had fallen owing to the effect of the budget in September 2022, which caused a significant fall in the value of index-linked gilts, which made up the majority of his funds.

Mr B subsequently contacted SLOC on 23 March 2023 to make a number of complaint points. He wrote to SLOC on the same day to confirm his complaints.

SLOC responded to his complaints on 4 May 2023. It informed him that it agreed that it had made some mistakes in the way it had communicated with him, which led to the lack of response to his queries and acknowledged that the premium figures on his 2022 annual benefit statement were incorrect. It apologised for these failings and offered him £100 in respect of his distress and inconvenience.

It did not uphold his complaint relating to the fall in the value of his funds. SLOC explained that this was largely due to the investments he held falling in value as the Bank of England base interest rate and the rate of inflation had increased.

It went on to explain that it was unable to provide any financial advice to customers, and

Our fund aims to produce a total return over the long term, but as with all such investments this comes with the risk of short-term losses. As stated in our literature, the value of an investment is not guaranteed and we do not write to clients to explain their funds are falling.

It concluded that it had made no errors in how it had managed Mr B's investments.

Mr B accepted SLOC's offer of £100 compensation but brought his complaint relating to the fall in the value of his funds and SLOC's failure to inform him of that fact to our service.

Our investigator reviewed the evidence and formed the view that the complaint not be upheld. Mr B was unhappy with this and so the complaint has been passed to me to 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 reviewed all the evidence in this case, I agree with our investigator and do not uphold this complaint.

I can appreciate that this will be disappointing to Mr B, so let me explain how I have reached my decision.

Firstly, I think it's important to reflect upon the role of this service. Our role is to impartially review the circumstances of a complaint and decide on whether a business has made errors or treated a customer unfairly. Where it has, we will make a determination of what the business should do to put things right.

So, in order to ask SLOC to compensate Mr B for the fall in value of his pension benefits I would need to find that, on the balance of probabilities, it had done something wrong or treated him unfairly.

It's also important to note that SLOC acted solely as the administrator of Mr B's pension. It is not authorised to provide any investment advice, but to act as directed by Mr B or his appointed representative in relation to any investment decisions relating to his pension.

In this instance, it means that as Mr B had not asked SLOC to make any changes his investments, all his pension benefits remained invested in the Index Linked fund, which is largely invested in gilts and cash based accounts. If he had wanted to make changes to his pension fund, he would have had to inform SLOC of those changes, either taking advice from an independent Financial Adviser or appointing a discretionary fund manager to make changes on his behalf.

I can fully appreciate why Mr B is unhappy about the reduction in the value of his pension benefits when he was invested in a fund which is rated as a 'lower' risk fund. This type of investment is considered to be lower risk as it seeks to protect the level of annuity income that could be achieved at retirement. This strategy arises from the inverse relationship between annuity rates and Gilt values – if the value of Gilts falls, annuity rates typically rise – although possibly not to exactly the same extent. This has the effect of providing a level of protection to the amount of pension income that could be achieved from a particular fund value, theoretically insulating investors from the effect of major market fluctuations.

Consequently, as interest rates rise, the value of Gilts falls, reducing the absolute value of an investors' pension fund, as has happened in this case. The rapid fall in the value of Gilts, and Mr B's fund, has been caused by significant economic and political events. Annuity rates have, however, improved.

Mr B also complained that SLOC mismanaged the fund and failed to notify him (and other customers) of the drop in the value of their investments. SLOC explained in its response to Mr B that

The fund you are invested in aims to maximise medium to long term growth by investing in a diversified portfolio of index-linked fixed income securities. The fund tracks a basket of index linked securities and as such has a 'passive' investment approach.

Index linked funds, by their very nature, track the performance of the assets they are invested in. I've seen nothing to suggest that SLOC has not managed this fund correctly, and I find that the fall in the value of the underlying investments is a result of adverse market conditions. I can see that SLOC has provided information to Mr B to explain that the value of investments may fluctuate and that they may fall as well as rise, so I can't see that it has done anything wrong here.

Overall, and disappointing as it will be for Mr B to hear, I do not hold SLOC responsible for the loss in value of his pension benefits.

I note that SLOC has offered Mr B £100 in respect of the poor response to his communications, which I think is fair and reasonable in the circumstances of this complaint.

My final decision

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

My final decision is that Sun Life Assurance Company of Canada (UK) Limited does not to do anything more to resolve this complaint than it has already offered.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 27 May 2024.

Bill Catchpole
Ombudsman