DRN-4774152

The complaint

Ms P complains that Scottish Equitable Plc trading as Aegon (Aegon) didn't invest her money in line with the risk profile set out. Her fund suffered significant losses and she believes the risk ratings of her funds changed dramatically but says Aegon did nothing at the time or after to react to this.

What happened

On 1 February 2008, Ms P's employer set up a Group Personal Pension with Aegon for her with a nominated retirement date of July 2024 at age 65. She was to be invested in the default fund chosen by the employer, which was in Aegon's Universal Collection fund which included lifestyling.

Ms P received annual statements every year setting out details about her plan and her investment performance.

The fund factsheet explained how the lifestyling within the fund would work.

'This fund uses a two-stage investment process called lifestyling. In the early years (the growth stage) it invests wholly in the Universal Balanced Collection (UBC). The UBC invests in a mix of different funds, from different fund managers, offering a mix of active and passive fund management, which means it doesn't rely on the performance of one manager or management style alone. Six years before the start of your target retirement year (the lifestyle stage), we'll progressively start switching your investment into our Long Gilt and (in the final year) Cash fund, with the aim of giving you more certainty about the level of annuity you'll be able to buy when you retire and to cater for your maximum tax free cash entitlement, currently 25% of your pension pot. We review our lifestyle funds from time to time and may change how they work if we believe this to be in the best interests of investors.'

In July 2020, Aegon wrote to Ms P to check that the fund was still right for her. It said the policy was invested with the outcome in mind of providing an annuity in 2024. The letter also said:

*'**What you need to do now***

It's important that you:

- *check your selected retirement age (see opposite), as this affects when your fund switches into different investments.*

- *consider whether you still intend to buy an annuity.*

If any of the above has changed, you may need to review the fund you're invested in.

You can find out how to switch funds or change your selected retirement date at www.aegon.co.uk/lifestylefunds We recommend that you take some advice or guidance *beforehand as these are important decisions.*

To see a list of alternative funds - go to digital.feprecisionplus.com/aegonportal

The value of your pension plan may go down as well as up and isn't guaranteed. You may get back less than the amount invested.

Where to find out more

We have a range of tools on our website which are designed to help you get ready for retirement. You can also access free impartial information from the government.

- *Your Retirement Planner - for more information on your retirement options and help getting ready for retirement (www. retiready.co. u k/retirement-income-planner/options. html)*
- *Lifestyle funds hub - for information on your current fund and what a lifestyle fund is (www.aegon.co.uk/lifestylefunds)*
- *Pension Wise - a free and impartial government guidance (not advice) service (pensionwise.gov.uk or call 0800 138 3944)*

If you're not sure about what to do we recommend you speak to a financial adviser. If you don't currently have an adviser, you can find one at unbiased.co.uk.'

In February 2023, Ms P received her annual statement this showed that her fund had made a loss of £46,000 across the year.

On 4 October 2023, Ms P complained to Aegon about the losses she suffered as she believed the lifestyling had not met its objectives. And that the fund hadn't been as low risk as was stated. She spoke to an adviser and the fund information he gave her suggested that the fund was higher risk than she'd been told.

Aegon responded but it did not uphold the complaint. It said her fund value had been negatively affected largely because it was invested in UK Long Gilts and this was caused by the changing economic climate. It said it could not provide her with advice and it had made clear in its statements that investment selection was Ms P's responsibility.

On 23 October 2023, Ms P transferred her pension elsewhere and the value at the time was £132,318.84.

Our investigator looked into matters but didn't uphold the complaint. He said that Aegon had provided Ms P with all the required information to make an informed decision about her investments. He said he'd seen nothing to suggest her pension hadn't been administered as it should've been or that the selected funds hadn't performed in line with their objectives and benchmarks. He said whilst the overall value of funds within a pension can fluctuate, this doesn't mean Aegon had done anything wrong.

Ms P responded to say that the investigator hadn't addressed her key point which was that the risk rating of the funds invested had increased and so the lifestyling didn't meet its objectives to reduce risk closer to retirement and protect her fund. She provided fund factsheets and an explanation that her adviser had checked the funds on FE analytics and the risk rating had increased over the years from around a 76 score to 130 on the FE analytics scale. She says she believed Aegon had a duty to inform all investors that the aim of the funds was no longer achievable due to the increased volatility and risk involved with them.

