

## The complaint

Ms G complains, on behalf of her late mother's estate, about the significant losses her mother's pension plan with Aviva Life & Pensions UK Limited (Aviva) suffered before she claimed the benefits. Ms G says that the "lifestyle" investment strategy that was used within the plan didn't fulfil its purpose and such a perceived "lower risk" strategy ought not to have led to such significant falls in the fund value. She would like compensation to reflect the loss she thinks was caused by Aviva's investment strategy.

## What happened

Mrs G had held two workplace pensions from 2014 and 2015 which were managed by Aviva. The plans had selected retirement dates of December 2025. But Mrs G left her employment in 2022 due to ill health and asked to take the pension funds as two small lump sum payments. In September 2022 Aviva paid £5,477.04 to settle the claim on the two policies.

Unfortunately Mrs G passed away in February 2025 and, in dealing with her affairs, Ms G became aware of how much had been paid to her mother compared to the values that were set out in annual pension statements the year before. So she complained. She wanted a full explanation regarding "*a significant and unexpected reduction*" in the value of the late Mrs G's pension plan. She said the value had fallen around 30% from 2021 to 2022 and wanted a detailed breakdown of the lifestyle funds that the plan was invested into during that period.

Aviva said there was nothing to suggest any money had been taken out of the plans prior to the claim being settled, so the reason for the fall in value was due to fund performance. It said that it had provided the late Mrs G with all the information required prior to starting the pension plans and had made it clear that she could switch from the default funds at any time. It said it couldn't make any investment decisions for Mrs G as it didn't provide any advice. It provided a further response from its actuarial team which explained what had happened to the fund from late 2021 – especially in respect of the falls in the value of government bonds due to the raising of domestic interest rates.

Ms G didn't think Aviva had managed the late Mrs G's pension properly and thought its lifestyle strategy hadn't done what it should have done. She thought that, as it was known that the bond market was becoming volatile in the second half of 2021, Aviva should have:

- Adjusted the lifestyling strategy.
- Introduced other "protective" measures.
- Issued warnings/alerts to policyholders or their representatives about the problems.

Aviva said that *any* investment strategy exposes a plan holder to some degree of volatility or risk and it couldn't have guaranteed to put the late Mrs G into the best possible position at retirement because of external factors beyond its control. It said its decision not to uphold Ms G's complaint remained unchanged.

So she brought her complaint to us where one of our investigators looked into the complaint. They didn't think it should be upheld making the following points in support of their assessment:

- They thought it was the late Ms G's employer that was responsible for deciding how the funds were invested within the plan and had provided the necessary literature which explained the various choices. Aviva simply acted as an administrator of the plan.
- Aviva issued annual statements which set out the investment strategy and provided up to date valuations. The late Mrs G could have switched her investments at any point and was free to seek financial advice if she wanted to consider that course of action.
- Aviva's literature, including its terms and conditions and policy booklet, set out clearly how the lifestyle strategy would work. And there was no evidence to suggest it hadn't operated the strategy in line with how it said it would.
- But unfortunately, even though the funds within the lifestyle strategy were seen as lower risk, they were still subject to market conditions and other factors which could lead to a downturn such as that which happened in 2021/2022. In particular the government bonds which were used as a principal part of the strategy experienced significant falls during this time.

Ms G didn't agree. She said her late mother stopped working in 2021 and from that point her employer played no part in making investment choices around the pension. It was after that time that the significant losses occurred, and this was a time when Aviva was solely responsible for administering the plan and maintaining the investment strategy. She didn't think that Aviva's "lifestyle" investment strategy fulfilled its "*core purpose*" and had failed in its governance and design. She didn't think it was fair that at a time when the plan should have been "protected" and "de-risked" it should lead to the largest investment loss during the time her late mother held the plan.

She asked for the complaint to be referred to an ombudsman – so it's been passed to me to 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.

And having done so I've reached the same conclusion as the investigator. I imagine this will come as a disappointment to Ms G and I have some sympathy for her position here. I was also sorry to learn of the passing of Mrs G and can understand this must be a difficult time for Ms G and her family, but I don't think Aviva has done anything wrong here – so I'll explain my reasons.

#### *The initial process*

The late Mrs G joined her two employers' workplace schemes in 2014 and 2015. Aviva was the product provider and would also administer the scheme and the individual plans. But it didn't provide any advice or direction to the members around joining the scheme or which investment choices to make for their own plans. I haven't seen any evidence to support the idea that the employer itself provided independent financial advice to members, but it was responsible for ensuring Mrs G was provided with all the information and literature to enable her to either make her own investment choices or understand fully the "default" investment choice that was set out.

Aviva's policy document explained this process and noted how it would set up Mrs G's application and administer it thereafter. It said, "*your employer may place you in or offer you the option to invest in a Lifestage investment approach.*"

*If you have been auto-enrolled into the scheme and you have not told us which investment fund(s) you want your payments invested in, we will invest your payments in the default investment approach or default fund that has been selected for you. We will tell you which default investment approach or default fund your payments will be invested in."*

And regarding its ongoing involvement in the investment strategy should Mrs G leave her employer – which is what did happen, it said,

*"Leaving your employer*

*If you leave your employer you will continue to be invested in your existing Lifestage investment approach. You can stop the Lifestage investment approach at any time and invest in alternative funds. However, if you do so, then you cannot go back into the Lifestage investment approach at a later date. We will provide you with details of your options at the time."*

So I think this was clear in setting out the initial and ongoing approach. Aviva had no involvement in the decision making process around investment choices but would simply carry out the instructions it was given. And if there were no investment directions then it would automatically use the default lifestyle strategy. Thereafter Aviva was unable to make any changes on Mrs G's behalf so if she wanted to make changes to the fund selection herself or following financial advice – either while she remained with her employer or when she left – she would need to instruct Aviva to make such changes.

