

## **The complaint**

Mr S complains that Aon UK Limited (AON) (previously Hewitt) mis-sold and mismanaged his Group Personal Pension (GPP). He says it did not explain the lifestyling option to him properly and it was too high risk. He says this caused him to lose £80,000 and he holds AON responsible for this.

## **What happened**

For ease of reference I have included the investigator's brief explanation of the context of this complaint below:

Mr S joined his employers GPP in February 2006, after moving from an earlier workplace arrangement. He selected the five-year lifestyle investment strategy. This meant his fund would gradually be switched into 25% cash and 75% index-linked gilts in the five years before his selected retirement age.

Annual statements were issued by his provider and from 2016 onwards set out the details of the lifestyle programme. They explained the process of switching into lower-risk funds, reminded members that values could go down as well as up, and made clear that members could opt out of lifestyling if they wished.

In September 2022, following the UK Government's mini-budget, gilt values fell sharply. As most of Mr S's fund had been moved into gilts by this time, his pension fell by around £80,000.

Mr S complained to Aviva (the plan provider) and then AON about his losses. He says he was mis-sold the lifestyle programme and that Aon failed to protect his pension.

AON answered Mr S's complaint and said that it felt Mr S had complained too late but that it had looked into matters in any event and it was satisfied that it had acted correctly.

AON told us it didn't think it had done anything wrong, it said it had given advice to Mr S's employers about the pension scheme and held group meetings with the employees – but no personal advice was given. It explained why the lifestyling option was suitable for its aims and that it didn't advise Mr S to select it. It said the reason why the funds within the lifestyling had performed so poorly recently was due to Liz Truss's failed budget.

Our investigator looked into matters, he said the complaint had been made in time as the drop in value that caused Mr S to suffer a loss was shown in his October 2022 statement and he complained within three years of that.

In relation to the merits the investigator said that the evidence showed AON hadn't given personal advice to Mr S. So it wasn't responsible for the suitability of the plan for Mr S. The investigator felt AON had given clear and not misleading information and the lifestyling plan was appropriate for its aims. He didn't think AON had done anything wrong.

Mr S responded to say in summary:

- He disagrees that AON didn't provide personal advice. An employee (of Hewitt now AON) did presentations to the staff and answered personal questions about the change to the new pension scheme.
- Aviva had confirmed that AON had sold the plan to him and that they had given advice.
- Mr S had lost a substantial amount including additional contributions made, how could that be fair? If Aviva and AON cannot be held responsible, who can?
- He had proof from Aviva, that his selected funds (pre lifestyling) had outperformed the funds he says AON had recommended (the lifestyling funds). How could he with no experience or qualifications, know better than them.

### **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 have reached the same conclusion as the investigator for broadly the same reasons.

I note Mr S had made some points about things he felt Aviva had done wrong in response to the investigator, but I haven't included them in the summary above as I cannot consider these as part of this decision. Mr S has already received a final decision about Aviva's involvement. I can only make a decision on AON's actions here.

As the investigator set out, the evidence shows that AON had been approached by Mr S's employer and the trustees of the previous pension scheme, to set up the new employee pension and give information to the employees about it. It wasn't hired to provide personal advice. This was standard practice for the setting up of a Group Personal Pension. I cannot say what was said in those meetings for sure, there is always the possibility that what was said strayed into personal advice. But the evidence of Mr S's testimony is just that they answered questions from the employees about the scheme and gave a presentation to them. This wouldn't constitute personal advice, unless it was tailored to an individual's circumstances. Furthermore the evidence from the time is clear, AON wasn't hired to provide personal advice. I've included some extracts from the information given at the time to employees, that demonstrates this below:

With this letter you will find a 'Transfer Announcement', dated 21 September 2006, which explains your options in detail and which is designed to help you with the questions you will have. Helping the Trustees with this project are pension consultants Hewitt Associates Financial Services Limited (HAFSL) which can be contacted if you want any help.

For example, a number of you who are in Coty's new pension scheme with Friends Provident will want to know if you can transfer the value of your fund into the new scheme. Others who have left Coty may want to know if you can transfer to your current pension scheme. HAFSL will be able to explain your options.

As part of this process it is very important that you read this letter and announcement carefully. In particular you need to understand that neither the Trustees of the old Plan, nor Coty (UK) Limited, nor HAFSL can provide you with specific individual financial advice on your options. If you are in any doubt you are recommended to seek independent financial advice (the announcement explains how to do this).

So I am satisfied that on the balance of probabilities, AON didn't give Mr S personal advice. In any event, had they done so and that advice had been to join the scheme and to add lifestyling to his plan, I think it would be difficult to conclude that this was unsuitable advice.

