

The complaint

Ms F is unhappy with her fund performance and feels her fund has been mismanaged. She says she wasn't able to make suitable investment choices as she hadn't received her annual statement.

What happened

Our investigator set out the background to this complaint which isn't in dispute. So I have used an amended version of this below to explain what happened:

Ms F contacted Scottish Widows in 2022 to say she hadn't received her annual statements. Scottish Widows addressed this complaint and issued its final response in February 2023 (this complaint was investigated separately by our service, and it was accepted that £370 was fair to compensate Ms F).

On 20 February 2023 Ms F responded to Scottish Widows. Whilst the majority of the letter related to the original complaint, she raised some new issues such as the fund performance. She felt Scottish Widows poor customer service in not providing her with a statement and answering her complaint points - had prevented her from making changes to her pension and avoiding the losses suffered.

On 22 June 2023 Ms F wrote to Scottish Widows again, chasing a response to her letter from February. However, Scottish Widows assumed this was a duplicate complaint and didn't take any further action.

On 10 July 2023 Ms F contacted Scottish Widows to check that her complaint had been received. She was told by an advisor that it had and that someone would get back to her.

On 16 October 2023 Ms F contacted Scottish Widows to check on the status of her complaint as she hadn't received any correspondence. An advisor confirmed that her complaint had been closed but would arrange for a call-back within 48 hours.

On 17 October 2023 Scottish Widows issued its final response letter to Ms F in regards to the new complaint points raised. It said that the fund performance is not guaranteed but it apologised for not logging her second complaint properly and offered £200 for the inconvenience caused.

Ms F didn't accept Scottish Widows' outcome and so brought her complaint to our service. Our investigator looked into matters but didn't think Scottish Widows needed to do anymore to put things right.

Ms F disagreed and explained again why she was unhappy and asked for an ombudsman's decision. She also sent us an update on a problem with a cheque she'd received as compensation. And a letter Scottish Widows sent her regarding changes to its lifestyle strategy that it said it should've notified customers about earlier.

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.

It's in no doubt that Scottish Widows provided a poor customer service to Ms F, which I'll talk about more later, but the crux of this complaint is that her pension has lost money. As has already been explained to Ms F, poor performance in itself is not a reason to uphold a complaint because funds can go up or down. Ms F argues that Scottish Widows has mismanaged the fund that she was invested within, but I've seen nothing to suggest that this is the case.

Ms F's losses have been caused by her investment in the Pension Protector Fund. The volatility experienced in the economy with interest rates increasing sharply meant that the performance of funds holding bonds (especially UK bonds) nosedived. This was something seen across the investment sector and not just within Scottish Widows' fund here. In fact looking at independent fund performance information, the fund appears to have slightly outperformed the sector average. Though its performance was very poor relative to other fund types but what had been seen as a low risk, low volatility investment sector, quickly suffered large losses due to what was going on in the UK and world economy.

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 F expected the fund to '*protect*' her pension value as that is what it was designed to do and it was what Scottish Widows expected as well. But it made no guarantees that would be the case and through investing (without guarantees) the risk of a fund not performing as expected is always there. It's very unfortunate for Ms F and others like her that when they were coming up to retire, what had previously been a low volatility sector suffered such losses. And she has my sympathy. But I have to be fair to both parties and I could only uphold this complaint point if I found that Scottish Widows had done something wrong that caused Ms F's losses.

Ms F has said she is surprised we as a service aren't more concerned about Scottish Widows' poor fund performance but I've explained above why this isn't something we'd look to put right. However, the poor customer service she's suffered is something we've seen across numerous cases. Whilst we aren't the regulator and we can't punish businesses - we have engaged with the relevant parties about this issue as part of our wider remit to improve the financial services. I can assure her it hasn't gone unnoticed.

Regarding this case, I've considered the impact of the poor customer service provided by Scottish Widows on Ms F. Having done so I don't think it can be fairly said to have caused her losses. We have already looked into the failure to send Ms F her statement on a separate case and awarded compensation for that. Ms F knew from previous statements (and could've asked over the phone if not) what she was invested in. Ms F could've got real time information about the performance of those funds either through calling up Scottish Widows (however I understand there have often been long waiting times and the system is difficult to navigate) or through looking up the fund information online. Whilst it is concerning that Scottish Widows didn't provide the annual statement to Ms F, customers are required to

mitigate their circumstances if they are able to. And Ms F still had the opportunity to find out her fund value, the performance of her funds and to consider whether she should switch out her investments if she wished to do so. I do appreciate however, that this was made more difficult through Scottish Widows poor customer service, but Ms F still ought to have been able to make changes if she wished to do so.

I don't agree that the poor customer service can be said to have caused Ms F's losses but it will still have had an impact on her. I can see why she is, and was, very frustrated with the service it has provided her. It failed to answer her complaint in a timely manner, and she had to chase them a number of times – at a time when her pension was losing value. However, I agree the compensation offered across the two complains by Scottish Widows is broadly fair and reasonable when considering the impact these errors will have caused.

In conclusion, Scottish Widows across the time period that spans the two complaints has provided Ms F with very poor customer service and it needed to compensate Ms F for this. This isn't something she has been alone in experiencing and the same can be said for the loss of retirement funds through the poor performance of the Protector Fund. However, this isn't due to something Scottish Widows did wrong – instead it was due to the poor performance of the particular investment sector that is often used as part of the de-risking phase of retirement. Unfortunately, over the last few years, bonds and gilts have suffered unusual volatility and this has caused large losses for many investors. Ms F has my sympathy, but I am unable to uphold her complaint about the losses she has experienced for these reasons. And I think the money already paid to her by Scottish Widows is sufficient to compensate her for the poor customer service she has received.

My final decision

For the reasons explained above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F to accept or reject my decision before 25 October 2024.

Simon Hollingshead
Ombudsman