The complaint

Mr L complains about the performance of his group personal pension ("GPP"). It's now worth less than he paid in, so he feels it was mis-sold.

To put things right he wants Aviva to increase the policy value in line with the mid-range growth in the illustrations he was provided with.

What happened

In November 2012 Mr L was auto enrolled into a new group personal pension set up by his employer with Aviva Life & Pensions UK Limited ("Aviva"). The employer has been making pension contributions to the plan on Mr L's behalf. The default investment strategy was selected by the employer as the Aviva Mixed Investment 0-35% S6, and the plan's normal retirement date ("NRD") was Mr L's 65th birthday in November 2018.

Balanced "*life-styling"* applied to the plan, meaning that as members approach their NRD the investments would be gradually moved into less volatile assets, in readiness for the purchase of an annuity at retirement. The lifestyling commenced at pre-determined points depending on how long the individual has left until retirement. Some changes take place ten years before, and again at five years prior to NRD. As Mr L's NRD when he joined the scheme was 2018, the life-styling approach commenced five years before that in 2013, at which point a proportion of his plan was automatically switched into gilts and the deposit fund (cash).

In October 2020 Mr L extended his NRD to November 2021, and in 2021 he extended it again to November 2026 when he'll be 73.

The value of Mr L's plan had been growing over the years, but in 2022 it fell in value and has not fully recovered. So although around £249,212 has been paid into the plan, it's now worth around £29,000 less than that. So Mr L complained to Aviva about the underperformance and that the GPP was mis-sold.

Aviva responded in December 2024 explaining the plan had been set up by Mr L's employer which selected the investment strategy, and that details of this including the lifestyle strategy had been set out in the welcome pack Mr L was sent in 2012. Lifestyling is applied automatically at specific points in relation to an individual's recorded NRD, and although Mr L extended his NRD twice, that was after lifestyling had commenced in 2013. Aviva explained it cannot provide Mr L with financial advice or make recommendations, but the annual statements include a reminder to regularly review his investments and make changes if appropriate. Mr L's disappointment was understandable, but fund values had fallen following a period of market volatility, and Aviva considered it hadn't done anything wrong.

So Mr L referred his complaint to this service. He explained that although he originally intended to retire at age 67, being in good health and having dependent children he's continued working, on the basis the lifestyle strategy meant low risk, steady growth, so he felt the plan had been mis-sold.

One of our investigators considered what had happened. His first task was ensuring Mr L's complaint had been referred in time, given the plan was set up in 2012 which is more than six years before he complained. The investigator didn't think Mr L would've had cause for concern until 2022 when the plan value dropped significantly, and as this was less than three years before he complained, so he was satisfied Mr L had complained in time.

But he didn't uphold the complaint, explaining Aviva hadn't sold the plan or given advice to Mr L, they had simply set it up and administered it in accordance with his employer's instructions. Life-styling was designed to prepare a plan for purchasing an annuity at retirement, which was the default option prior to the "*pension freedoms*" legislation in 2015. As this allowed more flexibility about how benefits could be taken at retirement, from 2016 the regulator has required pension providers to ensure their customers are aware of the changes, and he didn't think Aviva had done that, particularly when Mr L amended his NRD in 2020 and 2021.

But having reviewed the copy statements Aviva sent to Mr L over the years he was satisfied that these included sufficient information to enable Mr L to review and change his investments should he wish. And as Mr L had always said he intended to take his benefits as an annuity he didn't think he would've done anything differently, even if Aviva had done more to make him aware of the lifestyling strategy.

Mr L didn't accept the investigator's view, maintaining he was sold an unsuitable plan, as he wasn't given other options than the default lifestyle strategy. The illustrations he was provided with didn't warn about inflation, and all showed some level of growth. He said that if Aviva considers lifestyling isn't suitable for everyone, as the experts they should've let him know and given him the opportunity to do something. So he asked an ombudsman to review the case.

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.

Before considering the merits of any complaint, we first have to ensure it falls within the jurisdiction of this Service, which includes making sure it was raised within the time limits which apply.

