DRN-5417836

The complaint

Mrs D complains that Scottish Equitable Plc trading as Aegon (Aegon) have mismanaged her pension investments causing large losses. She wants compensation for the losses.

Mrs D is assisted in bringing her complaint by an accountant friend, but I will just refer to Mrs D except where necessary.

What happened

Mrs D has two plans with Aegon. A s32 plan arising from a transfer from a former employer's pension scheme and a Personal Pension Plan (PPP). I'll refer to both as the plans unless otherwise necessary.

Concerned about the fall in value of the plans in 2023 Mrs D asked the accountant to make enquiries about them. She says that Aegon delayed releasing information to the accountant causing further losses and distress and inconvenience. And subsequently the information provided was incomplete or dismissive. Mrs D complained about the investment returns, saying the funds were too risky and lacked diversification given her age (then 73). As it had been her *"assumption"* that her investment *"would be securely held in low risk/no risk funds as I approached retirement age".* Mrs D said the funds had fallen by around 40% over a short period of time resulting in losses of around £107,000.

Aegon didn't accept Mrs D's complaint. It said the loss in her plans was largely due to the fall in Gilt prices, which it wasn't responsible for, as it only administered her plan. It said it wasn't providing her with advice and hadn't selected the investment funds held. And it was Mrs D's responsibility to check that the investments remained suitable. Aegon said she'd been invested in a lifestyle strategy which targeted annuity purchase by progressively switching to cash and Gilts as the selected retirement date (SRD) of both plans had approached in 2015. And these funds weren't designed for long term investment. It said it had sent annual statements confirming the investments held, which also gave links to further information about the funds and potential risks involved.

Unsatisfied, Mrs D referred her complaint to our service. She also said she thought she'd been poorly advised by her IFA in respect of her plans. She said Aegon hadn't discussed switching her investments at the SRD, and that it had a duty to *"safeguard my interests"*. But instead, it had chosen to invest in a single asset class, which was vulnerable to any increase in interest rates from their historic lows. She said Aegon had stated that 25% of the investment was held in cash to provide tax free cash. But, for the s32 plan the tax-free cash entitlement was around 50% of the plan value. And had 50% been held in cash, the losses would have been reduced.

Our investigator said a separate complaint would need to be opened about the IFA. But he looked into the complaint about Aegon. It said it had reconsidered the position and now agreed it had caused a delay in providing Mrs D and the accountant with information, for which it apologised. It said it had misunderstood Mrs D's letter about providing information to the accountant, thinking she was appointing an IFA to act for her. And when it checked the Financial Conduct Authority's register of advisers it found no record of the accountant. Once this issue was resolved, it accepted it had provided incomplete answers to some of the queries and it offered £300 for the distress and inconvenience this had caused.

Our investigator said this offer was fair, but he didn't uphold the rest of Mrs D's complaint about investment losses, as he didn't think it had made other errors or treated her unfairly. He said Aegon wasn't advising her and couldn't change investments unless instructed to do so. And, as the administrator of the plans it wasn't responsible for the underlying performance of the investments. Our investigator said Aegon had provided copies of letters and annual statements it had sent to Mrs D over the years confirming she was in a lifestyle investment fund and prompting her to review this and to seek advice if she wasn't sure. And that she had indicated on several occasion she wanted to take her benefits without proceeding.

Mrs D didn't agree. She said Aegon's explanations of the investment switches and lifestyle strategy said the objective was to *"protect the annuity buying power"* as retirement approached. But as the plan values had fallen by around 40% *"almost overnight",* it had clearly failed in this objective. She said if the lifestyle switches hadn't been made, losses would have been reduced. And that Aegon, as a supposed investment expert, should have selected from the *"numerous"* investments less exposed to risk than long dated Gilts.

