DRN-4876678

The complaint

Mr W complains that Scottish Equitable Plc trading as Aegon (Aegon) failed to provide his financial adviser with accurate information about the investments held in his Self-Invested Personal Pension plan (the plan), whilst its value was falling. And that it failed to provide accurate information and details on its quarterly factsheets about the investment funds. He says this prevented him from making informed decisions, causing him losses which he wants compensation for.

Mr W is represented in his complaint by his financial adviser (the adviser).

What happened

Mr W transferred £136,714.40 from an existing pension to the Aegon plan in August 2021, receiving advice from his adviser. He was aged 63 and the selected retirement age was 65, in June 2023. Investment was made into the Balanced Lifestyle ARC fund. On 3 May 2023 the adviser contacted Aegon querying the fund valuation which had fallen to around £86,000 and asked if any withdrawals had been made. Aegon said no withdrawals had been made and that investment markets had been very challenging. The adviser asked if the fund manager had been sacked and for details of the fund code so he could access factsheets about it. This information was provided.

The adviser raised further queries about the operation of the fund and the underlying assets held as he said the returns on Mr W's plan were much worse than the performance information on the factsheet. The adviser also requested a transaction history and various other details. Aegon also provided details of its Lifestyling hub which holds information about how the lifestyling funds operated.

In June 2023 Mr W changed his selected retirement age to 66, which would be in June 2024. In October 2023 the investment was switched to cash, when it was worth around £81,000. The adviser had raised a complaint with Aegon in July 2023, making a number of points. He queried the operation of the fund and lifestyling and said it *"had decimated Mr W's plans and the managers, analysis team and Aegon should hide their heads in shame."* The adviser asked that the ongoing adviser charge (OAC) paid to his firm be stopped in view of the significant reduction in value.

Aegon didn't respond until September 2023 for which it apologised. It offered Mr W £350 compensation for this and the delay in cancelling the OAC as requested. However, it said it wasn't responsible for the drop in value of Mr W's pension. It explained the operation of the Balanced Lifestyle fund which it said was aimed at those intending to buy an annuity in retirement. It said the fund progressively switched over the six years before the selected retirement age to hold Long Gilts and cash.

Aegon set out how the fund had been invested since July 2021 to July 2023 which showed the transition from the Mixed fund to the Long Gilt and Cash funds as part of the lifestyle strategy. It said the Long Gilt fund had lost around 43% between July 2021 and September 2023, which was similar to its benchmark. It said generally when Long Gilts fell in value annuity rates rose and whilst the relationship wasn't perfect this provided more certainty about the level of income that could be secured in retirement, which was the funds objective. It said the Balanced Lifestyle fund factsheets only provided details of the initial growth phase, before the lifestyle switches started six years from the selected retirement age.

Through his adviser Mr W referred his complaint to our service and our investigator looked into it but she didn't uphold it.

Our investigator said the Balanced Lifestyle fund factsheets did explain there were two parts to the investment strategy and that it would invest for growth until six years before the selected retirement date. And that the factsheet confirmed it only provided specific information about the growth phase of the strategy, which wasn't inaccurate. She said as Mr W only had two years to the selected retirement age when he invested, he was never in the growth phase and so the performance information set out on the fact sheet wouldn't mirror the actual investments held. And she said the Lifestyling hub link Aegon provided gave information on how the strategy worked and what funds would be invested in and when. And fund factsheets were available for these funds.

Our investigator said the investment decision had been made by Mr W and the adviser rather than Aegon, which merely administered the funds and strategy, which it appeared to have done correctly. She said it was Mr W's responsibility to instruct Aegon to make any changes if he wasn't happy with the returns on the investments held. And whilst the fund value had fallen, annuity rates had increased to the highest level for many years. She said the adviser had requested various information in May and June 2023 which Aegon had provided in June 2023. She said she didn't think Aegon had impacted Mr W's decision about his pension because he hadn't gone on to switch to cash until October 2023.

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 understand how concerning this must be for Mr W, but I can't uphold this complaint as I don't think Aegon has made any error or treated him unfairly. Aegon wasn't providing him with advice, so it didn't recommend the investment and there's no evidence it has maladministered the lifestyle strategy in place. And I don't think Aegon's fund factsheets were misleading, or that adequate information wasn't available that prevented him from switching investment before he did.

Lifestyle investment strategies do involve some relatively complicated concepts, but they have been widely available for more than 20 years. And all operate in fundamentally the same way, with the investment holdings progressively altered as the retirement date approaches. Aegon offers a range of investment funds including other lifestyle strategies targeting various retirement benefit options. And it does provide considerable information about its investment funds and the operation of the various lifestyling options on its website for both customers and financial advisers.

As Aegon explained in response to the adviser's complaint the investment strategy selected targeted annuity purchase at the selected retirement age. And that the increasing holding in the Long Gilt fund isn't used to protect the capital value of the investment but rather the likely income level that can be secured if there are market movements impacting annuity rates.

That information is also confirmed on the fund factsheet. And it's likely that that objective was broadly achieved.

As Mr W first invested into the fund around two years before the selected retirement age, he was never fully invested in the initial growth strategy reflected on the factsheet. Instead, he was initially around 56% invested in the Long Gilt fund rising to around 66% in the second year. Unfortunately, bond type investments like Gilts did fall sharply in value in response to rising interest rates and various other factors from the end of 2021 onwards. The Aegon Long Gilt fund did perform very similarly to the sector average over this period, suggesting there was no investment mismanagement.

And I don't think the investment information on the fund factsheets was wrong or misleading. The first section of the factsheet is headed *"Fund objective"* and clearly overviews the lifestyle strategy in place, confirming it uses a *"two-stage investment process".* It describes both the initial *"Growth"* phase, and the *"Lifestyle"* phase where the fund is progressively switched into long Gilts and cash as the selected retirement age approached. It explains that during the Growth phase it will invest in the "*Mixed fund"* which benchmarks the "*ABI Mixed Investment 40-85% Shares sector*".

The past investment information then set out clearly relates to the "*Growth"* phase, being compared to the ABI Mixed Investment benchmark. And this is confirmed in the notes section. Which also set out the potential risks, and state under the heading,

> *"**Lifestyle performance information -***
>
> *this factsheet contains information and performance for the Growth stage of the lifestyle fund. The information and performance for your fund will be different if you're within the "Retirement target/lifestyle stage", which normally starts seven years before your selected retirement date."*

Administratively Aegon identifies the lifestyle stage by assigning the selected retirement age year as a suffix to the fund name, so in Mr W's case on his annual statement for July 2022 the fund is referred to as *"Bal Lfsyll Pn 2023 (ARC)"*. When the retirement date was until 2024 the suffix was changed to 2024, further confirming the two-stage investment process.

In terms of the other complaint points whilst there was a short delay in providing some details like the full transaction history for the plan, this only confirmed that the selected lifestyle strategy had operated as it was intended and didn't provide investment information not already available elsewhere. There's no evidence that Aegon hasn't operated the Balanced Lifestyle fund strategy applicable to Mr W's retirement date correctly.

Aegon has paid Mr W some compensation for the delay in considering his complaint, which I think is fair in the circumstances. But I don't think Aegon has made any error or provided inaccurate information in respect of the lifestyle fund selected, so I can't uphold this complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 9 September 2024.

Nigel Bracken

Ombudsman