

## The complaint

Mr M says that in 2009, when switching to his employer's new pension scheme which was administered by Phoenix Life Limited trading as Standard Life (Standard Life), he agreed to invest into a default "lifestyle profile" strategy because he was told it would provide a stable fund value approaching his retirement. He says his fund value has fallen significantly in recent times, and he wasn't made aware that the low-risk lifestyle profile – particularly one of the funds involved – had the potential for such losses. He believes that as it was Standard Life's choice to include this fund in the lifestyle profile it should compensate him for the losses he's suffered, because if he'd been aware of the potential for such losses he would have invested differently.

## What happened

Mr M held pension benefits with Standard Life under his employer's pension scheme which were transferred to section 32 buyout plan in 2001. His employer then offered a new group personal pension plan, again through Standard Life, which he joined and into which he transferred the buyout plan funds.

This scheme was subsequently wound up, and in 2009 Mr M transferred those funds into a new group flexible retirement plan with Standard Life. Mr M says that his funds were invested into a "lifestyling" cautious fund which he later discovered was a combination of three individual Standard Life funds.

Mr M left this employment in 2010 and his contributions ceased, but he left his pension invested as it had been previously until his retirement date. Because of caring responsibilities Mr M deferred his original selected retirement date, but he says that when he decided to draw the benefits in 2022 he found that the value of his plan had fallen significantly.

Because he believed that the idea of the "lifestyling" profile was to reduce volatility and protect his pension's fund value he complained to Standard Life. He complained about the performance of one of the individual funds, citing both its overall performance and its poor performance in respect of its volatility rating. He said his pension should have been protected against the significant losses it suffered.

Standard Life said:

- The fund in question was aimed at clients approaching retirement who were more likely to purchase a fixed annuity.
- This was done by focusing on the effect of long term interest rates on the value of an annuity that could be purchased with the fund.
- In that respect, although the value of Mr M's plan had fallen in recent years, the level of annuity he could purchase with that fund had increased. So it thought the fund had achieved its overall objectives.
- It accepted that a higher fund value would most likely provide a higher annuity but

noted that to achieve that it would have needed to invest in equities – which would be likely to have increased volatility. And as equity performance wasn't generally correlated with annuity rates this could mean falls in both areas would compound the overall situation.

- The fund was designed to reduce the effect of changes in values of investment markets on Mr M's plan and for that reason had principally invested in bonds. It was noted that 2022 and 2023 saw poor performance in bond funds, but they were still regarded as less volatile than equity funds.
- It hadn't offered any guarantees that the value of any of the funds wouldn't fall over time – but the funds that Mr M was invested in operated as intended and in line with all the documents Mr M had provided as evidence of its performance. And it was satisfied that the lifestyling aspect of the plan was carried out in line with its objectives and approach.

Mr M brought his complaint to us where one of our investigators looked into the matter. He didn't think the complaint should be upheld making the following points:

- The advice to transfer Mr M's pension came from a different adviser. Standard Life's role was to manage the funds in line with an instruction – which in this case was to invest in the lifestyling “*cautious II*” fund. The fund's objective was to reduce volatility, beginning six years before retirement, by switching between the three individual funds on a progressive basis. Just prior to retirement, the aim was for Mr M to hold 75% in the fund that he's complained about and 25% in a cash fund.
- Although there had been some changes in the names of the funds the asset composition remained the same. So the objectives of the funds also remained the same. There were repeated statements that the performance of the funds wasn't guaranteed and no suggestions of any limits or restrictions of how much one fund values might fluctuate.
- It was understandable that Mr M was frustrated by the investment losses he suffered, but this wasn't Standard Life's fault. The losses were down to other external factors such as market conditions and world events. It would have been for Mr M to take action by switching funds (or transferring to another provider) if he was unhappy with their performance.
- He was satisfied that Standard Life had clearly set out the volatility ratings of the funds although he noted that this wasn't the only factor to consider when investing. Again Mr M could have taken advice if he was unsure of how the volatility ratings might affect the funds going forward.
- He noted Mr M's reference to another situation where Standard Life had reverted on a decision to revalue a fund. But he thought this was a commercial decision Standard Life was entitled to make and didn't mean it ought to take a similar decision around the fund Mr M was complaining about.
- If Mr M believed the plan had been mis sold to him in the first place, he could raise a complaint against the party that gave that advice.

