DRN-4972878

The complaint

The estate of the late Mrs T complains that Scottish Widows Limited mismanaged an investment bond which resulted in poor performance.

The complaint is brought by the estate's executor who I'll refer to as "Mr T". Mr T says he wants Scottish Widows to take responsibility for the mismanagement of the bond and to make up for the loss in value, taking inflation into account.

What happened

In or around 2006, the late Mrs T encashed a with profits bond as she was unhappy with its performance. She wanted to reinvest the proceeds and sought advice. She was recommended to invest in a "flexible options bond" with Scottish Widows. This was a single premium investment and Mrs T chose to invest in the "cautious solutions fund". She invested £55,000, including initial fees.

Following her death in June 2023, the bond proceeds were paid to her estate. Mr T complained that the amount received fell far short of even the lower band forecast at the outset; and that, taking account of inflation, the bond had reduced in value. He complained that Scottish Widows had mismanaged the investment. He also queried whether the proceeds included the expected life cover element of the bond.

Scottish Widows said it didn't compensate for perceived poor performance and explained the factors which had impacted the bond's growth. It confirmed the 1% life cover was included in the final settlement of the policy.

Our investigator asked Mr T what he meant when he said that the bond had been mismanaged. He said, in summary, that:

- Growth in the investment and annual bonuses were taken up by the management fees.
- Scottish Widows should have warned Mrs T about the severe under-performance of the bond and advised her to switch to a more suitable investment.
- No regular reviews were carried out and Mrs T was effectively neglected.
- The annual statements weren't transparent – loyalty bonuses and fees weren't shown. This obscured what the gain or loss was.
- The final settlement didn't specify the value of the 1% life cover.

The investigator didn't recommend that the complaint should be upheld. He said Scottish Widows could charge a management fee for the investment, even in years where it fell in value and that performance was not guaranteed. He said Scottish Widows had made Mr T aware that the bond proceeds on death would be 101% of the policy value and that, whilst this wasn't specified on the final statement, the amount received was correct.

Mr T didn't agree. He said, in summary, that:

- Scottish Widows failed to provide transparent information which was needed to appreciate how the investment was performing.
- Providing links to documents for Mrs T, who had no internet access, showed no sense of care.
- He didn't know management fees had increased. Scottish Widows should have taken the opportunity to provide another forecast of growth expectations when the fees increased.

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.

Mr T, on behalf of Mrs T's estate, is disappointed with the return received on her bond investment. In its final response to Mr T's complaint, Scottish Widows set out the reasons why the investment didn't perform as well as it had hoped, or as well as the example rates it gave in its illustration when Mrs T applied for the bond. I'm satisfied that Mrs T's money was invested as agreed – in the cautious solutions fund. And that the performance of that fund was not guaranteed. It was made reasonably clear in the illustration that the figures were only examples and warnings were given that, "*What you will get back depends on how your investment grows…*"; and "*You could get back more or less than this and you may not get back the full amount of your payment*."

I'm satisfied with the explanations Scottish Widows gave for the less than hoped for performance – for example, the downturn in markets in 2015, interest rate rises and higher inflation, market volatility following Brexit, and market uncertainty during Covid-19. It seems more likely than not that this explains the performance of the bond, rather than any mismanagement by Scottish Widows. Nevertheless, I've gone onto consider the specific matters Mr T raised during our investigation of his complaint.

The return on the bond was reduced by annual management charges. The charges cover the cost of Scottish Widows managing the investment. I'm satisfied Mrs T was made aware of these charges before she took out the bond. And, in line with regulatory requirements, the illustration included a section on "*How will the charges and expenses affect my investment?"* This section, including the table, makes it reasonably clear that the annual charges will reduce the return on the investment. There's nothing to suggest that the fee would be reduced or refunded if the bond did not perform in line with expectations – because costs would still be incurred even in years where the investment went down in value.

Scottish Widows sent Mrs T annual statements which showed her the investment gain or loss made during the year. Scottish Widows was not responsible for providing Mrs T with investment advice, or with carrying out any reviews. (I can see the advisor who recommended the investment did recommend annual reviews with him – but it was Mrs T's decision if she wanted to take up this offer). I'm satisfied the annual statements reminded her to review the bond regularly and to seek financial advice if she was unsure whether she should take any action, such as changing the underlying fund or making a withdrawal from the bond.

I appreciate Mr T would have liked to have seen more detail in the annual statements. But I'm satisfied the statements complied with regulatory requirements and were reasonably clear. In particular they showed the annual gain or loss on the bond, after the deduction of charges. And they showed the percentage of the charges. The statements directed Mrs T to its website, but it also provided a phone number, if she wanted any more information about the charges. So I'm satisfied that without internet access, Mrs T could still have found out more information about the fees if she wanted to.

Our investigator quoted an annual management charge of 1.35%. This was taken from the annual statement. But the annual statement makes it clear this figure does not take account of any loyalty deduction. So the annual management charge for Mrs T's bond was 1.1%.
I don't find there had been any increase in the annual management charge so I don't find there was any obligation on Scottish Widows to provide Mrs T with a revised illustration.

Turning to the final statement, I'm satisfied the figure shown for the policy value, included the 1% life cover. And that Scottish Widows confirmed this to Mr T in its final response letter.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask the estate of Ms T to accept or reject my decision before 14 July 2025.

Elizabeth Dawes
Ombudsman