DRN-4930329

Financial Ombudsman Service

The complaint

Mr B complains that Scottish Widows Limited prevented him from accessing his pension online to view its downward progress, which he was only able to ascertain from annual statements issued in February each year.

He further says that his pension was invested in Scottish Widows' Pension Protector fund, but this hasn't actually protected the value of this pension pot – losing him 28% of its value or about £15,000 over two years. He would like this loss to be made up.

What happened

Mr B has held a Scottish Widows group stakeholder pension since January 2013. Stakeholder pensions were required by law to provide a default investment fund choice, if the policyholder didn't want to select specific funds of their own. The default option typically incorporated 'lifestyling', a process by which funds were switched into bonds as the policyholder neared retirement. With Scottish Widows that process was called its 'Pension Approach'.

On Mr B's application form for the pension, the Balanced Pension Approach was ticked. Over the term up to the selected retirement date, this gradually switched 75% of the policy into Scottish Widows' Pension Protector fund, which was invested in bonds. The other 25% gradually switched into the Cash fund. This would have been explained in a Pension Investment Approach guide, which was referred to on the form. Mr B also selected a retirement age of 65 on the form – that would have been in 2019.

In February 2018 Mr B received his annual statement. The value of his plan had risen from £42,840 to £43,681. The switching process was almost complete with only a small part (£7,893) yet to be moved to the Pension Protector or Cash funds. That was held in Pension Portfolio 4, which invested broadly evenly between shares and bonds (and potentially a more varied range of bonds than the Pension Protector fund). Scottish Widows added:

> *"You should review the funds in which your plan invests from time to time to make sure they are still appropriate for you.*
> *For more information about your fund(s)' performance and the full range of funds available to you, please visit our website at www.scottishwidows.co.uk and click on 'Our Fund Prices' in the 'Quick Links' section."*

In the lead-up to Mr B's retirement date, Scottish Widows would have sent him so-called 'wake up' letters encouraging him to think about how he might want to draw his benefits. These letters included an option for him to defer his retirement date. I've asked Scottish Widows to provide the letters themselves but it's been unable to do so. However it does have a letter it sent to Mr B on 20 November 2018 acknowledging that he'd asked to change his pension date to early 2024 (age 70). Scottish Widows gave the names of the funds Mr B was already invested in and reminded him that this meant:

> *"At present, your policy includes lifestyle switching as part of your investment strategy. This means that as you get closer to… the Lifestyle Target Date…, we gradually adjust*

and move your policy into lower risk investments in accordance with your chosen lifestyle switching package. The process of switching to lower risk funds will complete by your Lifestyle Target Date. Although this may reduce the growth potential of your policy, it also aims to protect the value of your policy as you near retirement.

When you asked us to change your retirement date, you did not want us to realign the lifestyle investment strategy of your policy to your new retirement date, so your investments will continue to align to [2019]*. As your new retirement date is later than your current Lifestyle Target Date, this could mean you will be invested in lower risk funds earlier and for longer. Due to this, you may want to regularly review your investment or contact us if you decide you would prefer to realign your Lifestyle Target Date to your new retirement date."*

It's important to note that these statements didn't explain the make-up of the funds Mr B was invested in – such as telling him the Pension Protector fund was exclusively invested in bonds. In order to learn that, if he wasn't already aware, Mr B would have needed to follow the prompt to view the information on Scottish Widows' website – such as fund factsheets. However, I also note that Mr B didn't contact Scottish Widows to ask it to realign his lifestyle target date. Had he done so, my understanding is that his funds would mostly all have been moved back to Pension Portfolio 4, and then gradually switched back again to Pension Protector and cash over the next five years, as before.

Mr B's next annual statement followed in February 2019. He remained in the same two funds and their value had increased further to £44,144. The same encouragement was given for him to review the funds he was invested in and visit Scottish Widows' website.

