DRN-5537060

The complaint

Mr M complains that Scottish Widows Limited (SWL) failed to manage the performance of his Stakeholder Personal Pension Plan. He also feels that the funds SWL invested in as part of the lifestyling option he'd chosen financially disadvantaged him.

What happened

Mr M's pension with SWL started in 2005. As time passed, Mr M's contributions to his pension increased. His employer also made sizeable lump sum contributions.

Mr M selected a retirement age of 60. He chose to invest in a lifestyle strategy, which gradually moved him into bonds starting five years before his selected retirement age. The minimum annual management charge (AMC) on Mr M's pension was 0.5% each year and the maximum was 0.9% each year.

SWL said it sent annual statements to Mr M each year since his pension started in July 2005. And that these showed that he'd opted into its lifestyling programme.

The annual statements provided Mr M with information on the performance of his pension. For example, the 2020 statement explained that his plan had decreased in value by almost £10K due to investment performance.

The 2022 statement showed an even greater investment loss of more than £40K. This appears to have prompted Mr M's first performance complaint to SWL in August 2022. I also understand that Mr M was unhappy that SWL couldn't provide him with any financial advice.

SWL issued its final response to this complaint on 10 August 2022. It didn't think it'd done anything wrong. It acknowledged that the performance hadn't been what Mr M had expected. But said it hadn't mismanaged the pension. It suggested he speak to an adviser or instruct it to switch funds himself if he wasn't happy with his investments.

The 2023 statement also showed a large investment loss of almost £36K. This seems to have prompted Mr M's second performance complaint in August 2023. Mr M felt that the fund switches associated with the lifestyle strategy had contributed to a loss in his investment. He also felt that although he was paying annual management fees, his fund wasn't being managed.

SWL issued its final response to the complaint on 2 October 2023. It didn't think it'd done anything wrong. It said that the fall in value was due to market conditions. It said it couldn't offer Mr M financial advice. SWL also felt that the annual statements it'd sent Mr M had adequately advised him of the lifestyling process.

Unhappy, Mr M referred his complaint to this service. He felt that through neglect and mismanagement, SWL had lost around £90,000 of his pension savings. He said it'd continued to charge management fees, despite failing to properly manage his pension funds.

Mr M also felt that SWL shouldn't have moved almost all of his investments into bonds. He felt SWL should've considered the changing market conditions, warned him and its other customers about what was happening to bonds, and recommended he changed investments.

Mr M said he was sold his pension in 2005 on the basis that SWL would be responsible to oversee the investment and management of his contributions into his pension. He said SWL had always taken its annual management fee for this purpose.

Mr M told this service he doesn't have a financial adviser for ongoing advice. He said that when he noticed the fall in his pension's value he expected the fund managers to take action to put things right. He felt that was what he paid SWL the management charge for.

Mr M told our investigator that he didn't give SWL specific instructions to change funds or come out of lifestyling in either 2022 when he made his first performance complaint or in 2023. He felt SWL should've done something to ensure his funds grew as it was the expert.

To put things right, Mr M would like SWL to put him back into the position he feels he should now be in if it'd correctly managed his pension. He considers that means it should pay him £100,000 financial compensation and that it should return the management fees he'd paid.

Our investigator asked SWL for its consent to this service considering the fund performance complaint from when Mr M first complained to it about it in 2022. SWL gave this service its consent for us to do so.

Our investigator didn't think SWL had done anything wrong. She felt SWL had fairly charged Mr M the AMC for running and administering his pension. She said it wasn't an "advice fee," noting that SWL wasn't permitted to advise Mr M on how to invest his funds under the terms of his pension with it. She also felt that SWL had made it sufficiently clear to Mr M on its annual statements that he could review his funds himself.

Our investigator didn't think that SWL's lifestyling strategy was inappropriate or that it should or could've changed Mr M's investments on his behalf during a period of market volatility. She also found no evidence that SWL had mismanaged the lifestyle strategy or neglected Mr M. She didn't think that SWL should've done more to mitigate Mr M's losses or anticipate market conditions.

