DRN-5462435

The complaint

Mr Y complains about the performance of his pension fund with Legal and General Assurance Society Limited and says that they failed to take corrective action when his fund value started to experience losses. He states that as a result he has suffered financially.

What happened

In July 2010, Mr Y took out a pension plan via his employer. At that time the pension date was set as his 65th birthday (this was subsequently changed to age 70 in 2019, because Mr Y did not access his benefits at his previously designated retirement age). L&G did not provide any advice in relation to the pension or the funds to be held by Mr Y. The key features document sent to Mr Y outlined the funds that he would be invested in at the outset of the policy.

The funds were invested in the Managed Growth fund, however due to the lifestyling profile having been selected, the fund was gradually moved into the Future World Annuity Aware G25 fund (previously known as the PMC Pre-Retirement Fund) and Future World Annuity Aware Fund funds, commencing in 2011 due to this being within ten years of Mr Y's intended retirement date of January 2019.

On 5 July 2024, Mr Y requested information relating to the performance of some funds within his pension. Having reviewed this, Mr Y was not happy with the performance and on 8 July 2024, he complained to L&G about the fund performance. He stated that he did not understand how the damage could continue for three years, and that the loss has impacted his overall wellbeing. He also expressed his understanding that the fund values of his colleagues did not experience the same performance over the same period.

L&G provided their final response on 9 July 2024. In their response they explained the underlying investment principles of the two funds about which Mr Y had raised concerns. The first, the Future World Annuity Aware G25 fund was invested in passively managed UK Government Gilts and UK Investment Grade Corporate bonds. The second, the Future World Annuity Aware Fund was invested in assets reflecting the characteristics underlying a traditional level annuity product and aimed to improve potential outcomes for investors likely to purchase fixed annuities. They confirmed that as pension administrators, they are obliged to ensure that the pension plan is administered, managed and governed appropriately. They must also invest their clients' money in line with the fund objectives. They confirmed that the statements Mr Y would have received from them stated that he should regularly review his investment strategy and if he was not comfortable with the performance of the pension pot, he should seek financial advice for a review to be carried out.

Within the final response L&G also confirmed that they did not manage investments on an individual basis and did not uphold the complaint.

Mr Y was unhappy with the response and forwarded his complaint to this service. Following a review of the information available, our investigator provided their view in November 2024. He concluded that although he understood Mr Y's concerns at seeing his pension reduce so close to retirement, this was as a result of the type of funds in which Mr Y was invested and market movements, over which L&G had no control. Although L&G are responsible for the overall management of the pension, they were not responsible for the performance of the funds, nor could they react to market movements by putting Mr Y into different funds. As he had concluded that L&G did not do anything wrong, he did not uphold the complaint.

Mr Y did not agree with this outcome. He stated that although he understood that L&G would not have control over which funds a personal pension was invested in, he had never given any mandate to L&G to invest in specific funds, and had always opted for the default fund.

He raised the point that since joining the scheme, he had been happy with the performance until 2018, as it had been invested in a range of investments and funds had been regularly switched with no instruction from him, but stated that since November 2018, no switches had taken place.

L&G provided additional information in the form of documentation issued to Mr Y during the period of time he had held the pension, and in January 2025, our investigator provided a further view. He reconfirmed his position that L&G had fulfilled their obligations and had provided Mr Y with regular information relating to his pension, sufficient to allow him to review his investment and switch to an alternative investment if he was concerned. He did not uphold the complaint. Mr Y did not accept this view, therefore the complaint has been forwarded to me for 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.

Whilst I can consider complaints about investment performance, in most instances, I would need to see evidence that L&G had done something wrong and I can't just rely on actual or perceived poor performance. That's because, even if the fund has underperformed compared to the rest of the market, we don't usually think this proves the fund was mismanaged. Many consumers have seen the value of their pension funds fall over the period that Mr Y has mentioned given the economic conditions not just across the UK, but wider financial markets too. So to be clear, this isn't just a L&G issue, and it's something many other consumers are having to face at other businesses too.

