

## The complaint

Mr P complains that Aviva Life & Pensions UK Limited provided an incorrect risk rating for one of its funds and he sustained a financial loss as a result.

## What happened

Mr P has a personal pension with Aviva. In December 2020 he switched a substantial amount of his investment from the Aviva Pension My Future Focus Growth S6 (MFFG) fund into the Aviva Pension Liontrust Sustainable Future Managed S6 (Liontrust) fund. He says that both funds were categorised as medium risk. He also changed his future contributions to go into the Liontrust fund.

Mr P says that over the next period - up to 2024 the Liontrust fund underperformed the MFFG fund by around 10%. He says the reason for this was because the Liontrust fund was a much higher risk fund than the risk rating Aviva had ascribed to it. If he had known that the risk rating should have been much higher, he wouldn't have switched his funds to the Liontrust fund and he wouldn't have sustained a loss.

Mr P also says there were inconsistencies between the investment returns provided on the Aviva website and those shown on the fund factsheet for Liontrust. He complained to Aviva.

Aviva investigated his complaint. It said it gave each of its funds a risk rating ranging from 1 (lowest volatility) to 7 (highest volatility). It said these ratings reflected the potential for a fund to go up and down in value over time. It calculated its risk ratings using historical performance data and information from each fund manager. It also reviewed its risk rating each year based on its interpretation of investment risk. Its risk ratings were only meant as a guide. Aviva said it hadn't provided advice to Mr P and wasn't responsible for the choice of investments he had made. It said it hadn't made any errors about how it had handled his funds or how they had performed.

Mr P did not agree. He referred his complaint to our service.

Our investigator looked into his complaint. He thought Aviva had reasonably set out the difference in the risk rating and volatility of the two funds. He noted what it had said about the risk associated with each fund. Regarding the Liontrust fund it had said "fund prices may move up and down significantly." In relation to the MFFG fund it had said "compared to lower risk funds" there was a "greater risk" that the value could fall.

He also reviewed the information Aviva had provided in its "Your Guide to Fund Factsheets" where it had explained that volatility/risk ratings were for guidance only and based on historical performance data and information from each fund's investment manager(s). He didn't think the fact that one fund had a risk rating of 4 and another a risk rating of 5 wouldn't mean that the fund with a lower rating couldn't fall by more than the other. Likewise, a fund with a lower rating could deliver higher returns than a fund with a higher rating.

Our investigator also thought about what Mr P said concerning the inconsistency between the investment returns provided on the Aviva website and those shown on the fund factsheet

for Liontrust. He thought, on balance, the reason for the inconsistency which Mr P had referred to was likely because of timing differences. He didn't think Aviva had acted unfairly or unreasonably.

Mr P did not agree. He reiterated that in his view the risk rating for the Liontrust fund should have been "high" and not "medium."

Because Mr P disagreed with what our investigator said, the complaint has been passed to me to make a 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.

In December 2020, Mr P decided to switch some of the funds in his pension from the MFFG fund to the Liontrust fund. Aviva was not responsible for providing Mr P with advice. However, it did provide information about the various funds which were available to Mr P. So, I've considered the information provided by Aviva - and specifically the information it provided about the risk ratings it had ascribed to the MFFG fund and the Liontrust fund.

#### The MFFG Fund Factsheet

The factsheet states that the aim of this fund was to provide long term growth through exposure to a range of asset classes. Included in the fund facts the sector was described as "volatility managed."

The overall risk rating was described as "4" – on a scale of 1-7 where "1" was the lowest risk. The description for this risk rating was:

*"Funds typically investing in a mix of asset types with the potential for better long term returns than lower risk funds. Compared with lower-risk funds there's a greater risk that the value of your investment could fall."*

The factsheet included details of the asset allocation, the top ten holdings within the fund, the sector breakdown, geographical regional allocation and credit quality of the fixed income holdings.

The benchmark for the fund was Bank of England bank rate plus 4%.

There were also risk warnings which highlighted the risks that the fund may have material exposure to at any given time.

I've noted that whilst some of these risk warnings were the same as those which applied to the Liontrust fund – there were some differences. For example, the risk warnings lettered "C" and "K" applied whereas those lettered "D" and "I" did not apply.

Risk warning letter "C" referred to the risks where a fund invested substantially in emerging markets which for various reasons could make these funds riskier.

Risk warning "K" referred to the risks where a fund invested partly in one or more alternative investment funds. However, the fund factsheet stated that to reduce these risks Aviva set strict limits on how much of the fund could be invested in alternative investment funds and monitored this closely.

## The Liontrust Fund Factsheet

The factsheet states that the aim of this fund was to provide long term capital appreciation and income through diversified investment within and across global securities markets. Included in the fund facts the sector was described as “mixed investment 40-85% Shares.”

The overall risk rating was “5”. The description of this risk rating was:

*“Funds typically investing in shares of companies in the UK or a mix of other major stock markets. Fund prices may move up and down significantly but offer potential for good returns over the long term...”*

This factsheet also included details of the asset allocation, the top ten holdings within the fund, the sector breakdown, geographical regional allocation and credit quality of the fixed income holdings.

The benchmark was the ABI Mixed Investment 40-85% Shares.

There were also risk warnings which highlighted the risks that the fund may have material exposure to at any given time.

I’ve noted that whilst some of these risk warnings were the same as those which applied to the MFFG fund – there were some differences. For example, the risk warnings lettered “D” and “I” applied whereas those lettered “C” and “K” did not apply.

Risk warning “D” applied where a fund invested in “substantially the shares of smaller companies.” In this case it was more likely that the value of the fund could move up and down by large amounts and more frequently. The shares of smaller companies could also be more difficult to buy and sell which made this type of asset more risky.