The regulator's rules which we must follow (DISP 2.8.2R) say that a complaint must be made within six years of the event being complained about, and if later, within three years of the point the consumer *ought reasonably* to have known they had cause to complain. The investigator explained in his view why he thought Mr L had complained in time. Although the plan and lifestyle investment strategy started in 2012 which is more than six years prior to the complaint, he was satisfied Mr L didn't have cause to complain until 2022 when the value dropped, and Mr L complained within three years of that. I agree with this reasoning, and as Aviva didn't raise any objections to the investigator's findings on jurisdiction, I see no reason to consider it further here.

I also agree with the investigator's conclusions in relation to the merits of Mr L's complaint, let me explain why.

Mr L's plan was set up by his employer which selected Aviva as the pension provider. I don't think the plan or investment strategy was mis-sold to Mr L, as Aviva didn't "*sell*" the plan to him, nor did it select the investment strategy. Aviva was the provider chosen by Mr L's employer and its role is to manage and administer the plan in line with their instructions. The plan came with "*life-styling",* which focusses on growth in the early years when the individual is typically younger, and then provides a flight path to purchasing an annuity at retirement, which was the way benefits were generally taken at the time the plan was set up. It does this by automatically reducing the proportion of more volatile assets like equities at ten and again at five years prior to NRD, changing the proportions the nearer someone is to NRD. For most members the default investment strategy commenced with the Mixed Investment Fund (40%-85% Equities), and at ten years prior to NRD new contributions would go into a Mixed investment Fund with 0-35% Equities. And then five years prior to NRD the proportion of the plan invested in the Mixed Investment Fund would gradually reduce, and the proportion in less volatile assets such as gilts (UK government bonds) and cash would increase. The aim was that by NRD the composition of a customer's plan would be 25% in cash with the remaining 75% in gilts, (which track annuity rates), broadly matching the 25% tax free lump sum and annuity purchase most people made.

When the plan started in 2012, Mr L was only six years away from his NRD of his 65th birthday in 2018. So instead of starting in the 40%-85% Equities Mixed Investment Fund, he was invested from the outset in the 0-35% Equities Mixed Investment Fund as set out in the Welcome Pack, which stated that 100% of the contributions will go to the "*Av Mixed 0-35% Shares S6".* The pack explained that as lifestyling applies to the plan, from November 2013 to November 2018 75% of new contributions and existing funds will be switched into the "*Av Long Gilts S6*" and 25% to "*Av Deposit S6*". Mr L was recommended to review the lifestyling section of the pack which explains that investments will move into progressively more cautious funds closer to retirement. It says Aviva will "*automatically redirect all contributions on the dates shown"* and that lifestyling can be stopped if Mr L wished.

The Financial Conduct Authority recognised changing consumer needs following the "*pension freedoms*" legislation in 2015, meant lifestyle plans may no longer suit everyone. So in 2016 the regulatory issued guidance (PS16/12) requiring firms to keep their lifestyling strategy under review, to ensure it remains appropriate, in line with their overarching obligation to treat customers fairly. They were required to remind policyholders, via their annual statements, that the lifestyle strategy was in place and its purpose (annuity purchase), and of the need to keep their investments under review if their retirement needs changed.

The 2017 statement issued after the new guidance was produced in a clearer, more user-friendly format and typeface. It reminded Mr L he was within five years of his selected retirement date, so should start thinking about his options. It went on to point out the plan is in the *Mixed Investment Annuity Lifestyle approach*, which means "*we make the investment decisions so you don't have to*" and it refers to the "*How your money is invested*" section on page 5 for more information about this strategy.

This section explained the approach is based on the assumption Mr L would purchase an annuity at retirement, and then it listed some points he should consider to ensure this strategy is right for him. It said the plan was on a "*pre-determined investment path*" meaning that money will be automatically moved into specially chosen investment funds and that "*as you move closer to your chosen retirement age you don't make any of these investment choices*". It warned that because these moves are made on set dates they may not be at the time which gives the best return on investment, and that if Mr L decided to retire earlier or later than his chosen retirement age, he may wish to review how his money is invested.

