DRN-5979916

The complaint

Mr S complains that Scottish Equitable Plc trading as Aegon (Aegon) failed to increase his pension fund value over the last three years. He also complains that Aegon unfairly allowed him to switch into a different investment fund before reversing that switch and deducting the investment growth.

What happened

Mr S had a section 32 buyout pension with Aegon. I understand that the pension was set up by Mr S's then employer.

Aegon sent Mr S annual statements about his pension. His 2021 statement showed that his pension had increased from £38,247.66 in March 2020 to £40,380.64 in March 2021. His 2022 statement showed that his pension had increased further to £42,907.11 in February 2022. And his 2023 statement showed an increase to £43,137.49 in March 2023. However, Mr S's 2024 and 2025 statements showed the same value as the 2023 statements.

Aegon sent Mr S a letter dated 21 March 2025 about his pension. This explained why the annual bonus rate for 2023 onwards was 0%.

Mr S said that he contacted Aegon to query the value of his pension. He said its customer service people said they couldn't find any trace of the fund in their portfolio.

On 21 March 2025, Mr S asked Aegon to change his funds. It wrote to him on 16 April 2025 to tell him that it had carried out the switch of funds he'd requested. The letter said it'd switched him out of his existing plan and into 75% Balanced Passive and 25% Global Equity Income.

On 26 June 2025, Aegon sent Mr S current fund values. It said his fund had a value of £44,178.49 on 25 June 2026. This meant the fund value had increased by just over £1,000 since Mr S's switch request.

Mr S said that he raised a complaint about his pension on 23 March 2025. As Aegon had yet to provide a final response to that complaint, Mr S referred the complaint to this service on 7 July 2025.

On 16 July 2025, Aegon wrote to Mr S to tell him that it'd reversed his requested fund switch and reverted his fund value to its original value. It said the switch couldn't be authorised from the fund he had as it wasn't a unitised investment fund. It apologised for any inconvenience this had caused.

Mr S told this service that Aegon hadn't explained why it'd had to switch his fund back into the original fund. Nor had it given him any options for what he could do with that fund. He felt it shouldn't have allowed his switch in the first place. He wanted to know what had happened to the £1K growth.

Aegon issued its final response to the complaint on 4 August 2025. In this response, it explained why Mr S's fund hadn't increased over the past three years. It acknowledged the disappointment this would've caused. But didn't consider it'd acted unfairly.

Aegon said that there was no alternative investment choice available for customers with a pension like Mr S's. As such, no valid fund switch was available. And the investment had to remain as it was. However, Aegon said Mr S could transfer to another Aegon product or to an external provider.

Aegon acknowledged there'd been a delay in responding to the complaint. It sent Mr S a cheque for £150 as an apology for that delay.

Mr S didn't agree with Aegon. He said he didn't understand the details of its explanation. In any event, he felt it had a duty of care to ensure its customers were getting the best possible results from the pensions it managed for them. Mr S wanted to know what had happened to his fund since 2023.

Mr S said the crux of his initial complaint was that Aegon didn't communicate enough, other than through annual statements.

Mr S felt that Aegon's system had allowed him to switch funds, noting that it had written to him on 16 April 2025 to confirm that switch. He also noted Aegon had written to him again on 26 June 2025 to tell him that his fund had increased by more than £1K since the switch. He didn't think Aegon had acted fairly when it'd switched his fund back and retained the investment gain. He felt it'd mismanaged his funds.

Mr S also didn't think the £150 compensation Aegon had offered was enough. He felt he'd lost several thousand pounds due to its lack of care and mismanagement of his pension.

Aegon felt that if Mr S was unhappy with the set-up of his pension, he should take that up with the employer which had arranged it.

Our investigator didn't think that Aegon had done enough to put things right. She said that it'd explained in both its 16 July 2025 letter and its final response letter that there was no alternative investment fund choice for customers in pensions of Mr S's type. And that there was no valid fund switch. She said this was why it'd needed to reverse the requested switch. But she felt it was unreasonable for Aegon to have allowed the fund switch to go through at all.

