

The complaint

Mrs W complained about poor performance, management and charges applied by Scottish Widows Limited (SW) to her pension

What happened

Mrs W said she noticed the value of her pension had fallen so called SW to check it and to ask for her options for retirement. Her annual statements said SW would transfer her investments to a pension protector and cash fund in the 5 years prior to retirement. But she said they left her invested in a progressive high-risk fund. If they had transferred as they said they would she would not have sustained a loss due to this mismanagement. In 2021 she was told the fall in value was due to poor performance and she decided to defer her retirement in the hope the plan investments would increase in value but they continued to fall. She wasn't told about the changes made in 2013 and didn't agree to any. Had she known she would have taken advice. She felt SW should have contacted her about the fall in value and potentially suggested a different fund. She wasn't told she could speak to the customer engagement team to help her understand. She was offered £50 for this poor service delivery. She wanted SW to compensate her for the fall in value of her pension.

SW said that in 2013 the financial regulator changed the rules on charging. At that time it decided not to provide investment advice to customers where their fund was worth less than £100,000. The management fees were detailed in her original paperwork. Her investments could increase and decrease in value in line with market conditions and interest rates. It was not responsible for any decrease in the fund value and it did not provide advice on the funds. However it said that if she wanted to change funds or ask about changing funds there was information regarding this on her annual statements. It noted it could have prompted her to use the engagement team/online services that allowed her to check performance and asked if she wanted to ask further questions about her funds and options. It paid £50 for failing to do this.

The investigator said they thought SW had acted in line with the options Mrs W selected when she took out the pension. SW had managed it in line with the lifestyle option she selected. It also provided information about the charges and options available should she want to explore these. Her investments were affected by the period of volatility in 2022 and 2023. The investment loss wasn't caused by SW but by market conditions. SW could not give financial advice and their charges were for administering the fund. SW had accepted it could have passed Mrs W to their engagement team to discuss the investment performance and paid £50 for failing to do so. There was no evidence that SW had mis managed her pensions so they didn't propose any further action.

Mrs W didn't agree. She felt that SW had made a change to the contract terms which made her responsible for her fund choices. This was not made clear to her and no approval was requested for that change in 2013. It wasn't right to hold her to a contract signed in 2008 when they had not told her they changed the contract. It transferred her funds to an underperforming Pension Protector fund even after she complained to them. They continued to take relatively large fees (1%) to administer the pension when in reality they had done nothing but leave her in a default situation the whole time. Nothing had been made clear to

her. She didn't think a payment of £50 for a loss of around £17,000 was fair. She said the policy was mismanaged.

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.

Mrs W raises a number of issues in relation to investment decisions and charges. In order to consider this I have reviewed the evidence presented to me. In particular I have seen her original application form from 2009 and yearly statements from 2018 onwards.

Original investment instructions

Mrs W's application form was signed in 2009. It shows she selected the '*balanced Lifestyle investment option*'. This said that in the 5 years before retirement her investments would gradually switch from the '*Mixed Fund*' and into the '*Pension Protector*' and '*Cash Fund*' so that by retirement they would be held 75% in Pension Protector and 25% in the Cash Fund. Her selected retirement age was 65.

I can see this was reconfirmed in her annual statements. I say that because the 2009 and 2018 yearly statement say she is invested in a mixed fund. The notes also say

We will Start to switch your fund(s) across to the Pension Protector fund 5 years from your retirement age

We will start to switch your fund(s) across to the Cash fund 5 years from your retirement age.

I have reviewed the yearly statement for 2019 to 2023 inclusive. These reflect the lifestyle approach. The statements show her money has been moved gradually from the mixed fund into the other two funds. By 2023 all of her money was invested in the Pension Protector and Cash fund with none in the mixed fund.

So it seems that SW has done what it said it would do when Mrs W took out the contract.

SW has been clear that it doesn't give investment advice and the investment decisions were for Mrs W to make. SW could not have changed any investment without a specific direction from Mrs W.

