

## The complaint

Mr W complains that Aviva Life & Pensions UK Limited (Aviva) mis-managed his Group Personal Pension Plan (GPP) investments causing him losses of around £40,000. He wants compensation for the losses.

## What happened

Mr W joined his employer's Group Personal Pension Plan (the plan) in 2012 investing in the *"Balanced Life Stage"* strategy, where investments would be automatically switched as the selected retirement age approached. Mr W's selected retirement age was 65. This should have been in March 2024. But he noticed that Aviva was using an incorrect date of birth for him giving a retirement date in 2048 not 2024. This was amended by Aviva in October 2021 and the split of investments was changed to reflect the correct retirement date in 2024.

Mr W subsequently noted a significant fall in the value of his plan of around £40,000 and complained to Aviva about this in March 2024. He said instead of being switched into lower risk funds as he should have been, he'd been moved into the *"Long Gilt Fund"* which carried a risk rating of five (out of seven). And Aviva hadn't notified him of the *"huge drop"* in value. He said it only sent one statement a year, whereas his wife received two. Aviva didn't uphold the complaint. It said the plan had been correctly switched into the Long Gilt fund in line with the lifestyle strategy in place. And this fund targeted annuity purchase at retirement as Gilts *"have an inversely correlation with annuity rates, as one rises the other falls and vice-versa"*.

Aviva said details about this had been provided when the plan was set up and in annual statements sent to Mr W subsequently. It said the objective was to switch into funds carrying a lower level of risk as retirement approached, but this couldn't be guaranteed, and fund performance was out of its control. It said the risk rating of funds could change over time, but the fund had been appropriately managed in line with its objectives. It said Mr W could have changed funds at any time and that it had provided annual statements as required by the financial regulator.

Mr W referred his complaint to our service. Our investigator looked into it, but he didn't uphold it.

Our investigator said the issue with the date of birth was likely due to the data provided by Mr W's employer when he joined the plan. But this had been shown on the policy documents and annual statements, so might have been identified sooner. He said the policy documents explained how the plan would be invested and the changes that would be made in the ten years before the selected retirement date. Where investments in the Balanced Managed fund would be progressively switched into the Defensive Managed, Retirement Protect and Deposit funds, so that at the retirement date the funds would be 75% invested in Retirement Protect and 25% in the Deposit funds. Aviva had subsequently changed the name of the Retirement Protect to the Long Gilt fund. He said after Mr W contacted Aviva in 2021, the funds were moved into the correct proportions set out in the investment strategy.

Our investigator said whilst the Long Gilt fund now had a risk rating of five, Aviva had followed the strategy in place as fund risk ratings could change and World events had

caused gilt values to fall, which was outside its control. He said there was no evidence Aviva had mismanaged the investments. And it wasn't required to update Mr W about the reduction in value of the Long Gilt fund as this could be perceived as being advice which it wasn't authorised to provide. Our investigator said the aim of the lifestyling strategy was to stabilise the amount of income that could be provided by an annuity when benefits were taken. And that this appeared to be the default investment strategy selected by his employer, which Mr W could have changed. He said details of how the investment was performing was set out in the statements, which Aviva was only required to issue annually. He said valuation and other information was also available on Aviva's website and it was Mr W's responsibility to keep things under review or to take advice if he needed to.

Mr W said he understood Aviva couldn't give him advice, but the basis of the lifestyle strategy was that he would be moved into lower risk investments. And the documents from 2012 said the Long Gilt fund was the low-risk option. But despite the risk profile having increased, Aviva had continued to move his funds into it. He said it had stuck to the letter of the agreement but ignored the principle behind it. He said he was a "*financial layman*" and asked if he was expected to know the risk profiles of the funds he was invested in.

As Mr W doesn't agree it has come to me to decide.

### **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 am not upholding the complaint.

I appreciate the worry and frustration the sharp fall in the value of Mr W's pension fund with Aviva has caused him, but I don't think it has treated him unfairly or made any error.