In February 2020 Mr B received the first 'new look' annual statement for his plan, showing it had increased further to £49,658. It described the Pension Protector fund as being of 'balanced' risk, acknowledging that such investments carry a risk of loss to capital value, but have the potential for capital growth and/or income over the medium to long-term. It noted that typically they do not have any guarantees and will fluctuate in capital value. It again encouraged Mr B to review the funds he was in. A separate page about lifestyling added:

"Lifestyling aims to grow your pension pot in the early years and then take less and less investment risk the closer you get to retirement. We offer different Lifestyling Approaches, which you can choose based on how much risk you are prepared to take. Some of our Lifestyle options can also be chosen based on how you may take your retirement benefits…
The aim of this is to try to protect what you've built up in your pot from market falls as you get close to your selected retirement age. This approach could restrict the potential for growth as you get nearer to retirement.
Although your policy previously contained a lifestyle approach, any automatic switching of your funds has completed. As a result, you may now be invested in lower risk funds with less potential for growth."

On the February 2021 statement the value had risen slightly to £50,817. It was otherwise the same, other than Scottish Widows had now added a 'cautious' descriptor to the cash fund. It included some investment news referring to the impact of Covid, adding:

"Nobody can say for sure how much longer the economic and market uncertainty will last. But a look back at the historical performance of share markets shows that eventually markets do recover…
The other important thing to keep in mind right now is the benefit of diversification. Many of you may also be invested in funds that hold bonds, which are considered lower-risk and generally have not declined as much as share markets. We strongly recommend that

you get advice if you're concerned about market conditions and how they're affecting your investment, or if you're considering making any changes to your investment."

The other explanations about the lifestyling option and prompts to review his fund choices were the same.

The Pension Protector fund reached a near-peak in December 2021. But from that point onwards, the Bank of England started increasing interest rates to combat inflation. This made bonds that had been secured to pay an existing (low) rate of interest less attractive investments. So although that income continued, the capital value of those bonds began steadily decreasing over the period up to October 2022. By that time the Pension Protector fund had fallen overall by nearly -50% (although this later recovered to -35%). A more severe part of the fall coincided with the Government's Autumn 2022 'mini-budget'.

There was already a drop in value of Mr B's policy to £46,661 by his February 2022 statement. The 'investment news' section said bonds had generated strong investment returns over the *past* year, adding *"Bonds are often considered lower-risk investments, which investors have found more attractive among the recent uncertainty."* Again, the other explanations about the lifestyling option and prompts to review his fund choices were the same. Mr B says he went to access his pension online after seeing this statement, and saw a further message explaining about market volatility.

In mid-August 2022 Scottish Widows partially suspended its online system access for some policyholders whose policies were being migrated to a new online platform. Prior to switching off the old system it emailed policyholders between 26 July and 11 August to explain that it was upgrading the operating platform. According to the template of the email this service has seen, Scottish Widows explained that stakeholder policies could still be managed through the Scottish Widows 'app' or over the phone. The original timescale for completion of the migration was in around October 2022, but Mr B experienced further issues being able to access his policy online.

By the time of his February 2023 statement, the value had dropped to £37,563. Worried that there would be further falls in value, Mr B decided to transfer his funds to Vanguard on 8 March 2023, when £36,315 was transferred. He chose to invest this in its Target Retirement 2030 fund, which is also a lifestyle fund. This is aimed at people who are aiming to retire between 2028 and 2032 – essentially around the time of Mr B's 75th birthday, meaning he'd deferred his retirement by around another five years.

Mr B was entering into this Vanguard strategy about 7 years before the target date, meaning he was inserted into a fund split of about 60% shares and 40% bonds, which would have gradually flipped to 40% shares / 60% bonds by 2030, including an increasing component (up to 10%) in index-linked bonds. Mr B says it is his intention to take the 25% tax-free cash and draw down from the remaining pot from time to time as needed. Over the subsequent ten years from retirement age with this strategy (i.e. up to age 85) the total bond proportion increases further to about 70%.

<u>Mr B's complaint</u>

Mr B subsequently complained to Scottish Widows along the lines set out at the start of this decision. Scottish Widows' final response in June 2023 acknowledged that Mr B hadn't had online access after Scottish Widows migrated from its old systems to a new one:

"Having investigated your lack of online access, I can confirm that there are several factors that may play a part in the reasons for the delay. The new features require to be vigorously tested to ensure that the product or service that we are bringing to our online

platform is going to work without any hitches or technical difficulties, and that we are fully satisfied the platform will work as intended. This does mean from time to time that release dates may be pushed back. I understand this is disappointing for you, and may cause frustration, but rest assured that this means once we are at a point where we can introduce the new services, they will be of quality and fully secure."