In his submissions to this service, Mr Y has stated *"As I was well within 10 years of my retirement at the time of joining the scheme, the norms of a default lifestyle profile suited me along with confidence in the professional expertise of Legal and General Assurance Society Limited."* Mr Y has at no point stated that the pension plan itself, or the funds selected were not appropriate for his needs, nor has he questioned any advice he may have received via his employer in respect of the scheme or the investment. As stated above, Mr Y did not receive any advice from L&G.

It is therefore apparent that Mr Y's complaint is based solely on the performance of the fund, and his belief that L&G have not managed it appropriately. Furthermore, I note that Mr Y has not complained about the funds at the outset of his investment in 2010, and states he was happy with the performance of the funds for a number of years.

However, Mr Y is concerned about the performance of his pension from 2021 onwards, specifically the fact that the value of it has reduced when he believes his peers' funds have been unaffected. He is also unhappy that he does not believe that L&G have taken appropriate action to protect the value of his fund, which he states was regularly switched until 2018, but that fund switching did not continue after this time.

When considering what is fair in this case, I have looked at the funds in which Mr Y has been invested to ascertain whether L&G have met their obligations in relation to Mr Y's pension. Mr Y was sent a letter in June 2010 from his employer, confirming that he had selected a retirement age of 65, and wished his contributions to be invested in the Default Lifestyle Profile.

The documentation provided by L&G shows the funds Mr Y was initially invested in, and the documentation from 2011 onwards confirms that Mr Y was invested in a lifestyle profile. As he was already within ten years of retirement, Mr Y was sent a document in July 2011 confirming which switches had taken place "*in line with the terms of the Lifestyle Fund*". Mr Y's annual pension statements from 2012 explained the lifestyle profile. The statements included an outline of how the lifestyle profile worked, along with some advantages and disadvantages. In 2012, the statement provided to Mr Y explained the funds that he was invested in and that every six months a switch would be carried out to maintain the proportion invested in the funds until he was ten years from retirement. From that point, switches to transfer the fund gradually into the Pre-Retirement Fund would be carried out every three months until he was five years from retirement at which point this would change to every month. When he was three years from retirement, they would also switch into the cash fund.

In 2014, the statement included the same detail relating to the funds but explained more detail in relation to the lifestyle profile. The statement explained that the aim of the lifestyle profile was to offer potential for more growth in the long term but reduce investment risk and volatility as Mr Y got closer to retirement. This was achieved by gradually moving money into funds such as fixed interest and cash. The lifestyle profile aims to offer protection from any fluctuations in annuity rates when it moves money into fixed interest investments. It also explained the advantages and disadvantages of the lifestyle profile, which included the situations when the lifestyle profile would and wouldn't work best (ie, it would work best if you buy a pension annuity), and those situations where the lifestyle profile may not be suitable. It also explained that lifestyle profiles are not risk free and confirmed that Mr Y could move his pension pot between investment funds at any time or change his retirement date.

Mr Y has identified that no further switches took place after 2018. Mr Y's plan was set up in 2010 with a retirement age of 65, which for Mr Y was in early 2019. As he was already within ten years of retirement when the plan was set up, lifestyle switching commenced the following year (2011). On 24 August 2018, Mr Y was sent a maturity pack setting out his options in relation to his pension. Within the "*Your Options*" section, one option is "*Leave it*", which states; "*You can leave your pension pot where it is. We'll continue to manage your money in the same way we have been, unless instructed otherwise. You can tell us when you'd like to access your pot (see the 'Your choice' form) or, if we don't hear from you, we'll automatically extend your retirement age by five years."*

A maturity chaser letter was sent to Mr Y on 2 November 2018, which outlined what Mr Y should do next and included a section titled "If we don't hear from you". This stated "*When your arrangement reaches your current retirement date we'll change it to a new date five years ahead, and will manage the investment of your arrangement as follows:*

- *If your arrangement is not in a lifestyle profile we'll continue to manage the investment of your arrangement in your current selected investment fund(s)*
- *If your arrangement is invested in a lifestyle profile we'll continue to manage your arrangement in the same fund(s) they were invested in after the last automatic fund change before your current retirement date."*

As L&G had not heard from Mr Y when he was reaching his extended retirement age, further letters were sent to him to prompt him in relation to his options and confirmed the investment strategy. The above explains why Mr Y had noted that the funds had not been subject to switches from 2018 onwards, as this was the final switch prior to Mr Y's 65th birthday, the date that had originally been selected as his retirement date.