Mr M didn't agree and wanted his complaint to be referred to an ombudsman. He said:

- His complaint was broadly about the performance of one fund within his lifestyling profile which had seen a 32.51% drop in value over five years. This fund represented 75% of his closing total fund value. By comparison the remaining 25% of the fund – held in cash – had risen by nearly 10% over the same period. As the

fund was broadly defined as “cautious” he didn’t think the primary fund had performed in line with a cautious approach.

- Standard Life had selected a fund to be part of the cautious lifestyle profile which had the potential for a dramatic drop in value. He wasn’t made aware of this potential for loss with a “cautious fund” risk profile.
- Although the investigator had stated that Standard Life was simply “*pension administrators*,” it had deducted significant charges from him over the years. And these charges would suggest more than simple administration and therefore some responsibility for fund performance.
- When he agreed to transfer he was told that income drawdown was a future alternative for his pension benefits under the terms of his plan. But latterly Standard Life seemed to have removed that option from its correspondence. He thought this was a change in the original agreement and Standard Life should at least admit the option had been withdrawn because of the performance of the fund.
- His pension had been primarily invested in the two funds since 2015, therefore Standard Life clearly believed the fund he’d complained about met the profile of his investment strategy. It could have invested his money into the cash fund which would have protected its value and ensured minimal, if any losses, and would have fitted the “profile” of the lifestyle approach.
- Standard Life’s warnings that fund performance couldn’t be guaranteed would seem to be more aimed at higher risk funds – such as those including equities and not lower risk rated funds. Such warnings aren’t clear and transparent to clients.
- The investigator said that Standard Life couldn’t have made investment decisions on his behalf, but he asserted that it did that by “imposing” the funds on him within the default profile – which was supposed to protect him against dramatic market falls.

The investigator reiterated his view that Standard Life hadn’t provided any guarantees of fund performance and wouldn’t have been able to foresee the events of 2022 and 2023 which affected bond funds in general. He said that the charges levied by Standard Life were broadly in line with what a pension administrator would charge and to have received a more discretionary investment service would have meant paying higher charges to such a third party. He also confirmed that his comment about any initial unsuitable advice that related to the transfer would be the responsibility of the original adviser. But he did note that adviser was no longer regulated.

### **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.

And having done so I’ve reached the same conclusion as the investigator. I have sympathy for the position that Mr M finds himself in here, having seen the value of his plan fall dramatically, but I don’t think Standard Life has done anything wrong – so I’ll set out my reasons below.

We wouldn’t normally use poor investment performance alone as a reason to consider upholding a complaint. The very nature of investing means that funds and assets can fall and rise in value depending on market performance and other external factors. But we can consider if that poor performance was as a result of the suitability of the investment or the mis management of the fund. So I’ve begun by looking at whether either of those factors could apply here.

### The suitability of the initial advice

I've seen a copy of emails that were exchanged between an adviser and other parties in 2009. In reference to Mr M's transfer application one of the emails stated that, *"we note from your transfer form that you have chosen your own investments funds, however, I note that you have chosen 3 different lifestyle profile's and unfortunately this is not possible as you can only choose 1 Lifestyle profile. I have enclosed a copy of Standard Life's investment brochure for your information and would be grateful if you could confirm by return which lifestyle profile you wish your regular contributions and transfer payment to be invested in."*

The email referenced the safe receipt of a completed transfer application form so would suggest that it was this advisory firm that recommended the transfer from the group personal pension plan. And reference to the investment funds chosen would suggest this was a result of discussions between the adviser, Mr M and his employer. From looking at the content of presentation slides that were used by the adviser I note that there was a default investment strategy for the transfer, confirmed by the statement that *"on enrolment you will be placed in the cautious II Lifestyle profile unless you have chosen an alternative investment strategy for you transfer funds..."*

But it was for the adviser to provide the relevant information to ensure Mr M could decide if that strategy was suitable for his circumstances and to then explain how the lifestyling profile would work. So it's clear that Standard Life wasn't responsible for any advice around the transfer or investment strategy and its role was simply to administer the application according to the instruction in the application form and manage the plan thereafter.

I haven't seen any evidence to support which, if any recommendation was made by the adviser, so I can't comment on its suitability for Mr M – but any claims of whether the original transfer recommendation was suitable would lie with the adviser.

So as Standard Life wasn't responsible for the original advice to transfer and invest, I can't reasonably say it has any responsibility for the suitability of the investment strategy for Mr M at that time. So I've gone to look at the management of the fund and whether it was invested outside of its stated investment objectives or risk profile.