The evidence also suggests that AON did not recommend that Mr S add the lifestyling to his pension, either in a personal capacity or more generally. The evidence from the time about

the scheme, communicated by his employers (but with advice from AON) said it was the members choice around what funds to be invested in. They gave information about the lifestyling but not a recommendation that it should be selected. As the below shows:

Choosing a Lifestyle option means that you choose the overall investment strategy at the outset, but managers will carry out the transfers between funds as your retirement approaches. Lifestyle aims to provide a sensible balance between risk and growth for the majority of members. Lifestyle may not be suitable for you:

- as your circumstances may well be different from those of the majority of members; or
- where your actual retirement date is different from the date targeted by your Lifestyle option.

### CHOOSING LIFESTYLE

The Lifestyle options move your retirement account between different investment funds according to how long you have until you retire. At first they aim to achieve long term growth. As you approach retirement they aim to provide greater stability for the investments you will use to provide your benefits. Lifestyle assumes you will take 25% of your account as cash and use the rest to buy a pension annuity.

After taking advice from pension consultants Hewitt Associates Financial Services Limited, the Trustees have chosen this policy because it will be used to receive all the transfer values of member accounts.

By arranging transfers on a block basis, the Trustees expect to be able to obtain more favourable terms than might otherwise be available.

You will then deal directly with Friends Provident on any future queries or issues or when you come to take the benefits. The questions and answers below may help you understand how this works. More information can be obtained from Friends Provident by telephoning 01306 654809 or by writing to them at Friends Provident Life & Pensions Ltd, Pixham End, Dorking, Surrey, RH4 1QA.

#### **How will my fund be invested?**

It will be your responsibility to choose where your transfer value is invested (as opposed to the Trustees) and to review investment performance.

You should note that:

1. the value of investment linked funds can go down as well as up,
2. past performance is no guide to future returns,
3. tax rates and tax relief may be varied by legislation, and
4. the value of tax relief will depend upon your personal circumstances.

You are strongly recommended to seek investment advice from an independent financial adviser.

Please refer to Friends Provident's literature for a list of available funds.

### Where will my transfer value be invested?

You can either:

- = Choose your own fund(s); or
- = Choose the 'lifestyle' fund.

#### Choosing your own fund

Friends Provident's literature and fund brochure explains the range of funds and risk characteristics. A helpline (01306 654809) is available to explain how these work in more detail but Friends Provident will not be able to give you individual advice. If you need this you are strongly recommended to seek investment advice from an independent financial adviser.

#### Choose the 'lifestyle' fund

If you are not sure where you want your transfer value to be invested and/or you want to consider this at a later date, the value of your account will be transferred to a fund chosen by the Trustees which operates using a 'lifestyle' strategy.

This approach aims to balance the different investment risks (as described in Friends Provident's literature) by automatically changing where funds are invested over the period to retirement. Initially the fund will invest in equities to take advantage of high growth potential.

As you approach retirement, your investments are gradually switched into bonds and gilts to try and protect the value of your fund before your account is used to provide your benefits.

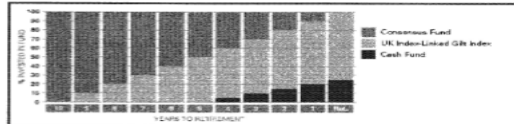
'Lifestyle' funds are often used to try and produce a sensible mix of investment returns and risks for many members. This may mean it is not suitable for some and this type of fund will not necessarily generate higher returns than other investment strategies.

The 'lifestyle' strategy chosen by the Trustees assumes that you will retire at 65 and will invest in equities until 10 years before then, after which your account will be gradually switched into a combination of cash and bonds. If you want to take the benefits at a different age you can, and the strategy will be adjusted accordingly.

The funds that will be used in the 'lifestyle' strategy are:

- = BGI Consensus Fund
- = BGI UK Index-Linked Gilt Index Fund, and
- = F&C Cash Fund

The chart below illustrates how the 'lifestyle' strategy will work:



If you need more information, please refer to Friends Provident's brochures which explain the range of funds available and their risk characteristics.

Further details are also available from Hewitt Associates Financial Services Limited (see page 6) and Friends Provident (see page 4).

Friends Provident reserves the right to review the 'lifestyle' strategy from time to time and will notify you of any changes.

The annual management charge for each investment fund is shown in the Friends Provident fund brochure. Please note that these can also change from time to time. Friends Provident will notify you of any changes.

The Trustees strongly recommend you to take independent financial advice periodically to ensure that the investment strategy and investment performance is suitable for your circumstances.

#### What else should I know?

Any pension benefits emerging from this type of policy are currently treated as liable to Income Tax.