Our investigator responded to Ms P to explain that he'd seen no evidence that the funds risk rating had changed. And secondly it was the underlying funds risk rating that was important here (the Long Gilt fund and Cash fund) and not the initial lifestyle fund (Universal Lifestyle Collection) as all her funds were now invested in the two underlying funds. And the fund she had referred to was a different Universal Lifestyle Collection and so wasn't the fund she was previously invested in, in any event.

Aegon said in response that the fund Ms P had referred to wasn't the funds she was invested in and instead was a fund available only to customers of its sister company Aegon Investment Solutions Ltd. It said it wasn't aware of the risk ratings Ms P was referring to but it was commonly accepted that Long-Gilts are generally considered lower risk than equities, which is what the lifestyling switched her from and into as part of the process.

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.

I appreciate the significant losses Ms P suffered in 2022-2023 must have come as a shock and will be extremely upsetting given she was closing in on her planned retirement age. But unfortunately these losses were seen across the investment sector she was invested in and not just Aegon's funds. As part of the lifestyling attached to her plan in 2022 60% of her fund was invested in the Long Gilt fund and by 2023 75%. This fund is where her losses can be attributed to. Bonds and Gilts are generally seen as lower risk and lower volatility funds but suffered huge volatility due to UK and World events. The instability experienced in the economy with interest rates increasing sharply meant that the performance of funds holding bonds (especially UK bonds) nosedived.

Poor performance alone isn't a basis to uphold complaints upon. As we've explained funds can go up and down and it wouldn't be fair nor reasonable if we were to award compensation for poor fund performance – and that wouldn't make for a sustainable financial services system either. If as a service we consistently awarded redress to make up losses made by customers due to poor fund performance, investment providers would likely exit the market. And furthermore, the funds could then recover and in the long run there may not be any losses to the customer. This is why investments always come with the warning that they can go up or down. So, I cannot hold a pension provider responsible for poor performance alone.

I appreciate Ms P, based on a third party investment website, believes the risk ratings of her funds had changed and were no longer suitable for the de-risking phase of her retirement journey. However, it appears this is based on the initial lifestyling phase and an incorrect fund, not available to her in any event. Aegon was clear in what the lifestyling fund would do, that it was targeting an annuity and that ultimately it was her responsibility to decide whether this was right for her. I understand that perhaps what it was described as, a de-risking of her funds, may have been what she wanted but unfortunately the outcome didn't match expectations. But there were no guarantees made on performance, it was made clear her funds could go up or down. And I don't think Aegon did anything wrong in having gilts as part of its de-risking phase of its lifestyling. This is common across the industry.

I also understand that Ms P might question why Aegon didn't warn her about the poor performance of the fund. But to do so would constitute advice and Aegon isn't permitted to give advice here. Any warnings given about a fund's performance would likely result in customers following that 'advice' and switching out of the fund. This could also create more problems than it solves as there is no guarantee that poor performance will continue and timing that warning is fraught with issues. Furthermore, Ms P was able to track the performance of her pension online and could make changes if she wished to do so.

In conclusion I am sorry to hear of the losses suffered by Ms P but unfortunately this is due to external factors that couldn't be foreseen. I don't think Aegon did anything wrong here – Ms P was invested in line with the funds chosen by her employer and her lifestyling strategy. Aegon as the pension administrator was responsible for giving Ms P all the relevant information about her pension so she could make an informed decision. And I think it did do this. The fund that caused Ms P's losses, the Long Gilt Fund, is part of an investment sector that is generally considered low risk and also has a correlation with annuity rates that can protect investors in times of poor performance, if they take out an annuity. Given the stated aim of Ms P's lifestyling was to provide an annuity, I think the fund(s) chosen were suitable for this aim and met the description of the lifestyling.

I appreciate this answer will be disappointing for Ms P given the extent of the losses she suffered but for the reasons explained I am unable to uphold this complaint.

My final decision

For the reasons explained I do not uphold this complaint and make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 29 October 2024.

Simon Hollingshead
Ombudsman