In terms of why Mr B's pension had fallen in value, Scottish Widows referred to the impact of recent inflation and rising interest rates affecting the value of bonds. Previously, the unstable global economic situation had at times affected the value of shares also. However, it said it was the responsibility of the policyholder, or an independent financial adviser of their choosing, to make sure that the funds they invest in within their pension (which can include shares, or bonds) – or the strategy which incorporates these – are the right ones for them.

Mr B remained dissatisfied and referred his complaint to us. Our investigator asked Scottish Widows to provide more details about the online access problem Mr B experienced and why it hadn't offered compensation for this. She also asked Mr B for more information about the problems he experienced.

Scottish Widows told the investigator that policyholders could still visit its website and view fund information (as directed on their annual statements) while the online access was suspended. It said its website also provided a phone number to allow policyholders to make changes as they wish. And in the terms of use for online access, policyholders were informed *"Scottish Widows may suspend or terminate your use of the services at any time for any reason".* Scottish Widows said this was why compensation wasn't awarded for distress and inconvenience, as Mr B had other ways to contact it for updates on his policy.

Mr B confirmed to our investigator that he couldn't gain access to his policy on Scottish Widows' system while it was being migrated: a page would appear explaining that this was the problem. But when migration was complete he also never managed to gain access, despite spending *"a lot of time, with Scottish Widows' help to try and get into the system".*

Our investigator didn't uphold the part of Mr B's complaint about his fund falling. But she didn't think Scottish Widows went far enough in its response to explain why Mr B didn't have access to his account after around ten months. This didn't seem like a reasonable timeframe to resolve the relevant technical issues.

In the absence of any further details from Scottish Widows, she had no reason to doubt Mr B's testimony around the calls and time spent with Scottish Widows to try and understand what was happening with his account. So she recommended that Scottish Widows pay him £150 compensation for the distress and inconvenience caused, to which Scottish Widows agreed.

Mr B asked for an ombudsman's decision because he considered his losses were closer to £15,000. The inability to access the account meant he couldn't monitor how the Pension Protector fund was falling and take earlier action to stem the loss of money. He regretted trusting in Scottish Widows' online explanation about market volatility which he'd seen during 2022, because he'd now experienced much better performance with his new provider (Vanguard). The stress and anguish caused had been painful.

I issued a provisional decision on this complaint on 26 June 2024, explaining in more detail (which I'll mainly repeat below) why I didn't consider the main part of Mr B's complaint should be upheld.

Mr B said he was disappointed with my provisional decision. In addition to some points he made previously, he said:

- He expected an established name like Scottish Widows to protect a hard earned pension pot that was invested in a "Pension Protector" fund, even if it was of "balanced risk".
- The charge he paid for Scottish Widows' services meant his pension should not have lost value.
- There are 1676 people on the Scottish Widows complaint platform at the moment who can attest to the poor level of service.
- On the numerous occasions he tried to check his account by phone he experienced long waiting times, typically 30 minutes, and hung up. He transferred his money on 7 March 2023 after finally being able to speak to an agent.
- He was able to access the information on the general Scottish Widows website but was unable to download any of his personal policy information.

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've revisited my provisional findings, which I'll set out below with further clarification where necessary, in light of Mr B's further comments.

Mr B's choice of the 'Balanced Pension Approach' lifestyle strategy

I agree with the investigator that Scottish Widows didn't recommend this strategy to Mr B. It was essentially the medium of three default strategies (varying by risk level) offered under his employer's group stakeholder plan, all of which were 'lifestyled'. Mr B had the option to select his own funds on the same page of the application form, but had not done that. He was also free to select a different retirement age than 65 on the form, but I expect that was likely the retirement age at that particular employer.