Mr M didn't agree with our investigator. He said he'd contributed to his pension since 2005 after advice from one of SWL's advisers. He said the adviser had assured him that his funds would be low to moderate risk. He didn't think this had happened. He therefore felt that SWL had been negligent.

Mr M didn't think it was reasonable for our investigator to suggest that the fees he'd paid to SWL over the years were taken only for administrative tasks. He felt SWL should've taken steps to safeguard his investment. Mr M said that when he started his pension, he'd been assured that the investments would be monitored, allocated, reallocated and managed to mitigate risk in the later years.

Mr M wanted to be put into the position he felt he'd been promised when he started his pension. He said if he really had been paying fees simply for the administration of his pension, SWL had misled him, as he felt it would take steps to protect his investment.

As agreement couldn't be reached, the complaint has come to me for a review.

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'm not going to uphold it. I know this will be disappointing for Mr M. I'll explain the reasons for my decision.

Mr M said that the adviser who sold him his pension had assured him his funds would be invested in low to moderate risk. He said he'd discussed his requirements with that adviser at the time, and it had been agreed that the low-risk lifestyle option would be best for him.

I can't know exactly what Mr M was told at the time he took out his pension. However, I've gone on to consider whether the lifestyle option Mr M was invested in was clearly explained to him. And if there's any evidence that SWL ever failed to act on his instructions to change his investments.

Lifestyling and Mr M's investments over time

SWL offers lifestyling to its consumers. This means that it offers higher risk investments whilst the consumer is younger. Then gradually moves the investment into corporate bonds or gilts around five to ten years from the selected retirement date.

When Mr M first started his pension with SWL in 2005, he chose to use lifestyling for his investments. While he chose to remain invested in this way, this meant that SWL would move his assets gradually over time so that by the time he reached his selected retirement age he'd be fully invested in the Gilt & Fixed Interest fund. Switching would start five years before his selected retirement age. This is in line with the standard approach for lifestyling used at the time.

I've gone on to check that SWL provided Mr M with information about his fund choices. I can see that Mr M's annual statements stated that he was invested in one of SWL's lifestyling options. They said:

You are invested in our Lifestyle option which means we'll gradually switch your lifestyle investments to lower risk funds in the 5 years before retirement, with the aim of reducing investment volatility.

Further information about lifestyling was provided in the statements. They also said:

You are invested in the lifestyle option

The purpose of this is to move you from higher risk investments into lower risk investments nearer to retirement so that you are maximising and protecting the growth of your plan.

When you are five years from retirement we start switching your lifestyling investments in batches each month into the lower risk Gilt and Fixed Interest fund. This switch is completed over a four year period so once you're a year away from retirement, all lifestyle funds will have been switched into the Gilt and Fixed Interest fund.

Once we have started the switching any future payments are also invested into the Gilt and Fixed Interest fund.

The statements also noted the following:

Are these funds still right for you?

You should review the funds in which your plan invests from time to time to make sure they are still appropriate for you.

They also explained what Mr M should do if he wanted to change his investments. They said:

You may want to change the way your plan is invested since different options have different aims and risks.

We have a wide range of funds which invest in a variety of underlying investments. If you want more help about fund switching, or to ask any questions, you can call us.

The statements also noted that Mr M should contact SWL if he wanted to make any changes to his pension plan. They said:

You might want to speak to your financial adviser or call our dedicated team on [phone number] to discuss any changes before you ask us to make them.

Having reviewed the information SWL sent Mr M over the years, I'm satisfied it provided him with sufficient information about his fund choices for him to be able to decide how he wanted to invest. And that it was his choice how he was invested.

I've seen no evidence that Mr M asked SWL to change his investments. So I'm satisfied that he was invested in line with his instructions throughout. I'm also satisfied that SWL clearly explained to him on his annual statements how his investments would change over time given the choices he'd made when the pension first started.

The annual statements SWL sent also explained that Mr M could change the way his plan was invested. They also provided an investment breakdown showing Mr M's investments each year. And provided details of how to contact a financial adviser if Mr M wasn't sure what to do.