Funds are typically invested for growth in the early years aiming to prepare for retirement in later years, and it cautioned "*you could receive a lower return from the funds we move your money in to than from the funds you were previously invested in".* It concluded with the general warnings that Mr L's pension pot can go down as well as up, returns are not guaranteed, and he might get back less than he paid in.

I've not seen copies of earlier statements, but the 2016 statement clearly showed the lifestyling strategy had already commenced. The overall plan is valued at around £93,700 broken down into around £10,100 in the mixed investment fund, £18,300 in the deposit fund (cash) and the largest proportion £65,280 in long gilts. A similar table was included in future statements, which showed steady growth to a peak of over £257,000 in 2021, but each year the proportion in the mixed investment fund declines and the proportion in gilts and cash increases proportionately.

Mr L says he always intended to retire at 67 and may not have understood the implication of his NRD being recorded as his 65th birthday in 2018. As it meant that whether it suited him or not, as early as 2013 his investments would begin to be automatically switched from shares into gilts and cash. Mr L says he had no choice but to agree to the default strategy. But if Mr L felt it didn't match his retirement plans, he could've stopped lifestyling or changed the investments himself as Aviva allows two free switches, and subsequent switches are only charged at £20.

Apart from the statement information described above, it doesn't appear Aviva specifically alerted Mr L in 2018 when his original NRD had passed, or when he extended his NRD in 2020 and 2021, that his investment mix was being changed automatically in line with the lifestyling strategy, and that he could change this if he wished. Moving out of equities too early may mean missing out on investment growth. Mr L has recently said he intends to release his tax-free lump sum and then move his funds into a drawdown plan. But for the period relevant to his complaint, he maintained his intention to purchase an annuity when he eventually retired. And given that the information he received in the welcome pack, illustrations and statements made clear that lifestyling applied, he should've been aware his investments would be adjusted automatically in line with the pre-determined strategy. And the annual statements at least from 2016 clearly show the move away from equities and into gilts had started, so it's hard for me to say Mr L would've done anything differently if Aviva had written to him separately about this.

Mr L says he was told a lifestyling strategy was low risk, so he didn't expect the value of his plan to drop. And that the illustration he was provided with gave the impression his plan would always grow, although it didn't specifically warn it may not outperform inflation. I accept Mr L may have felt reassured that his plan was doing well until the 2022 statement which showed a significant fall from the previous year of around £74,900. This was due to the impact on markets of world and UK economic events, particularly the budget which caused a sharp rise in gilt prices, which negatively affected fund values as equities become relatively less attractive to investors than gilts. Mr L's plan has recovered somewhat but is still below the peak value in 2021.

But I don't think he was given any guarantees around performance. The illustrations indicated what the plan might be worth at age 65, provided Mr L's employer continued their contributions, but that the value is dependent on investment performance and tax treatment. It makes clear "*these figures are only examples and are not guaranteed*" and goes on "*The value of your investment can go down as well as up, and you may not get back the amount you invested*".

While lifestyling is sometimes described as "*derisking*", or gradually moving into less risky assets, no investment is risk free. Equities are considered to be riskier than gilts and are generally more volatile, but gilt prices can sometimes move unexpectedly. And this doesn't mean the lifestyle strategy itself wasn't suitable for someone who was intending to purchase an annuity at retirement. And because annuity rates rise in line with gilt yields, Mr L may not be worse off in terms of the income he may expect, as annuity rates are more favourable than they were when his fund value was higher.

Overall, because Aviva didn’t recommend the plan or the investment strategy to Mr L, and I’m satisfied he was given enough information to be aware of how his plan was invested and make changes if he wished, I’m not asking Aviva to do anything to put things right.

My final decision

I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr L to accept or reject my decision before 27 October 2025.

Sarah Milne
Ombudsman