I can also see that the yearly statements recommend she makes sure her investments remain suitable for her needs. For example the 2018 statement says

'you should review the funds in which your plan invests from time to time to make sure they are still appropriate for you.'

It also signposted to information on fund performance and the other funds available to invest in. The 2023 yearly statement recommends she takes financial advice if she is unsure of what action to take on her options.

So based on the evidence presented I don't think that SW did anything wrong with her investments and I am satisfied that SW provided reasonable information to help Mrs W understand that investment decisions were hers and to encourage her to review her investments to make sure they were still suitable. For those reasons I cannot reasonably hold SW responsible for the fall in value of the investments.

Charges and 2013 change

Mrs W's pension is a Stakeholder pension so the requirements at the time would have meant that the charges could not exceed 1%. The yearly statements contain sections confirming the 1% charge so there should not have been any confusion about this.

I note that SW refers to the Regulator making changes in 2013 under what was known as the retail distribution review (RDR). The purpose of that was to make charges more transparent.

SW has confirmed there was no investment advice covered within its normal charges. In 2013 it decided that going forward, it would not offer financial advice to policy holders where their policy value was less than £100,000. But as there was never any entitlement to advice included in her charges, this didn't make a difference to Mrs W's policy. Based on the information provided SW was never required to provide financial advice to Mrs W. So the decision made in 2013 didn't make a difference to what Mrs C was entitled to receive under the policy terms.

It does not seem that the contract was changed in 2013 as Mrs W suggests. I say that because SW changed its approach to offering *additional* services such as investment advice. As this was not included within her policy there was no need to get her agreement or to notify her of the change.

Annual statements

SW confirmed that its records showed that Mrs W was sent annual statements. If they were not received by Mrs W they should have been notified by Mrs W.

Mrs W said that she could not find the statement for 1 September 2012 to 31 August 2013. So it does seem that she has received this information regularly throughout the time she has held the policy.

Mrs W said she was briefly at a different address from December 2010 to mid-June 2012. This predates the year in which she says she didn't receive an annual statements.

However I don't think the missing statement is material having regard to the information on the other statements she confirms receiving. Those statements provided consistent reminders about charges and investments as I have explained above.

Investment performance

Mrs W is understandably unhappy about investment performance over recent years. That has resulted in a significant reduction in the value of her pension. However as I said above her money has been invested in accordance with her instructions given when she took out the policy. These instructions were for an investment strategy aimed at reducing the risk of annuity conversion at retirement. In other words the approach assumed she would buy an annuity when she retired.

I have seen the fact sheet for the Pension Protector fund she was invested in. It says that the fund aim is to

'To provide a return consistent with the variations in market annuity rates with the aim of reducing annuity conversion risk. The benchmark index for the Fund is the iBoxx Sterling: Non Gilt Over 15 Year index (the Index).'

The fact sheet shows performance for that benchmark in the period up to March 2024. This shows that while the fund has fallen in value it has broadly tracked its benchmark index. But the objective of the fund was to *manage the risk of buying an annuity*, that is achieved by tracking a certain type of investment. That could mean that despite the fall in value of the investment, the annuity Mrs W could buy with her money is broadly the same as it would have been.

Complaining to SW about performance

Mrs W says she complained to SW but it didn't change her investments. But as I have commented changing investments was a decision for her. I can see that SW says it could have referred her to a support team who could've explained her options more fully, but didn't do so. It paid £50 for that. Given the information already supplied to her and referred to above I cannot see that it would have made a difference to Mrs W and I note that she has now changed her investments. For those reasons I think the payment of £50 was fair and reasonable in the circumstances.

In summary SW has invested as instructed and I cannot direct it to make up the shortfall. Mrs W's yearly statements encouraged her to make sure her investments remained suitable for her and it was up to her to change them if she wished to do so.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 1 May 2024.

Colette Bewley
Ombudsman