

The complaint

Mrs J is represented.

Her pension was administered by Scottish Equitable Plc trading as AEGON. AEGON was/is also the provider and manager of the Cautious Lifestyle ('CL') fund into which the pension was invested. The pension was switched to Fidelity in December 2024.

She says AEGON denied her/her representative information on how the invested fund was operated leading up to the switch, to explain why it lost 5% in value between September and December 2024; that the fund should have been placed in a state of capital preservation at the time, as she headed towards her 2025 retirement; and that the loss suggests the fund mismatched its *lifestyling* feature (or was mismanaged in that respect).

What happened

One of our investigators looked into the complaint and concluded it should not be upheld.

He noted that our service would not normally determine complaints about performance alone; Mrs J's adviser obtained a transfer valuation for the pension in September 2024, AEGON received a transfer request on 23 December, it set up the transfer on 27 December and it was completed on 30 December; there were no undue delays in the process; under the CL fund's lifestyling strategy, in the five years leading to her retirement around 75% of her fund was placed in long dated Gilts; Gilts are generally secure investments, but recent economic conditions (beyond AEGON's control) led to a decline in their value; so the loss Mrs J has cited was due to market conditions, rather than any wrongdoing by AEGON.

Mrs J's representative disagreed with this outcome and asked for an Ombudsman's decision. He made further submissions on her behalf. They were shared with AEGON, and it responded to them.

The CL fund operates in two stages, a growth stage and a lifestyling stage. Based on its factsheet, the former allows for exposure to some risks in order to pursue growth in the fund and the latter, based on the assumption of and preparation for a near future annuity purchase, is designed to gradually reduce such exposure and lean towards capital preservation. The dispute between the parties is about the lifestyling stage of the fund.

In response to the investigator's findings, Mrs J's representative mainly said – the crux of the matter is that, despite requests, AEGON has not evidenced that the variant of the CL fund behaved as it should have during its lifestyling stage; that stage applied in the six years leading to her 2025 retirement (including the lead up to the December 2024 switch); the reference to a holding in long Gilts has also not been evidenced; such a holding, given its risky character, conflicts with the notion of derisking (which is what the lifestyling stage was meant to do); exposure, in 2024, to the risks associated with such Gilts also conflicted with the goal of preserving pension capital for maturity in 2025; these factors suggest the CL fund did not behave as it should have in its lifestyling stage and that fund mismanagement was the likely cause of the loss Mrs J experienced in the switch.

AEGON maintains that the drop in value between September and December was caused by a drop in the unit price of the CL fund (which, it says, happened due to market forces).

With regards to the fund's lifestyling stage, AEGON mainly said – the CL fund changes into what is known as a 'numbered fund', a variant of the main CL fund, for which there is no factsheet; there is information about this process and about numbered funds on its website; included in the information is a graph showing how five years to retirement the fund has an 80/20 growth/capital preservation strategy, progressing to 60/40, 40/60 and 25/75 in the following three years, then one year to retirement a 15/75/10 growth/capital preservation/cash strategy is applied, and in the year of retirement a 75/25 capital preservation/cash strategy is applied; on this basis, it disagrees with the argument that the fund did not meet its objective.

On long Gilts, AEGON said they are used in the fund because they usually have an inverse relationship with annuity rates, so in normal conditions any fall in value would usually be offset by an increase in annuity rates, therefore the annuity-based purpose of the lifestyling approach is broadly unaffected. It also noted that Mrs J did not proceed with an annuity, but conducted a pension switch instead, and it argued that she could have switched into a different fund at any time if the numbered fund no longer met her needs.

The matter was referred to an Ombudsman.

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.

I understand Mrs J's, and her representative's pursuit. They appear to have been taken aback by a notable loss in value within a relatively short period of time – about 5% loss in less than three months – and they consider that something beyond ordinary market circumstances/forces could be behind this. This is not an unreasonable consideration.