I consider it likely that Scottish Widows gave Mr B information about how this lifestyling approach worked and how the fund switches were geared to the selected retirement date. I say this because the application documents referred to an investment guide. So, if Mr B didn't want to be taken out of funds with the highest potential for growth too early (generally this is those investing in shares), there were alternative options open to him:

- Pick a later retirement age from outset, if he thought that was more realistically the age at which he might retire.
- Respond to the suggestion Scottish Widows made on at least two occasions after he he deferred his retirement age, that he could realign the lifestyle strategy to that new age (or otherwise select different funds).

Over the long term, funds invested in shares tend to produce the most growth, which is why lifestyling strategies start out mainly in shares. But historically, shares had been seen as a less appropriate asset to remain heavily invested in closer to retirement. At the time lifestyling strategies were first conceived, most people sought a guaranteed income for retirement. That would involve exchanging their total pot value (after 25% tax-free cash was taken) for an insurance product (an annuity). Therefore this transaction was very sensitive to market fluctuations and changes in annuity rates at the time of purchase.

So, these original lifestyling strategies took advantage of the fact that as interest rates – and therefore annuity rates (the amount of income that £1 of fund will purchase) – move *downwards*, existing bonds paying a fixed rate of interest become more attractive and their face value goes *upwards* (and vice versa). Other than the 25% of the pot that ended up in

cash (earmarked for the tax-free cash sum), the rest of Mr B's pot therefore ends up in the same fixed interest investments (government or corporate bonds) that underpin an annuity.

I appreciate that the name of Mr B's strategy (Balanced Pension Approach) didn't directly refer to an annuity, but at the time this would have been the only type of lifestyling approach available. Nevertheless, the literature Mr B was given would have explained the nature of the fund switching which was intended to reduce risk as Mr B approached retirement. That reference to reduction in risk would have been a reasonable statement to make in terms of the approach of hedging against rises or falls in annuity rates.

In other words, this was a reference to reducing the risk inherent in the *strategy* of purchasing an annuity, rather than necessarily (or under all investment conditions) the risk inherent in the funds used themselves. It would give Mr B more certainty about the level of income his pension pot could purchase, which would be the main concern of someone interested in a guaranteed income for life – the type of person for whom this strategy was designed. But it didn't give absolute protection against rises or falls in the value of the pension pot itself. Bonds can still rise or fall in value, albeit traditionally they have been less volatile than shares.

What changed in 2015?

In April 2015 the government introduced more freedom and choice in pensions, at a time when annuity rates were at an historic low. This had the aim of enabling more flexible options than had traditionally been available, particularly for people with smaller pension pots – including drawing down some or all of the pot as taxable lump sums. In response to this, in October 2015 the Financial Conduct Authority (FCA) announced a Consultation Paper[1] which included a section on lifestyling strategies.

This acknowledged there were a number of practical issues for firms to ensure that any lifestyle profiles selected continue to be appropriate for customers' needs, and to allow customers to make an informed decision about the appropriate lifestyling option for them. The FCA had to take into account, as I must do here, that the providers of most of these policies (including Scottish Widows) acted as the administrator of the policy and managed funds according to the strategy or mandate they'd set out, and didn't provide ongoing advice.

Mr B suggests that the charges he paid for Scottish Widows' services meant his pension should not have lost value. That's not the case. Those charges were to administer the policy, from which a component also went to the managers of the funds themselves (such as the Pension Protector fund). The managers were bound to manage the funds according to the strategy set out – for instance a fund investing in bonds couldn't decide on a whim to start investing in shares. Even a fund manager given a totally discretionary mandate by the client (which Scottish Widows was not) would struggle to avoid losses in all market conditions.

The FCA then followed this up with a Policy Statement[2] in December 2016. Again in the section on lifestyling options, this said:

> *"Firms should remind customers of how their lifestyle investment strategy relates to the retirement options available to them and that, if their retirement needs change, they may need to review their investment strategy.*
> *…*

[1] https://www.fca.org.uk/publication/consultation/cp15-30.pdf
[2] https://www.fca.org.uk/publication/policy/ps16-12.pdf

We will continue our supervisory monitoring of how firms' lifestyling investment strategies are evolving in response to the pension freedoms and review our requirements again, if justified by that experience."