I'm therefore satisfied that SWL clearly explained lifestyling to Mr M. And that it also regularly provided him with information about where his pension funds were invested, and how lifestyling would change this over time.

Mr M said the adviser who sold him his pension had assured him that the investments would be monitored, allocated, reallocated and managed to mitigate risk in the later years. Mr M didn't think SWL had managed his funds properly. He felt he'd paid it fees to safeguard his investments. So I've next considered whether there's any evidence that SWL failed to act as it should have.

Did SWL mis-manage Mr M's funds?

As I noted earlier, there's no way of knowing what Mr M was told, given the time that's passed. However, the lifestyling option Mr M chose to invest in effectively aimed to move in line with market annuity rates, which meant it should move in value broadly in line with the cost of buying a pension. Therefore, for investors seeking to use their pension funds to buy an annuity with their matured pension funds, I can see that this lifestyling arrangement could reasonably be seen as "lower risk" then other equity-based investments. But I've seen no evidence that the fund aimed to avoid any absolute fall in value. I say this because I've not been presented with any evidence that SWL ever guaranteed the return on Mr M's pension.

I’ve gone on to consider whether there’s any evidence that SWL mismanaged Mr M’s investments.

The role of this service isn’t to look at the investment performance itself, even though that it what Mr M has effectively complained about. This is because investment performance is outside of a business’s control. Each investment has a varying degree of risk. This means the value of any investment can go up and down over time. When the value of an investment does go down, this doesn’t mean the pension provider has done anything wrong. But, while I haven’t been able to look at the investment performance itself, I have been able to consider if SWL has made any errors in managing the investments.

I think it’s important to explain that SWL acted solely as the administrator and provider of Mr M’s pension. It isn’t SWL’s role to actively manage Mr M’s funds. Instead, as the pension provider and administrator, SWL’s role is to provide information about fund choices to its customers, so that they can make an informed decision about where to invest, and then to invest its customers’ funds in line with their instructions. SWL doesn’t give advice on the best way to invest funds as it’s not authorised to do so. It simply acts on its customers’ investment instructions.

So although Mr M considers that as he paid the AMC to SWL, it should’ve advised him about his investments and it should’ve taken action to stop his fund from falling in value during the period of heightened market volatility, I can’t reasonably agree. I say this because SWL wasn’t authorised to advise Mr M how to invest his funds. Instead, it’s Mr M’s responsibility – with or without his own adviser - to monitor the performance of his investments and ensure they are suitable for his circumstances.

The evidence shows that Mr M’s pension was invested in line with his investment choice when he applied for the pension in 2005. I can’t see anything to suggest Mr M provided SWL with alternative investment instructions after that. So I think it correctly invested his money in line with his instructions.

Although I acknowledge that Mr M considers that the fund switches associated with the lifestyle strategy had contributed to his financial losses, I can’t fairly hold SWL responsible for that. I say this because it was simply acting in line with his instructions, which it’d clearly explained he could change at any time.

Therefore, while I acknowledge that Mr M doesn’t think it’s reasonable for the fees he’s paid SWL to only cover administration, I can confirm that this is the case here. As our investigator explained, SWL made it clear in the documentation it sent Mr M that the AMC covered the costs of running and administering his pension. I also agree with her that the costs weren’t unusual and that Mr M agreed to them when he started his pension.

I can also confirm that its standard practice for pension providers, who generally aren’t permitted to provide advice to their consumers, to charge an AMC which is purely to cover the costs of running and administering their pensions.

I appreciate that Mr M is extremely disappointed about the fact that his fund value has significantly decreased. But I’ve not found any evidence that SWL failed to carry out its role.

SWL wasn’t responsible for ensuring Mr M’s funds were appropriate for him. And I haven’t seen anything to suggest SWL mismanaged his plan, as it followed his investment instructions. As such, I can’t fairly ask it to return the management fees it charged him. Nor can I reasonably ask it to compensate him for poor performance. I therefore can’t uphold the complaint.

My final decision

For the reasons explained above, I don’t uphold the complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr M to accept or reject my decision before 25 June 2025.

Jo Occleshaw
Ombudsman