### The cautious lifestyle profile (fund)

The aim of the lifestyling approach, as set out in Standard Life's description, is to *"automatically change the funds you are invested in depending on the length of time until your selected retirement date."* This is achieved by reducing the effect on the fund of changes in the value of investment markets. In Mr M's case the idea was to initially invest his money into a cautious managed fund (Mr M was 53 at the time and had a selected retirement date of 60) and then – five years from retirement – gradually switch the composition of the plan so that money was switched from the managed fund into the other two main funds under the lifestyle profile.

As an example of how this would work in his final year before retirement, Mr M's portfolio would be 75% invested in the fund about which he is now complaining, and 25% in a managed cash fund.

Mr M says that he accepted the default lifestyle profile as an investment strategy because it said it would "protect" his funds value as he moved towards his retirement, and because Standard Life chose the funds within the profile he expected them to broadly preserve the value of his benefits. He says that the fund in question had lost over 32% in value over the previous five years at the time of his complaint, so Standard Life had selected a fund that wasn't appropriate to be part of a cautious lifestyle profile that was supposed to avoid

volatility and preserve his capital value, because it had the potential for significant falls in value.

I can understand Mr M's frustration and disappointment here in losing a significant amount of his retirement pot. Having assumed the relative safety of his retirement fund it must have been a shock to him to discover such a loss. But I have to consider whether the fund didn't achieve its stated objectives because of Standard Life's actions or because of other external factors.

The composition of the fund in question was largely fixed interest "bonds" with some cash funds. This would usually represent a cautious type of fund designed to reduce the volatility often associated with equity based funds. But the fund factsheet I've been presented with for that fund set out the specific aim and objective it had. It said the fund was "*designed for investors approaching retirement and considering purchasing a fixed annuity. It aims to reduce the effect of changes in long term interest rates on the value of annuity that can be purchased. Long term interest rates are one of the main factors affecting the cost of an annuity. The fund invests predominantly in bonds whose prices are normally expected to rise and fall broadly in line with the cost of purchasing an annuity. The fund does not provide any guarantee in relation to the level of annuity you will be able to purchase at retirement.*"

So while it was a "cautious fund" it also had a specific aim of trying to preserve the value of an annuity purchased with the fund value. And it would seem to have met that aim as Standard Life has shown that, despite the fall in the value of the fund, it would have provided a progressively higher annuity for Mr M over the last five years. So I can't reasonably say the fund didn't meet its objectives on that front.

I also note that the fund fact sheet contained a warning that the cautious II lifestyle profile "*may not be suitable for customers who aren't considering annuity purchase...*" So Mr M ought to have been aware that the fund may not have been suitable for him and that it focused on preserving the value of a purchased annuity at retirement. There is a suggestion that the adviser/employer wasn't issued with this sheet, but the warning was also contained within the "description of funds" leaflet which was also available at the time. But in case as I've set out above it was the advisers/employer's responsibility to make Mr M aware of any information which may have affected his decision.

If I understand one of Mr M's challenges correctly, he says that Standard Life used a fund within the lifestyle umbrella that met that objective of reducing volatility approaching his retirement but had the *potential* for significant falls – which was at odds with the overall aim of "safety". He also said that the funds have changed names over the years which could be a factor in a possible change of objective. I've seen that the name of the fund was changed but I think Standard Life was entitled to do that. And there's no evidence to suggest that any changes in the fund's name caused it to change in terms of composition, stated aims, or fund management.

But I also haven't seen any evidence to support the claim that Standard Life offered any guarantees about the value of the fund. A warning within the "*description of funds*" leaflet said, "*all funds are subject to risk and the value of the units in funds can go down as well as up. So you may get back less than you pay in.*"

I know Mr M says these warnings typically refer to equity based or higher risk rated investments – but the statement doesn't say that and it was specifically set out in the fact sheet for the lifestyle profile. There were similar warnings set out in other documentation, and I haven't seen anything to suggest any investment losses would be limited in size or confined to certain risk rated investments.

Of course I understand Mr M will have been disappointed by the significant falls that occurred within a “cautious” rated investment, but I don’t think that was because of Standard Life’s fund management. It would seem that an unforeseen dramatic fall in the value of bonds – specifically from 2021 to 2023- caused the drop in value of Mr M’s fund. Standard Life wouldn’t have been able to foresee such an event, but because the fund was heavily invested in such bonds to provide a secure annuity relative to interest rates it was still able to achieve its overall aim.