Firstly, I'm mindful that at the time the FCA announced this, Mr B was well into the process of switching into bonds for a planned retirement date in early 2019. And it may only have been during 2017-2018 that Scottish Widows might, reasonably, have had enough time to adapt the content of its annual statements or other mailings to take into account the FCA's comments. As I noted above, by this point Mr B only had £7,893 which wasn't already invested in the Pension Protector or Cash funds.

In the February 2018 statement Scottish Widows did prompt Mr B to review his fund choices, but in my view that was a more generic warning than the FCA had in mind. My reading of the FCA's Policy Statement is that it expected Scottish Widows to explain how the Balanced Pension Approach related to the options Mr B had at retirement. This annual statement failed to inform Mr B that he was in the Balanced Pension Approach, let alone what that meant. Given the significance of the FCA's comments I don't think it would have been reasonable to expect Mr B to retrieve the investment guide he'd been given when he originally took out the plan – if indeed he still had it.

However, I'm mindful that Scottish Widows likely did provide more of a prompt for Mr B to consider his strategy when he received his 'wake up' retirement pack later that year. As a result of this he deferred his retirement age and consciously chose against realigning the fund strategy. Scottish Widows said at the time that the growth potential of his policy would be affected, and he should consider reviewing the investments himself if he didn't realign them to the new retirement age. Scottish Widows couldn't have changed the investment strategy without Mr B giving it an instruction: a decision he made in 2013 had put him in the original strategy geared to retirement at age 65, and he would then need to make a similar decision now that he'd chosen to retire at age 70.

By not realigning the investment strategy Mr B had effectively decided to invest in funds that were already 75% in bonds (with no further switches happening) - rather than initially 50% in bonds and further switching taking place until that became 75%. I've acknowledged that as Scottish Widows didn't give a breakdown of the assets (i.e. bonds) included *within* his funds on the annual statements, Mr B might not have known this. (Indeed, his complaint focuses on the lowering of risk he understood would be happening, rather than what assets he was investing in.)

Nevertheless, I think it's fair to say that in making the decision not to realign the investment strategy, the onus was on Mr B to consult the information Scottish Widows provided about its funds online to see if they were right for him – or take independent advice. That information wasn't in the customer-specific area of Scottish Widows' website - but was the general information on fund choices that Scottish Widows made available and highlighted on its annual statements.

Mr B says he did look for information online after his February 2022 statement. That was prompted by his fund value falling. But had he gone online to look for further information later in 2018, which I think it would have been reasonable for him to do before deciding not to re-align his strategy to age 70, I've considered what information he would have seen. His 2018 statement had given a web address for Mr B to find out more about the funds. That would have taken to him a page[3] which had been online since the beginning of 2017, allowing access to information and prices on all funds. It also included an article specifically titled

[3] https://web.archive.org/web/20170224014712/http://www.scottishwidows.co.uk/funds/

"Important changes to Scottish Widows Pension Investment Approaches and Governed Investment Strategies as a result of new pension freedoms introduced in April 2015".

This explained, *"Scottish Widows has conducted significant customer research and worked with independent research specialists Moody's Analytics to identify how we can help meet our customers' needs in this new pensions environment…*
We've introduced new options to our existing Pension Investment Approach (PIA) and Governed Investment Strategy (GIS) risk categories, to take account of the retirement choices available to you. We now offer three different 'retirement outcomes', designed to prepare your pension investment in its last five years for whichever retirement choice you expect to make. In addition to the original retirement outcome designed for those planning to buy an annuity, we have added a 2nd outcome for those who plan to encash their fund, and a 3rd outcome for customers who will want flexible access and plan to move into a suitable product so they can stay invested…."

It doesn't seem Mr B accessed this information at the time. So, I can understand to some degree why, without further information in front of him, he might have considered there was little risk of his policy value falling if he remained in the Pension Protector fund. I say this because Scottish Widows suggested in its November 2018 letter that he was in a strategy that "*aims to protect the value of your policy as you near retirement".* However, I think this was likely only intended as a broad-brush summary of how lifestyle strategies work in general, as by then there were three strategies and the specific strategy Mr B was in wasn't referred to on the statement. And it's a comment that relates more to strategies that target full encashment or flexibly accessing the pot at retirement, where the strategy is seeking to avoid marked falls in the value of the policy itself. It's a somewhat poor summary of how Mr B's particular strategy was aiming to hedge against changes in annuity rates.