Risk warning “I” applied where a fund invested in high yield bonds which were issued by companies and governments with a lower credit rating. This type of asset was more greatly affected by economic conditions and interest rate movements.

Mr P says that the Liontrust fund had the same risk rating as the MFFG fund. He says both funds were rated as “medium.” However, having considered the information in the two fund factsheets I’ve noted that Aviva’s risk rating for the Liontrust fund was higher than that which it applied to the MFFG fund. The Liontrust fund was rated as 5 whereas the MFFG fund was rated as 4 - where the highest risk rating was 7 and the lowest rating was 1. The Aviva website describes its risk rating of “5” as being “medium to high” whereas a risk rating of “4” is described as “medium.”

Mr P thinks the risk rating for the Liontrust fund should have been higher than “5.” He says that if the Liontrust fund had been given a higher risk rating he wouldn’t have invested in it and he wouldn’t have suffered a financial loss.

I’d just comment at the outset that investing money always means taking some risk. And whilst generally higher risk investments can mean there is greater potential for reward – there is also greater potential for loss. So, sometimes even though an investment is rated as higher risk, that doesn’t mean that the return on an investment with a lower risk rating cannot be greater. That appears to be what happened here where Mr P says the MFFG fund (rated 4) outperformed the Liontrust fund (rated 5).

Having said that I’ve thought further about what Mr P says concerning the risk rating for the Liontrust fund and how that impacted his decision to switch his investments in 2020. But,

although I know it will disappoint Mr P, I'm not persuaded, on balance, Aviva did make an error here or that it acted unfairly or unreasonably regarding the risk ratings it ascribed to these two funds. I'll explain why:

#### How does Aviva measure the risk of its funds?

The Aviva website describes how it measures the risk of funds. It says:

*"We give each of our funds a risk rating, ranging from 1 (lowest volatility) to 7 (highest volatility). These ratings reflect the potential for a fund to go up and down in value over time. We calculate our risk ratings using historical performance data and information from each fund's investment manager(s). We review each fund's risk rating on a yearly basis, so they may change from time to time.*

*Risk and return are linked. This means funds with a rating of 1 are less likely to lose money, but your money might not grow very much. Funds with a rating of 7 have a much higher risk of losing money, but the potential for your money to grow over the long term is higher.*

*These investment risk ratings are based on our interpretation of investment risk and are only meant as a guide. Risk tends to be associated with potentially higher volatility. The higher the risk levels, the more likely the value of a fund may go up and down from day to day.*

*The **fund centre** is kept up to date with the latest risk rating. You can find the latest risk rating for our funds on the fund centre."*

I've noted Aviva explains that it takes "historical performance" data and information from each fund's investment managers into account when calculating its risk ratings. And it reviews the risk rating on a yearly basis. I think that's a fair and reasonable approach.

Both the website and the fund factsheets explained that the risk ratings were based on Aviva's interpretation of investment risk and were only meant as a "guide." It is also the case that the fund factsheet for both MFFG and Liontrust stated that it was "for information only." It was provided to "help" customers understand how the fund was investing and performing but it "should not be used for making investment decisions." If a customer wanted further explanation or advice they were told to contact their financial adviser. There was also the general warning that the value of investments could fall as well as rise and was not guaranteed. And a warning that past performance was not a guide to future performance.

The fund factsheets included further details about the asset allocation, the top ten holdings in the fund, the sector breakdown, the credit quality of fixed income holdings and the geographic regional allocation. They also set out the "sector description" and the relevant benchmarks which applied. If Mr P was uncertain about any of the information in the fund factsheet, it was open to him to carry out his own research or to seek independent advice before making his decision about switching his investments. Aviva stated that the factsheet was for information only. Aviva did not provide advice to Mr P.

So, I'm satisfied, on balance, Aviva did give sufficient information to Mr P about each of the funds and about how he should treat the information in the fund factsheets before he made his decision to switch his investments from one fund to another.

Having considered everything, I'm not persuaded, on balance, that the information on the fund factsheets was incorrect or that Aviva incorrectly described its interpretation of the investment risks which applied to the two funds.

#### The "inconsistencies" in the information about the Liontrust fund's performance

Mr P says there was inconsistent information about the investment returns. He's referred to the information on the Aviva website and the fund factsheet for Liontrust. He's provided an example to support what he says. In 2023 he says the website stated the return was 12% whereas the factsheet said it was 4%. He says this was misleading.

The screenshot from the Aviva website which Mr P provided includes a chart setting out the "discrete performance for the Liontrust fund up to last quarter end." Below the heading the following information appears in relation to the year ended 31 December 2023:

"31/12/22 - 31/12/23                      11.7%"

I've then looked at the factsheet Mr P referred to. It is dated December 2024. It includes a table setting out "Discrete annual performance to last quarter end." Below the heading are columns for each of the last five years – but with the year end in each case being September. So, for example in the period from 30 September 2022 to 30 September 2023 the performance of the fund is recorded as 4.06%.

I've noted that the information in the factsheet, in relation to the performance of the fund, covers a different period to that which is reported on the website. Our investigator thought that might explain why the performance percentage differs.

I've then looked at the other information in the factsheet. Alongside the table in the factsheet there is a graph which sets out the percentage growth of the fund. I can see it shows that the percentage growth of the fund sharply increased in the last quarter of 2023. And, bearing in mind that the figures which Mr P says were inconsistent appear to cover different time periods, I'm not persuaded, on balance, that the information about fund performance which appeared on the factsheet was inconsistent with the information on the Aviva website or that it was misleading.

Having considered everything, I'm satisfied on balance Aviva hasn't made any errors here. I don't require it to do anything further to resolve this complaint.

### **My final decision**

For the reasons set out above, I do not uphold this complaint about Aviva Life & Pensions UK Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 10 November 2025.

Irene Martin  
**Ombudsman**