Our investigator said that when a business has made an error, this service would ask it to put the customer back to the position they would've been in but for the error. She noted that Aegon had deducted the growth that occurred due to the incorrect fund switch. But felt this was fair in the circumstances as Mr S wasn't entitled to that growth. However, she felt Aegon should pay Mr S £250 compensation for the distress, inconvenience and loss of expectation it had caused when it allowed the fund switch and subsequent apparent fund growth.

Our investigator acknowledged that it would've been concerning for Mr S to see his fund fail to grow. But she said she couldn't reasonably hold Aegon responsible for this. She said it wasn't responsible for investment performance. And it didn't provide any guarantees on fund performance. She felt Aegon had acted reasonably when it'd told Mr S he could speak to a financial adviser if he wasn't happy with his pension. She therefore didn't think that Aegon had made an error in servicing Mr S's pension.

Our investigator acknowledged that Mr S was unhappy with the time Aegon had taken to respond to his complaint. She said that this service couldn't investigate this aspect of his complaint. But she noted that Aegon had offered Mr S £150 compensation for the complaint response delay.

Aegon told our investigator that the wording in its final response letter wasn't correct. It said it generally paid £50 compensation for excessive time in dealing with complaints, as it had in this case. It said the other £100 compensation had been offered for the distress and inconvenience caused.

Mr S felt that Aegon could've provided him with information about his pension that could've helped him to decide what he should do with it sooner. He also felt that Aegon's system - which had incorrectly allowed him to switch his funds – couldn't be fit for purpose. As Aegon had written to him about an approximate £1K increase to his fund value, he felt that it should pay him at least £1,000 compensation. He said this was because he could've transferred the fund away from Aegon at the point it told him about the approximate £1K gain.

While our investigator didn't dispute that Aegon had made an error when its system allowed Mr S to switch funds, she felt he was already back in the position he would've been in but for the error. She therefore didn't think it would be fair to base the compensation on the "gain" Mr S felt his funds had made due to the incorrect switch. She still felt Aegon should pay Mr S a further £250 to compensate him for the loss of expectation, distress and inconvenience.

As agreement couldn't be reached, the complaint has come to me for a 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.

Having done so, I agree with our investigator's findings. I know this will be disappointing to Mr S. I'll explain the reasons for my decision.

Before I start, I acknowledge that Mr S wasn't happy with the way his pension was set up. Aegon said that if this was the case, he should take that up with the employer which had arranged the set up. I've not been presented with any evidence that Aegon was responsible for the set-up of the pension. So I've not considered this point further.

I first considered the reversal of the fund switch.

Fund switch

Mr S felt Aegon shouldn't have allowed his fund switch. He felt that its system couldn't be fit for purpose. He also didn't think it was fair for Aegon to retain the investment gain.

As our investigator noted, this service isn't Aegon's regulator. We therefore don't have the power to require a business to change its processes. This means that even though there's no dispute that Aegon's systems shouldn't have allowed the fund switch, I can't require it to change its systems.

The evidence shows that the fund switch Mr S requested wasn't possible with his type of pension. As such, Aegon's system shouldn't have allowed it. I've gone on to consider the impact of this error on Mr S.

While I know Mr S doesn't agree, I'm satisfied that the only impact of the incorrect fund switch – apart from the inconvenience caused – was loss of expectation. I say this because it was reasonable for Mr S to believe his pension was now worth around £1K more than it had been following his decision to switch. But I can't fairly say that there was any actual financial loss.

I say this because when Aegon reversed the switch, it put Mr S back into the position he would've been in but for its mistake. It would've put his fund value back to the value it had been before the switch regardless of whether Mr S's chosen funds had increased or decreased in value. This is what this service would've asked it to do if it hadn't already done so.

Therefore, while I acknowledge that Mr S feels that Aegon should pay him at least £1,000 compensation, I can't fairly agree.

I went on to consider whether the information Aegon provided to Mr S about his pension was sufficient for him to have been able to make a decision about what to do with his pension. I've done this because Mr S said that the crux of his initial complaint was that Aegon didn't communicate enough. And because he felt that if Aegon had provided better information sooner, he could've moved his pension sooner and benefited from investment returns.

