DRN-5205182

The complaint

Mrs K complained that ReAssure Limited (ReAssure) did not manage her pension funds competently, leading to a significant fall in the value of her benefits.

She would like to be compensated for this loss.

What happened

I have reviewed all the evidence provided by both parties. I have not reproduced all of this in this decision but concentrated on what I believe to be the most relevant parts.

Mrs K joined her employer's Group Stakeholder Pension plan in 2010. In 2015 the pension was transferred to ReAssure and she and her employer continued to make regular contributions to the plan until she ceased her employment.

The contributions Mrs K and her employer made to the pension were invested in with a 'Lifestyling' strategy. This meant as she approached her selected retirement age her funds would be automatically switched over a period of five years into less volatile funds such as gilts and bonds. This approach was chosen by her employer and was designed to protect the value of any annuity that could be purchased upon her retirement.

In this case, her funds were switched over time into investments in two funds, a fixed interest fund and a money market lifestyle fund.

In July 2023, ReAssure sent Mrs K a retirement options pack showing a significant fall in the value of her funds from 2021. She subsequently called ReAssure to query this before deciding in October 2023 to transfer her pension funds to another provider before accessing her benefits.

She remained unhappy that the transfer value she was quoted by ReAssure was c£35,000, which represented a fall of c£11,500 from her fund value in 2021. Consequently, she complained to ReAssure on 4 December 2023.

ReAssure responded to Mrs K's complaint on 27 December 2023, not upholding it.

ReAssure said that the fall in the value of the benefits was due to adverse market conditions. It said:

There are a number of factors that have led to the fall in unit prices generally and Gilt yields, most notably the UK mini-budget of 23 September 2022, the impact of the Ukraine war, the impacts of the COVID-19 pandemic and most recently high inflation rates which have had a resulting impact on interest rates set by the Bank of England.

It went on to explain:

The Lifestyle Profile is suited to policyholders who are looking to buy an annuity when they retire. This is because annuity amounts have an inverse relationship to Gilt yields, which in *turn tend to have an inverse relationship to the outlook of interest rates. This means that when interest rates increase, Gilt yields fall, and for a given fund value the annuity amounts payable under an annuity contract increase. Hence whilst the fund value of an investment will fall as a result of Gilt yield reductions, the purchasing power of the fund in relation to annuities can be relatively unchanged by this aspect of the fund value drop.*

ReAssure also said it that wasn't responsible for selecting the investments that Mrs K's benefits were held in. It explained that it was not allowed to provide investment advice but had told Mrs K in the annual statements that it had sent to her that it had told her that she was able to change the investments if she so wished.

Our investigator reviewed the evidence and formed the view that Mrs K's complaint should not be upheld.

Unhappy with this view, the complaint has been passed to me to make a final decision.

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 have reached the same conclusion as our Investigator and do not uphold Mrs K's complaint.

I can appreciate that this will be disappointing to Mrs K, so I will explain now how I have reached my conclusions.

Firstly, I think it's important to reflect upon the role of this Service. Our role is to impartially review the circumstances of a complaint and make a decision on whether a business has made errors or treated a customer unfairly. Where it has, we expect a business to fairly compensate a customer for any financial loss and distress and inconvenience they have suffered a result.

So, in order to ask ReAssure to compensate Mrs K for the fall in value of her pension benefits I would need to find that, on the balance of probabilities, it had done something wrong or treated her unfairly.

It's also important to note that ReAssure acted solely as the administrator of Mrs K's pension. It is not authorised to provide any investment advice, but to act as directed by Mrs K's employer in the first instance and Mrs K herself in relation to any investment decisions relating to her pension.

When Mrs K joined her employers GPP in 2010, her employer would have instructed ReAssure on the default funds that contributions were to be initially invested in, and how those funds should be transferred over time as the selected retirement date approached. Given this, I can't see that ReAssure has done anything wrong in the way it acted to invest Mrs K's pension benefits.

It is important to note that these Lifestyle funds are primarily designed for investors who are looking to use their pension fund to buy an annuity and take tax-free cash at their specified retirement date. To achieve this, the lifestyle fund moves an increasing amount of the underlying investments into lower risk products such as Gilts and other cash based investments as the investor moves closer to their specified retirement date. If the benefits are not taken at this point, and no other instructions received, the funds remain in the 'lower risk' retirement fund.

This strategy arises from the inverse relationship between annuity rates and Gilt values – if the value of Gilts falls, annuity rates typically rise – although possibly not to exactly the same extent. This has the effect of providing a level of protection to the amount of pension income that could be achieved from a particular fund value at a time when the investor is close to retirement, theoretically insulating them from the effect of major market fluctuations when their ability to recover any losses would be low.

Consequently, as interest rates rise, the value of Gilts falls, reducing the absolute value of an investors' pension fund, as has happened in this case. The rapid fall in the value of gilts, and Mrs K's fund, has been caused by significant economic and political events. Annuity rates have, however, improved. I've considered that Mrs K has purchased an annuity from the new provider and so will have benefitted – at least to some extent - from the higher annuity rates available as a result of the same market forces that depressed the absolute value of her investments.

Finally, I've also considered whether ReAssure has provided Mrs K with the information she needed to check that her retirement investments still met her needs. To do this, I've looked at the annual statements that ReAssure issued to Mrs K over the period.

Besides a providing valuation and details of each of the funds Mrs K's benefits were invested in, the statement for 2023 contained the statement:

You should regularly review the funds you're invested in especially if your circumstance or plans have changed.

You should always make sure that the funds you're invested in match your attitude to risk and what you have planned for your money.

It goes on to say:

If you're not sure about what funds to invest in, you should seek guidance or independent professional advice.

The statement also provided information on how to access a free Pension Wise appointment, a government backed service that can provide advice to people approaching retirement.

Given this, I can't see that ReAssure has done anything wrong as it has given Mrs K access to the information she would need to see what funds she was invested in and review whether or not she was happy with them.

Overall, therefore, I do not find ReAssure responsible for the loss in value to Mrs K's pension fund.

My final decision

For the reasons given above, I do not uphold Mrs K's complaint.

ReAssure Limited need take no further action to resolve this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 15 May 2025.

Bill Catchpole
Ombudsman