Her representative has taken a more assertive position on her behalf by arguing that, based on limited available information and what he considers to be a lack of transparency, something beyond ordinary market circumstances was *probably* behind the fall in value and, he says, the indications are that the fund in Mrs J's pension did not behave as it should have and/or was mismanaged. On balance and for the reasons I give below, I disagree with this argument. However, given his role as her representative I also do not consider it unreasonable for him to pursue it on her behalf.

Mrs J's AEGON pension was invested in its CL fund. The CL fund is not in dispute. What is in dispute is the nature and reality of the variant fund (or, as AEGON has said, the *numbered fund*) her holding moved into in the last six years up to her intended (or previously intended) retirement in 2025 – in other words, in the lifestyling stage of her holding.

Provision for both the growth and lifestyling stages of the CL fund is reflected in its factsheet, so whilst there is no factsheet for the numbered fund there remains some relevance in the CL fund factsheet. It has relevance to the dispute over AEGON's use of long Gilts. The last page of its 2024 version includes the following –

“Lifestyle strategy risk - long gilts and long corporate bonds are used in lifestyle strategies because of their inverse relationship with annuity rates, not because they are ‘safe’ investments. When long bonds go down annuity rates generally go up and vice versa, meaning the size of annuity you can buy stays roughly the same whether bonds go up or down. But, this relationship isn't perfect and can fail, for example there can be a delay

between changes in long bond values and annuity rates.”

The above confirms that the use of long Gilts was within the remit of the numbered funds (or lifestyle strategy) and the CL fund's factsheet essentially disclosed this. It also shows that it appears to have been used as a hedging strategy in relation to annuity rates. Depending on different views in the markets, the type of hedging effect described in the quote above – whereby the size of annuity that can be bought remains roughly the same regardless of how the inverse relationship works out – might be said to be complementary to derisking or, if not, neutral.

The point is that the hedging effect does not automatically confirm or suggest a conflict with derisking. AEGON has conceded that the underlying inverse relationship required for the strategy to work cannot be guaranteed. The factsheet says the same, but it was a reasoned strategy, no guarantee was associated with it and I am not persuaded that enough has been established to conclude that it was unsuitable for the lifestyle strategy.

The factsheet also has a bit of relevance to performance considerations for the numbered funds. It does not mention the numbered funds by name in the quote below, but the quote appears to refer to them indirectly.

“Lifestyle performance information - this factsheet contains information and performance for the ‘Growth stage’ of the lifestyle fund. The information and performance for your fund will be different if you’re within the ‘Retirement target / lifestyle stage’, which normally starts seven years before your selected retirement date.”

The above means the CL fund's factsheet is inherently limited in terms of information about how its lifestyling stage is supposed to behave. The passage above confirms that the factsheet only addresses the growth stage. This is the problem Mrs J's representative has highlighted. Ideally, there would be a factsheet for the numbered funds, and I can understand the representative's concern that none exists. However, I also consider that its absence is balanced by information available from AEGON's website where the following is available – its explanation of the numbered funds, its lifestyle funds hub page and information about how the funds work (including the graph AEGON referred us to).

The three links to these website pages were shared, by AEGON, with us and we have shared them with Mrs J's representative, so I do not consider it necessary to quote any of their contents. Having read the website pages, I am satisfied, on balance, that they provide a combined and reasonable body of information about the lifestyling stage and numbered funds and about how the latter are supposed to work. The graph essentially depicts this, and I have not seen evidence that the fund in Mrs J's holding was not managed in line with the information on the website pages.

For the above reasons, I consider that the transparency and information sought by Mrs J with regards to the lifestyling stage of the holding she had in the CL fund has broadly been provided, and I have not seen evidence to conclude, on balance, that the fund in her holding was mismanaged as her representative suspects it was. The implication arising from this is that AEGON's alleged liability, in its fund management, for the loss in value that prompted her enquiries has not been established. Both parties are of course at liberty to address any additional information she might wish to pursue, and I do not say or suggest that the website links should stop her from considering any other information she might want to ask for. However, with regards to her present complaint, I am not persuaded there are grounds to uphold it.

My final decision

My decision is that Mrs J's complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 14 October 2025.

Roy Kuku
Ombudsman