As Mr W is aware Aviva wasn't providing him with advice. It's likely he was invested in a default fund nominated by his employer, either because of the auto enrolment requirements introduced from 2012 or in anticipation of them. But it was his responsibility to check the investments were appropriate for him. There's no evidence that the investment strategy wasn't operated as it should have been. This targeted providing tax-free cash and buying an annuity at the selected retirement age, the most common option back in 2012. Progressively switching into cash and Gilts was seen as de-risking this benefit option. Because if Gilt prices fell (due to rising interest rates) this would normally be balanced out by a comparable rise in annuity rates, so the likely income that could be provided would be similar despite the fall in the capital value of the pension fund.

So, the strategy aimed to reduce the annuity purchase risk, not to specifically protect the capital value of the fund. And whilst fixed interest investments are considered to be lower risk investments than shares in general, their capital value can in some situations rise or fall quite sharply. And rising interest rates and political and economic shocks such as the war in Ukraine did result in marked reductions in fixed asset values from December 2021 onwards. These were factors outside Aviva's control, and it couldn't otherwise change the investments without instructions from Mr W. The Long Gilt fund did perform similarly to the sector average over this period, suggesting there was no investment mismanagement.

The pension freedom legislation introduced in 2015 provided more benefit options, which might mean switching to Gilts in the run up to retirement was less appropriate. Pension providers introduced different lifestyle strategies to target different outcomes. Mr W has told our service that he has no particular plans to take his pension benefits at present, but if he did it would probably be as a lump sum. This indicates a different investment approach might

have been appropriate. So, I've also considered what information Aviva provided about these changes.

The annual statements Aviva sent prompted Mr W to review the investment strategy, they provided links to information on its website and suggested he take financial advice. The January 2017 statement also referred to the new retirement options available and that it had made changes to some lifestyle strategies. It said that if Mr W was within 10 years of his retirement date,

*"We'll have been in touch with more details of the changes we've made and what the options are."*

Aviva hasn't found any record of sending correspondence about this to Mr W, presumably due to the error on his date of birth not showing him to be within 10 years of retirement. This information might have further prompted him to review his arrangements, but this error doesn't appear to have been caused by Aviva. And in any case, he was aware of the significant investment changes made in October 2021 when the date of birth error was corrected, and investments in the Long Gilt fund were first made. That was a significant change and given the error on the date of birth I think a reasonable prompt for him to consider his retirement plans and objectives and whether this approach was still appropriate. The annual statement sent in February 2022, confirmed the current fund holdings, gave links to further information on Aviva's website about the investment approach and recommended he take financial advice. So, I think Aviva treated Mr W fairly in providing reasonable prompts and information for him to review his arrangements on an ongoing basis.

In terms of risk categorisations, Aviva also provides a lot of information about this on its website. It stresses that risk categorisations can change and *"are based on our interpretation of investment risk and are only meant as a guide"*. Historically Gilts are generally considered to be lower risk investments which I'd typically expect to see assigned a risk category of around two on a similar scale to Aviva's. A significant factor in assessing risk categories is how volatile the price of the investments tend to be on a daily basis. Gilt prices are generally less volatile than share prices, but in certain market conditions volatility can increase significantly which is what happened, particularly during 2022.

Whilst this impact was dramatic at the time, it wasn't known whether this would be short lived or become a long-term issue, and whilst it will have contributed to the subsequent re-rating of the funds risk category that wouldn't necessarily call for an entire re-evaluation of the lifestyle strategy itself. And it is the case that annuity rates also increased significantly, to their highest levels in many years. This did effectively de-risk the purchase of a given level of annuity income even though it didn't prevent the value of Mr W's fund from falling significantly in capital terms.

So, I don't think Aviva has made any error. It did provide Mr W with information about his investments, flagged changes in benefit options introduced in 2015 and prompted him to review his arrangements. It wasn't providing him with advice, and it was his responsibility to review his investments, so I don't think it has treated him unfairly and I can't uphold his complaint.

### **My final decision**

My final decision is that I do not uphold the complaint.

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

Nigel Bracken  
**Ombudsman**