Our investigator said the Retirement Fund, which Mrs D had held since reaching the SRD in 2015, didn't seek to preserve the capital value of the investment, rather the annuity income purchasing power. He said the funds mandate was to invest in long dated Gilts to achieve this, so Aegon couldn't just choose to invest in alternative asset types. And as Aegon wasn't an adviser it couldn't suggest she invested differently.

As Mrs D doesn't agree, it has come to me to decide.

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 am upholding the complaint in part.

I'm only considering the actions of Aegon in this complaint. I understand the worry and frustration the sharp fall in value has caused Mrs D. But apart from the delay in providing information about her plans I don't think Aegon has treated her unfairly, so I can't uphold the main part of her complaint about the investment losses.

Aegon wasn't providing advice and couldn't change the investment strategy selected when both plans were set up unless specific instructions to do so were given by Mrs D or any adviser acting for her. There is no evidence that Aegon didn't correctly follow the lifestyle strategy in place by progressively switching into cash and Gilts in the run up to Mrs D's original SRD in 2015. At that point the investment was switched into the Retirement Fund (split 25% cash and 75% long Gilts) but this merely mirrored the investment allocation then held as a result of the progressive switching in the years proceeding. So, there was no dramatic change in the investments held once the SRD was reached.

I've considered the documents sent to Mrs D when the plans were set up and subsequently. I think these show that a lifestyle investment strategy was in place. And that the value of the investments could fall as well as rise. And they provided links to access further information and prompts to take financial advice. And I note that when Mrs D decided not to take her benefits at the original SRD in 2015, she signed further documents for each plan specifically confirming she wished to remain invested in the existing lifestyle strategy. Whilst the concepts around lifestyling investment are relatively complex, I think the information Aegon made available fairly explained the risks and potential disadvantages of the strategy in place and that it wasn't likely to be a good option for long term investment. And the onus was on Mrs D, or any adviser acting for her, to check whether the investments she held were appropriate for her objectives and attitude to investment risk, rather than on Aegon.

The investment mandate of the Retirement Fund clearly states it will hold broadly 25% in cash deposits and 75% in long Gilts rather than being a managed fund where different types of assets might be selected in response to changing investment conditions. So, it would have been incorrect for Aegon to deviate from this approach. And the objective of this lifestyle strategy wasn't to preserve the capital value of the funds, but their annuity income purchasing power. Generally, if Gilt values reduce, annuity rates will tend to rise proportionately, allowing a similar level of income to be secured despite the reduction in capital value. And when Gilt values did fall, annuity rates did increase significantly in response. However, if purchasing an annuity wasn't how Mrs D wanted to take her pension benefits alternative approaches might have been more suitable. And the documents Aegon sent to Mrs D did prompt her to consider her requirements and review her plans accordingly.

In terms of the potentially different level of tax-free cash available from the s32 plan it is clear from the description of the lifestyle strategy and Retirement Fund that this possibility wasn't ever catered for. And under the s32 arrangement the percentage tax free cash payable wasn't fixed, so it isn't possible to specifically target a percentage allocation for tax free cash, so I don't think Aegon has acted unfairly here.

I think there was a delay in Aegon providing the information requested, although I think the initial misunderstanding was innocent. It could have subsequently responded to the queries raised sooner than it did, and this did cause some inconvenience. However, there was nothing preventing Mrs D from switching investments if she was concerned about how they were performing, and she could have taken financial advice in respect of this if she wasn't sure what to do. So, I think the £300 Aegon has now offered is fair compensation for the distress and inconvenience caused by the poor service here and is in keeping with what I would have awarded in similar circumstances. But as I don't think Aegon has made any other errors or treated Mrs D unfairly it needn't do anything further.

My final decision

My final decision is that I uphold the complaint against Scottish Equitable Plc trading as Aegon in part.

I direct Scottish Equitable Plc trading as Aegon to pay Mrs D £300 in compensation for the distress and inconvenience she's been caused, if it hasn't already done so, which I consider to be fair in all circumstances of the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 28 April 2025.

Nigel Bracken
Ombudsman