This information about Friends Provident Section 32a 'Buy-out' policy is based on Hewitt Associates Financial Services Limited's current understanding of legislation, which can change from time to time.

After the old Plan has been wound up, the Trustees and their advisers will cease to act and will no longer be available to answer your questions. In their place, Friends Provident will be available to answer questions (see page 4).

I note that Mr S chose to select his own funds and ticked the box to add five-year lifestyling to his funds. This would change his investments into bonds and gilts as he got closer to retirement. And I don't think any of the information that Mr S's trustees gave him upon the advice of AON was misleading. I also note that within the information it gave it explained the aims of the lifestyling was based on purchasing an annuity. Which is important because of the relationship between bonds and gilts and annuity rates, this provides a large part of the de-risking purpose of lifestyling. More information was given than the selected extracts above, explaining the different types of investments and their risk. As well as more warnings that personal advice would not be given and members should seek independent financial advice.

So I think Mr S was given sufficient information with which to make an informed choice about what funds to choose. I don't know if it will make it easier for Mr S to accept but the lifestyling and the type of funds forming the lifestyling here, wasn't something unique to AON. This was common, almost standard, for schemes set up at the time. Nearly all lifestyling at the time will have included bonds and gilts with the purpose of minimalizing losses closer to retirement.

The idea was that this worked in two ways, the funds were generally seen as low risk and fairly stable (and this was mostly true until the Liz Truss budget) and secondly when the price of bonds and gilts are low, annuity rates will be high – as they are linked and have an inverse correlation. Because of this relationship between the two, when bonds and gilt prices are low (like now and when Mr S suffered his losses) annuity rates will rise. Meaning you can get more for your money in terms of income and therefore protecting the customer from big losses in the retirement income they can achieve.

It seems Mr S chose to take an annuity recently and so I suspect the actual income he received could actually have been better in comparison to what he could have bought before he suffered the losses to his funds. I've looked at the Aviva statements he received and whilst the retirement figures quoted are for the future and aren't directly comparable to the older statements – you can see that the annuity predicted for retirement in 2022 (on the 2020 statement) was £6,000 per year but based on a fund of £251,000 with two years

growth to also be added to the final fund value. This was actually a much lower income than when the fund was estimated to only be £219,000 in retirement (on the 2023 statement) (but to be paid nine years later at 2031), the income predicted then in retirement was £18,200 a year. As I said this is by no means a perfect comparison, but it illustrates that whilst Mr S's funds lost overall value his purchasing power in terms of income wouldn't have decreased by the same level. Which is one of the benefits of investing in gilts and bonds if you are planning on buying an annuity.

Obviously had Mr S remained in high performing funds he would've got a much larger annuity. But in a different economic climate where those funds performed poorly, his income could've been significantly reduced if annuity rates remained low. Whereas if bonds and gilts performed well Mr S would have a big fund with which to buy an annuity and if they didn't annuity rates would be high and so he'd get more income from his fund, which is what happened in reality.

I should make it clear that I do sympathise with Mr S and his position. He like many others has been very unlucky to suffer large losses when invested in funds that were commonly used across the industry as part of the de-risking phase of lifestyling. I'm sure this came as a big shock. But world and UK events caused historically unusual volatility in UK gilts and bonds and this caught a lot of people out with large losses suffered by people looking to take benefits. However, as I said for people buying an annuity, the silver lining here is whilst their funds had dropped, the income that could be bought with those funds was proportionally much higher. To Mr S's question about who can be held responsible, ultimately investing comes with the warning that funds can go up or down and poor fund performance isn't usually a reason for upholding a complaint because of this.

Fund performance is very difficult to predict, nobody can predict the future and certainly not over a period of many years and that is why Mr S's selected funds outperformed those chosen by AON to form part of the lifestyling. But the reason these funds were chosen, wasn't to provide growth in the later years, but to protect the income Mr S had already built up. Whilst they failed in terms of retaining his fund value, he suffered big losses, as Mr S annuitized he most likely hasn't suffered a loss in terms of the money in his pocket compared to the income available before the losses occurred.

In conclusion, AON was asked by Mr S's employers to provide information to its employees about its new pension scheme. I think it gave fair and not misleading information, it designed a lifestyling programme in line with the usual industry approach to doing so. It was made clear Mr S was responsible for choosing his funds and that he should consider seeking individual advice from a firm other than AON if he wished to do so. And it could not give personal advice. So whilst I am sorry to hear of the impact the decision to invest in lifestyle funds has had on Mr S, I don't think AON did anything wrong here.

### **My final decision**

For the reasons explained above, I do not uphold this complaint and make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 3 December 2025.

Simon Hollingshead  
**Ombudsman**