Naturally if the unfortunate events of that period hadn’t occurred the value of Mr M’s plan would undoubtedly have been higher and consequently provided an even higher annuity – if that was Mr M’s preferred option. But I don’t think the events that happened were Standard Life’s responsibility and I can’t reasonably say it mismanaged the fund because of that situation.

Ultimately Mr M was advised to transfer his pension by a third party and the investment strategy – albeit a default strategy – was decided upon when the transfer to the new pension was completed. Standard Life simply provided all the information that was requested or required around the default lifestyle strategy and implemented the application. The lifestyle profile was supposed to reduce the volatility of Mr M’s fund as he approached retirement, and judging by the composition of the fund I think it contained sufficient cautious lower risk assets in order to achieve that objective. I haven’t seen anything to suggest that the fund was invested outside of its stated investment objectives or risk profile.

Mr M says he should have been made aware of the potential for these levels of potential losses and that he would probably have chosen to invest differently in that case. But Standard Life did make Mr M aware of the potential for the fund to fall as well as rise – without limiting that warning to any specific maximum amount for example. But that wouldn’t have been possible in any case as it wouldn’t have been able to foresee what might happen. That’s why the warning was general in nature and didn’t only refer to the risk profile or volatility of other higher risk rated assets.

Unfortunately, events within the financial markets caused greater than anticipated losses which did affect the value of Mr M’s plan, but I don’t think that was caused by Standard Life’s actions. It gave Mr M no guarantees as to the final value of his plan. And because the fund in question had specific objectives around protecting the value of an annuity that could be purchased at retirement it was able to meet that objective despite the losses. In the absence of any evidence that Standard Life or the investment manager mismanaged the fund – and the performance of the fund alone doesn’t evidence this – I am unable to say that Standard Life has done anything wrong in the overall management of Mr M’s pension plan.

#### *The income drawdown option*

Mr M did also complain that in earlier annual statements he received from Standard Life one of the other options that was set out to him, apart from purchasing an annuity, was that of income drawdown. But he says that in recent statements that option is no longer noted and he believes it’s been removed because it’s no longer a viable option with the dramatic loss in that fund’s value. He said he never agreed to that option being removed and that represents a change to the original agreement.

I’ve looked a copy of the most recent statement that was issued to Mr M, and I can’t see a direct reference to a drawdown option at retirement. But there is a reference (on page 4) to a note that says “*there are different options available at retirement and you don’t have to buy an annuity.*” So while this doesn’t explicitly mention income drawdown, nor does it mention directly the other options available. So I don’t think Standard Life has limited the alternatives that Mr M has on retirement. But I also note this is an annual statement and I wouldn’t

normally expect a provider to list out all the available retirement options here as the main regulatory requirement is to provide an updated value and snapshot of the plan (charges, projections, investment strategy etc).

However, I have also seen a copy of a letter that Mr M received from Standard Life in 2018 in advance of his chosen retirement date. This letter does set out his main retirement options of:

- Continuing to save (defer the retirement date).
- Flexible income “*or income drawdown gives you the freedom to choose your own level of income and the flexibility to suit your personal needs.*”
- Guaranteed income or “*lifetime annuity.*”
- Lump sums (withdrawing some or all the cash)
- A combination of the above alternatives.

I would expect, with this being a pre-retirement options letter, that it would set out the alternatives Mr M needed to consider – alongside the signposting of financial advice. And I think the letter met those requirements. But the reference to income drawdown was a general reference – and that alternative option of “income drawdown” remains open to Mr M. I haven’t seen anything to suggest that Standard Life has rescinded or closed off that alternative.

I asked Standard Life to explain its own position regarding income drawdown. It told us that isn’t an option that has ever been directly available with the type of plan that Mr M held and would have necessitated a transfer to either a similar type of plan with itself or to another provider. And I think that’s supported by the information it provided in its pre-retirement letter. It set out income drawdown as an option but didn’t suggest that was an option within the plan. I understand Mr M still is and has always been free to pursue income drawdown as an option. So, and I understand why he would regard the lower fund value on his plan to be a barrier to such an alternative, I can’t reasonably say Standard Life has changed its position with regards to income drawdown being a retirement alternative with pension fund.

### **My final decision**

For the reasons that I’ve given I don’t uphold Mr M’s complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr M to accept or reject my decision before 15 December 2025.

Keith Lawrence  
**Ombudsman**