DRN-4646489

The complaint

Ms W complained that she has suffered a financial loss as a result of Aviva Life & Pensions UK Limited (Aviva) changing the funds held in her Group Personal Pension (GPP) without her permission.

Ms W would like to be compensated for any financial loss she has suffered as a result.

What happened

Ms W is a member of her employers Group Personal Pension Plan (GPP), which she joined in 1998. The scheme is managed by Aviva.

On 1 August 2023, after receiving a statement that showed that her fund value had experienced a large reduction in value since 2020, Ms W complained to Aviva on 29 April 2022 about the poor fund performance.

Aviva responded on 16 August 2023, explaining that it did not agree and would not be upholding Ms W's complaint. Aviva explained that the reduction in the value of Ms W's funds were the result of market movements and as it was acting solely as the administrator of the pension scheme it was not responsible for any loss she had experienced.

It explained that Ms W's benefits were held in two unit-linked funds;

- Aviva Long Gilt S4
- Aviva Deposit

The losses Ms W incurred arose in the Aviva Long Gilt S4 fund.

It also explained that the funds were invested in gilts and bonds, which had performed well in the years up to 2020, owing to the low interest rates and inflationary environment for a number of years up to that point. After 2020, however, the value of gilts and bonds fell as interest rates and inflation rose after 2020, resulting in a fall in value in the Long Gilt fund. These losses continued as interest rates and inflation rose significantly in 2022 owing to the conflict in Ukraine and other fiscal events.

In its response to her complaint, Aviva explained that as it is not authorised to provide her with financial advice, it could not have alerted her to the falls in her fund values. It concluded that it had made no errors in how it had managed Ms W's investments, and so it did not uphold her complaint.

Ms W spoke to Aviva on 18 August. She told it that she had never asked to invest in the Aviva Long Gilt S4 fund and should not have lost money by being invested in it.

Aviva wrote again to Ms W on 21 August 2023, again not upholding her complaint. It explained that she had been invested in line with her GPP's investment strategy, with was a LifeStyle plan which transferred her original investments as she approached her original retirement date. It stated that its records indicated that she had received a letter explaining this prior to the transfer beginning.

It concluded:

Aviva doesn't know what your circumstances are, and so can't make decisions on your behalf. All we can do is provide you with a performance update and remind you to review your funds regularly which we've done.

Unhappy with these responses to her complaint points, Ms W brought her complaint to this service.

Our investigator reviewed the evidence and formed the view that the complaint should not be upheld. Ms W disagreed, 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 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 Ms W, 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 Aviva to compensate Ms W for the fall in value of her pension benefits I would need to find that, on the balance of probabilities, it had done something wrong or treated her unfairly.

It's also important to note that Aviva acted solely as the administrator of Ms W's pension. It is not authorised to provide any investment advice, but to act as directed by Ms W's employer in the first instance and Ms W herself in relation to any investment decisions relating to her pension.

I've looked at the application form that Ms W signed and the subsequent policy document that was issued when Ms W joined her employers GPP in 1998. It shows that she applied to be invested in the LifeStyle (opportunity approach). At that time, Ms W's employer would have instructed Aviva on the default funds that contributions were to be initially invested in, and how those funds should be transferred over time as the selected retirement date approached. Given this, I can't see that Aviva has done anything wrong in the way it acted to invest Ms W's pension benefits.

It is important to note that these LifeStyle funds are designed for investors who are looking to use their pension fund to buy an annuity and take tax-free cash at their specified retirement date. To achieve this, the lifestyle fund moves an increasing amount of the underlying investments into lower risk products such as Gilts and other cash based investments as the investor moves closer to their specified retirement date. If the benefits are not taken at this point, and no other instructions received, the funds remain in the 'lower risk' retirement fund.

In this case, as previously noted the underlying investments in the retirement fund were 99% Gilts and a small proportion of cash.

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 at a time when the investor is close to retirement, theoretically insulating them from the effect of major market fluctuations when their ability to recover any losses would be low.

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 Ms W's fund, has been caused by significant economic and political events. Annuity rates have, however, improved.

I've also considered whether Aviva has provided Ms W with the information she needed to check that her retirement investments still met her needs. To do this, I've looked at the annual statements that Aviva issued to Ms W over the period. The statement for 2013 stated:

We believe in reviewing your pension arrangements at least once a year, and taking the appropriate action, which will help you achieve the best retirement outcome. As a minimum you should consider the following:

- *Has there been a change in your personal circumstances since you last reviewed your plan e.g., do you have more money to invest?*
- *Is your choice of investment funds still right for you?...*
- *Are you contributing enough to keep a realistic chance of meeting your objective?"*

The statements I've seen for 2013 to 2016 each say:

As you're now within five years of your selected retirement date, it's important that you start thinking about how to get the retirement you want. Please visit our retirement centre at aviva.co.uk/at-retirement to find out more about your options.

The statements also show clearly the funds that Ms W's benefits are invested in

Given this, I can't see that Aviva has done anything wrong as it has given Ms W access to the information she would need to see what funds she was invested in and review whether or not she was happy with them.

Overall, and disappointing as it will be for Ms W to hear, I do not hold Aviva responsible for the loss in value to her pension fund.

My final decision

For the reasons explained above, I do not uphold Ms W's complaint.

My final decision is that Aviva Life & Pensions (UK) Limited does not to do anything to resolve this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 19 April 2024.

Bill Catchpole
Ombudsman