Of course, I appreciate that when Mrs G left employment it was because of ill health, and I think it was unlikely that monitoring the performance of her plan or taking advice on her investments would have been a priority for her during that time. I note that she drew her benefits around one year later which would suggest it was financially important to her to receive her pension at that point. But regardless of the circumstances Aviva wasn't able to amend Mrs G's investment strategy without her instruction nor would I have expected it to provide extra information – outside of its regulatory requirements to provide annual statements and information on the plan's value and composition – which might have been seen as a suggestion of recommending a change in investment strategy.

Ms G says Aviva should have introduced "protective" measures when the funds started to fall in value or given warnings to policyholders about the problems at that time. But I don't think Aviva was obliged to do that nor would it have been reasonable to expect it to do so. She also said Aviva should have adjusted its lifestyle strategy to minimise the effect of the falls in the bond market. But all funds and portfolios will experience falls and rises in value as a result of market conditions at various times, and in the case of the lifestyle investment strategy it was set up to reduce the potential risk to client funds leading up to retirement and was invested into assets which were generally (and historically) best placed to achieve that objective.

I wouldn't expect Aviva to change the fund composition of its strategy unless it had changed the objectives of that strategy – which it hasn't. And if Mrs G's own circumstances or objectives had changed – requiring a change to her investments – then it was for her to instruct Aviva accordingly.

So there's no question here that Aviva may have been responsible for the original suitability of the pension plan and investment choices as it didn't provide any initial or ongoing advice. But I have gone on to consider whether there's any culpability arising directly from any mismanagement or administration of the lifestyle strategy.

### The lifestyle strategy

I should first note that a lifestyle strategy is generally accepted as the default investment for a provider seeking to manage investment risks as a pension plan holder's retirement age approaches. This is done by gradually moving investments out of equity type assets into cash and fixed interest assets like Gilts over a number of years. These investments, generally, exhibit lower volatility than equity assets over the long term. However, these strategies don't eliminate risk and in certain situations fixed interest investments can fall in value sharply, as was unfortunately the case here.

Aviva's policy documents set out the details of what it called auto-switching or a "lifestyle/lifestaging" strategy. It noted that:

- *"Auto-switching removes the need for you to make any on-going investment-related decisions, but if you want to take a more active approach to managing your pension then this may not be suitable for you.*
- *Auto-switching means that as you get closer to retirement, we'll gradually move your investments into different types of funds which lower the risk to your pension. As a result the return you will receive from those funds may be lower than the return you received from the funds you were previously invested in. The closer you are to your selected retirement date the sooner your investments will be switched.*
- *Auto-switching may help protect your pension in the run-up to your retirement by moving to different types of funds which lower the risk to your pension, however the value of your funds can still go down and it's possible that investment returns on the funds you move to may not be sufficient to cover your charges.*
- *All switches and any re-balancing which occurs are at pre-determined dates, irrespective of the market performance and economic conditions at that time. This means that units will be sold and purchased in funds irrespective of their current performance.*
- *Aviva does not apply any additional charges for selecting auto-switching and you can opt to remove this at any time."*

So again I think this clearly set out Aviva's investment strategy. It had a pre-determined plan whereby funds were switched – in percentage terms – to the more cautious funds, and in Mrs G's case this showed a spread across mainly corporate and government bonds (Gilts) with around 5% held on deposit three years before retirement. So there's no evidence that Aviva didn't follow the fund switches called for by the chosen lifestyle approach. And Aviva offered no guarantees that those funds wouldn't fall in value.

I note the 2021 annual statement set out the funds that Mrs G held at that time, with an associated warning that *"the value of your pension fund is not guaranteed and could still go down as well as up."*

So although the expectation was that the gradual switch would put Mrs G into more cautious funds and reduce her exposure to more volatile assets, this approach wasn't guaranteed because the value of the funds could still fluctuate.

So I can't reasonably say Aviva didn't do what it said it would and I also note that the bond and Gilt funds which fell sharply in value seemed to achieve returns similar to other appropriate benchmark indices. So I'm satisfied that it wasn't an error or mismanagement by Aviva that caused the problem.

The unfortunate situation here is that the bond funds fell because of unforeseen global events in 2022 which was the very time that Mrs G's lifestyle strategy had switched to invest a significant proportion of her pension into those types of assets. And she was in a position where she needed to claim her pension benefits around this time thereby giving no opportunity for the position to be recovered.

It's unfortunate that the timing of these events conspired to reduce the late Mrs G's pension fund significantly upon her retirement, and I can understand Ms G's frustration over this matter. But I don't think Aviva treated Mrs G unfairly here and I'm satisfied it made her aware that her pension investments would be managed and administered in this way but that she was free to make changes to the funds at any time if she wished. I'm satisfied that Aviva enabled the lifestyle strategy – and the fund switches – in the way it said it would, so I don't think it's done anything wrong here or acted unfairly.

### **My final decision**

For the reasons that I've given I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask the estate of Mrs G to accept or reject my decision before 13 February 2026.

Keith Lawrence  
**Ombudsman**