The Balanced Pension Approach (which Scottish Widows now terms a Targeting Annuity approach) acts to protect the level of *income* that can be bought from an annuity, not the policy *value*. And it is in that sense that the risk is being lowered in the approach to retirement. Mr B would likely have learned this if he had consulted the fund information, particularly the fund factsheets, online when making his decision not to realign the investment strategy in late 2018. And if he wasn't intending to buy an annuity at retirement (described as the 'original retirement outcome' on Scottish Widows' webpage), I think it's more likely that he would have decided to reset his strategy to one of the other outcomes it was offering in any event.

I appreciate that Mr B took a certain meaning from the words "Pension Protector", namely protection from falls in all market conditions. But I consider it would have been reasonable for Mr B to review the fund information online (such as factsheets) before concluding he would stay in the same strategy, as he couldn't rely on the original strategy remaining appropriate when his objectives had changed. These indicated that his money was at risk, as indeed the descriptor of this being a balanced risk fund did. Nevertheless I've taken into account that Scottish Widows couldn't *guarantee* that Mr B would read that information. So, it shouldn't have oversimplified how the strategy worked on his annual statement in a way that could lead to confusion.

The newer strategies that *didn't* target a guaranteed income were able to lower the risk in a different (and more conventional) way by diversifying more fully across shares, bonds and cash – because they didn't have the same requirement to hedge against changes in annuity rates. And unfortunately I think it was that more conventional understanding of how the risk was being lowered that Mr B took away from his annual statements, as he doesn't seem to have looked for more information online until 2022. Nevertheless this doesn't change my view that Mr B ought reasonably to have looked for this information sooner.

Scottish Widows' explanation in Mr B's February 2020 statement about the strategy being *'to protect what you've built up in your pot'* is somewhat less misleading. As someone who was aiming to buy an annuity, which is what his actions suggest, Mr B was building up a more predictable entitlement to an annuity of a certain amount by using this strategy. But overall, I accept he wasn't properly reminded *at the time* that his strategy was targeting an annuity, which meant that falls in the fund *value* were possible – and could be significant in extreme market conditions. As Mr B wasn't given this vital context, it's relatively easy to see how this led to the shock he experienced when his policy fell by so much in value over a relatively short period of time.

What I must decide, however, is whether Mr B would have decided to invest any differently, if Scottish Widows had better explained on his annual statements what the strategy was aiming to achieve and this had acted as more of a prompt for him to ask more questions or look at the material online sooner.

<u>*Have Scottish Widows' explanations led Mr B to make different investment decisions?*</u>

With fuller and more timely information from Scottish Widows, I think Mr B is more likely to have reviewed the range of lifestyle strategies in its investment approach and potentially sooner. That's similar to the decision he recently made to invest in a lifestyle approach with Vanguard. Mr B says he's now likely to draw down income directly from his Vanguard fund in retirement, and the strategy he's now in is geared towards doing that. It still involves a significant amount of investment in bonds, but combines that with a continued (but decreasing) component investing in shares throughout retirement.

Vanguard doesn't to my knowledge offer an annuity targeting strategy like Mr B was in with Scottish Widows – as it doesn't sell annuities. But for Mr B to select a lifestyle strategy with Scottish Widows targeting flexible access – more similar to the Vanguard strategy – he'd have had to agree in (say) 2019 to reinvest a significant amount of his funds back into shares.

Clearly, Mr B has been willing to take more risk now that he is with Vanguard. But that may be because his circumstances have changed: his policy has lost money which he's attempting to recover. That may mean he's prepared to invest more into shares. As Mr B recently commented to this service, this has brought him some initial success – although continuing success can't of course be guaranteed, as share markets can be volatile. And importantly, I don't think shares would have been seen as less volatile than bonds in 2019, even if subsequent experience has shown this differently.

