DRN-5223596

The complaint

Mr B complains that ReAssure Limited has failed to invest his pension savings in a professional manner.

What happened

Mr B holds pension savings with ReAssure. Those pension savings arose from a policy Mr B had opened with another firm to receive pension contributions from him and his employer, but responsibility for his pension has subsequently moved to ReAssure. From the start of his pension plan Mr B's pension savings have been invested using a lifestyling strategy.

Mr B says that when he first took out the pension plan, and selected his investments, he chose a lifestyling fund that was described as medium risk. ReAssure says that it currently considers that fund to provide medium to high-risk investments.

The lifestyling strategy present on Mr B's pension plan started to move his pension investments into alternative funds from ten years before his selected retirement date. Mr B had selected his 65th birthday in September 2026 as his retirement date so the lifestyling switches commenced in 2016.

Mr B says that his pension investments fell in value during the second half of 2022. He says that was because they were invested into a fund that was too high risk. He complained to ReAssure about how his pension investments had been managed. ReAssure didn't agree with the complaint. It said that the fall in the value of Mr B's pension savings was due to market fluctuations rather than something it had done wrong. Unhappy with that response Mr B brought his complaint to us.

Mr B's complaint has been assessed by one of our investigators. She thought that ReAssure had correctly applied the lifestyling strategy that Mr B had selected. And she agreed with ReAssure's interpretation that the fall in the value of Mr B's pension investments had been due to external market factors rather than something it had done wrong. So she didn't think Mr B's complaint should be upheld.

Mr B didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mr B and by ReAssure. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words

I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

Mr B opened his pension plan before it became the responsibility of ReAssure. So I don't think it reasonable, in this decision, that I consider what happened at that time. Specifically I don't think it appropriate to deal with whether the investment that Mr B chose was correctly described at that time, or whether it was suitable for his attitude to risk.

More recently, since ReAssure took over the administration of Mr B's pension, it has not provided him with any advice, or recommendations, about his investments, Essentially those were decisions he needed to take for himself. So it would be for Mr B to review the way in which his pension savings were invested, and to satisfy himself that the investments were appropriate for his circumstances at that time.

I accept that Mr B has shown us that the documentation he received when he first made his investment choices showed the chosen lifestyle fund to be appropriate for a medium risk profile. And more recently ReAssure has described that fund as having a medium to high risk profile. But as I've said above, I don't think that ReAssure was responsible either for the initial description, or for ensuring that the investments remained suitable for Mr B. It is entirely possible that, gradually over time, the measurement of the risk in the fund has altered given changes to the economic environment.

But in any case I don't think that the investment Mr B originally made – for what I would call the accumulation phase of his pension savings – has been responsible for the falls in value that took place in 2022 and that Mr B is understandably particularly concerned about.

As I have said earlier, Mr B's chosen pension investment was into a lifestyling fund. The options available at retirement when he made that initial investment decision were very different from those available now – following changes that were introduced in new legislation in 2015. Before then the overwhelming majority of consumers would use their pension savings at retirement to purchase an annuity. So lifestyle funds were seen as being appropriate since they gradually reduced the volatility of pension investments as retirement approached. That would mean that a consumer would be unlikely to experience a large fall in the value of any annuity they could purchase due to market volatility shortly before retirement.

The way that volatility was managed by lifestyling funds was for investments to be gradually moved into gilt and fixed interest holdings in the years leading up to the selected retirement date. The value of those assets would generally move in the opposite direction to annuity prices, meaning that the value of an annuity that could be purchased would be unchanged by any fluctuations in investment values.

The changes in this regard started to be made to Mr B's pension investments in 2016 – ten years before his selected retirement date. I can see that at that time, and in each of the annual statements sent subsequently, ReAssure provided Mr B with some additional information about the lifestyling activities. That information set out the changes that would be made and informed Mr B that he could stop and restart any lifestyling changes at any time. The annual statements also explained that the lifestyling option Mr B had chosen was aimed at using his pension pot to buy a guaranteed income for life when he reached age 65.

In 2022 economic circumstances and government policy led to falls in the value of the gilt and fixed interest investments that Mr B was holding as a result of the lifestyling changes. But those falls in value were offset by increases to annuity rates. That meant that a consumer, who was buying an annuity as envisaged by the pension plan design, would have seen little change in the value of the annuity they could purchase despite the fall in the value of their pension savings.

I appreciate how disappointing this decision will be for Mr B. He has seen a fall in the value of his pension investments. But the behaviour of those investments has correctly mirrored changes in the purchase price of annuities. So I cannot conclude that ReAssure has done something wrong here in the way it has dealt with Mr B's pension savings.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against ReAssure Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 4 February 2025.

Paul Reilly
Ombudsman