Lifestyling is designed to provide a level of security against funds invested in equities falling significantly in the period preceding a policyholder's selected retirement date, which would have an adverse impact on their fund at retirement. The investments typically held within a fund such as the Pre-Retirement Fund (later renamed as Future World Annuity Aware G25) would not react in the same way as equity market conditions and are generally considered to be lower risk. It is therefore not unexpected that a fund invested in this way may reduce in value when equity markets were rising. Conversely, had equities dropped, Mr Y would have been protected against this reduction.
The documentation provided, including the fund fact sheets, clearly outline the fact that the funds in which Mr Y was invested were appropriate for someone who was most likely to purchase an annuity at retirement age. As outlined above, this is a key function of lifestyling within a pension. The statements provided to Mr Y from show the value of the fund, but also the level of annuity income that the fund could provide. There is no evidence of Mr Y having expressed any concern about the nature of the switching, or the fact that this was appropriate for someone who was most likely to purchase an annuity at retirement at any time until his complaint in 2024. Indeed, as stated above, Mr Y has confirmed that he was comfortable with the norms of a default lifestyle profile.

As stated above, L&G provided Mr Y with regular annual statements for his account showing that the lifestyle profile was still in place, confirming the proportions of the pension pot invested in each fund and outlining the advantages and disadvantages with equal prominence. They showed the value of the fund at each valuation date, and an estimation of amount of income in retirement that could be provided by that fund value. The statements also indicated clearly that he could choose to switch funds if he wished to do so. L&G have not provided Mr Y with any advice about his policy, which they were not obliged to do. Mr Y was free to switch from the lifestyle profile at any time he felt it did not meet his needs. There is no evidence to indicate that Mr Y was unhappy with the switching that had been carried out until 2024, when he identified that the performance was not in line with his expectations. As part of his submissions to this service, Mr Y has provided a number of documents, including an extract of transactions from his online pension account since the start of the plan. This demonstrates that Mr Y was sufficiently engaged with his pension to be aware of how to access information, and that changes could be made. There is no evidence of him having raised any concerns prior to his complaint in 2024, or questioned the switching that had taken place.

Mr Y has noted the risk profile of the L&G PMC Future World Annuity Aware G25 fund, which at 31 July 2024 was being described on the fund fact sheet as five out of seven, and stated *"as per the aims and objectives of a default lifestyle product, the fund was required to be invested into a more sustainable and low risk option funds."* Although it is not an explicit requirement that lifestyle products are invested in low risk option funds, Mr Y is correct in his understanding of standard lifestyling, which is intended to control risk as retirement approaches. Notwithstanding this, events can and do take place which have an adverse effect on all types of funds which do not include guarantees. I note that the risk profile shown on the fund fact sheet for the above fund is stated to be based on historic volatility of the fund's value and may change in the future. As at 31 December 2024, I note that the fund fact sheet states the risk and reward profile to be four out of seven. The performance of the fund has been broadly in line with its peers.

As such, I’m satisfied that L&G acted in a fair and reasonable manner and do not uphold Mr Y’s complaint. I recognise Mr Y’s frustration with the investment returns achieved by his pension. Whilst regrettable, disappointing investment performance is not a matter this service will usually consider as the basis for a complaint because it is not an indication that the policy provider has done something wrong.

My final decision

For the reasons given above, I don’t uphold Mr Ys complaint against Legal and General Assurance Society Limited.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr Y to accept or reject my decision before 4 June 2025.

Joanne Molloy
Ombudsman