So the more reliable indication I have as to what Mr B might have done in 2019, if Scottish Widows had better explained how his lifestyle strategy worked, is how he reacted at that time to being given the option to realign his existing strategy to age 70. That, too, would also have involved making more of an investment back into shares at age 65. And the evidence we have from the time is that Mr B didn't want to do this, when I think he ought reasonably to have consulted the information available. On balance that suggests to me that Mr B had a more cautious outlook then than he may be prepared to have now. Notably, his complaint focuses on statements Scottish Widows made about 'lowering the risk'. And being more cautious does lend itself to the strategy he was already in of purchasing an annuity, as it ensures that the pension pot could sustain an income for the rest of his life.

Had Mr B shown he was at least willing to realign the investment strategy in 2019 to a retirement age of 70, I think there would have been more of a case for arguing that it's possible he might have been willing to forego the guarantees of the annuity-based approach altogether – in the hope of getting higher returns and being able to access his pension flexibly (in the way he wants to do now).

I'm also mindful that Scottish Widows told Mr B in February 2020 that there were other lifestyle options available which depended on how he took his benefits. And it referred to the benefits of diversification when it wrote to him in February 2021. That didn't, evidently, prompt Mr B to find out more about what his funds invested in and thereby how diverse they were at that time. If Mr B had been engaged with the government's pension freedoms and was already thinking about accessing his benefits flexibly, I find it more likely that he would have picked up on these suggestions and looked into what other options were available.

All of this means that, whilst I think Scottish Widows should have done more to remind Mr B how his lifestyle strategy worked – without Mr B having to look for this information himself – I can't safely conclude that its omissions have more likely than not led him to make different investment decisions. He might have invested differently if he'd taken advice. But it wasn't Scottish Widows' role to advise him, and from the steps Mr B has taken more recently I still find it unlikely that he would have proactively sought advice in the period between 2019 and 2022 even if Scottish Widows had provided more of a prompt for him to consider the strategy he was in.

<u>*Online access issues*</u>

I consider the investigator was right to expect Scottish Widows to offer redress for the sustained lack of access to Mr B's online account. I don't disagree that Scottish Widows had the right to suspend access to implement the new system – or that it provided adequate information online (outside of the part Mr B would need to log in to), or access by phone.

Mr B has highlighted the delays he faced making phone calls to Scottish Widows. I appreciate that would have been frustrating – and it's likely the lack of online access had increased call volumes. But at the same time I've noticed that Mr B used Scottish Widows' online contact facility to make his complaint. He could also have asked questions about his policy using that facility. And he remained able to reference the names of the funds on his annual statements and download information about those funds online.

But Scottish Widows hasn't explained why it couldn't re-enable Mr B's login once a problem was identified. It's also not denied the claims Mr B has made of how long he spent *trying* to sort the matter out. I agree with the investigator that has caused Mr B avoidable distress and inconvenience.

I don't doubt that the fall in value was concerning for Mr B given the conclusions I've reached above about some explanations being lacking from Scottish Widows in how his lifestyle strategy worked. But ultimately, Mr B had the option of asking for a fund switch by phone or through the online contact facility. Or asking for a transfer away if he found the suspension of the online service unacceptable – as he subsequently did. So I can't fairly determine that Mr B would have switched funds at an earlier point in time (or when he might have done that) just because he would have found it easier to track the performance of his policy in real time rather than contacting Scottish Widows for interim values.

I'm therefore not persuaded that the lack of online access prevented Mr B from transferring away sooner. And, as I've already concluded above, I think he would more likely than not have chosen to remain in his existing funds from 2019 to 2022 irrespective of his ability to log in to view specific information on his policy.

My final decision

I consider that the payment Scottish Widows has agreed to make of £150 is fair and reasonable compensation for Mr B's sustained lack of online access to his individual policy

record. I haven't, however, been able to demonstrate that this problem, or the poor explanation at times of how Mr B's lifestyle strategy worked, has ultimately affected the investment decisions Mr B made. I therefore uphold this complaint in part and require Scottish Widows Limited to pay Mr B £150, if it hasn't already done so.

I recognise this will come as a considerable disappointment to Mr B. But Scottish Widows wasn't responsible for the performance of the bond markets which caused the prices of the bonds in the Pension Protector fund to fall. Although Scottish Widows should have better explained how the strategy worked, at appropriate intervals during the policy's lifetime, the strategy worked largely as was intended – to hedge against changes in annuity rates.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 23 August 2024.

Gideon Moore
Ombudsman