Information included in the annual statements

I've reviewed the annual statements Aegon sent Mr S between 2021 and 2025.

The annual statements for 2021, 2022 and 2023 each provided a projected fund value at age 70 which was lower than the current fund value. The statement explained that the projection depended on the assumptions used.

The 2021 statement assumed inflation would be 2.5% every year. And used a growth rate adjusted for inflation of -1.46%. (2022 statement: -1.46%, 2023 statement: -1.22%). The annual statements for 2024 and 2025 didn't include these projections as Mr S had already reached aged 70 by then.

Each of the 2021, 2022 and 2023 statements said:

If the growth rate we've used is:

- *the same as the rate of inflation this reduces the growth rate, after making an allowance for inflation, to 0%;*

- *less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation.*

As each of the 2021, 2022 and 2023 statements showed a growth rate of less than the rate of inflation, I think this clearly showed that Aegon wasn't expecting the fund to grow in real terms. I'm therefore satisfied that if Mr S wanted a pension that was more likely to grow in real terms, he had enough information from his annual statements for him to realise that he might have to change.

However, I also note that all of the annual statements Aegon sent Mr S included the following paragraph:

Want to change your funds?

You can change your investment choices at any time. You can do this by completing our Alteration of fund choice form, which you can get by calling [phone number] downloading it from our website [web address] or asking your financial adviser

This was clearly not correct information given Aegon has now explained to Mr S that there are no funds that he can switch to.

I understand that generic annual statements sometimes have this type of issue. But I think it's likely that even if Mr S had decided to move his pension sooner due to the poor future growth information in the statements, it's more likely than not that he would've tried to switch his investments within Aegon. This wouldn't have been possible given the type of pension he held. I therefore consider that Mr S would've had the same issues he had with his fund switch in 2025, but he would've had them sooner.

Overall, and based on the information in the annual statements, I understand why Mr S felt he didn't know about the underlying funds and how they were managed. I can also see that the statements included incorrect information about fund switching. I'll consider both of these points when I consider the distress and inconvenience caused.

I next considered the distress and inconvenience caused. This includes loss of expectation.

Distress and inconvenience

Mr S also didn't think the £150 compensation Aegon had offered was enough. He felt he'd lost several thousand pounds due to its lack of care and mismanagement of his pension.

I don't doubt that the Aegon caused Mr S distress and inconvenience when it incorrectly allowed him to switch his funds. I can see that this – and the subsequent reversal of the switch after Mr S's fund had appeared to have increased in value by more than £1K – led to a loss of expectation for Mr S for around three months.

Aegon has now clarified that the £150 compensation it offered to Mr S was made up of £50 for its delayed complaint response and £100 for the distress and inconvenience its error had caused Mr S. While I'm not satisfied that £100 is sufficient compensation for the distress and inconvenience caused by what happened here, I agree with our investigator that a further £250 compensation is reasonable.

I say this because the evidence shows that the annual statements contained incorrect information about Mr S's ability to switch funds. And Aegon made a clear error when it allowed such a switch to take place. It then wrote to him without warning to tell him that it'd reversed the switch. This led to loss of expectation for Mr S, given his pension appeared to have gone up by around £1K over the period before the incorrect switch was reversed.

I also say this because I'm not persuaded, based on the evidence provided, that Aegon clearly explained how it managed the underlying funds within the annual statements.

This service considers that awards of over £300 might be fair where the impact of a business's mistake has caused considerable distress, upset and worry, as I can see has been the case here. I'm therefore satisfied that a total award of £350 for the distress and inconvenience, and loss of expectation (£100 of the original £150 offered, plus a further £250 compensation) is reasonable under the circumstances.

I uphold this complaint.

Putting things right

I require Scottish Equitable Plc trading as Aegon to take the following steps:

- Pay Mr S the £50 compensation for the delayed complaint response and the £100 compensation for distress and inconvenience it initially offered. If it has already paid this, it need take no further action on this point.

- Pay Mr S £250 further compensation for the distress and inconvenience and loss of expectation caused by its poor communication and switch error.

My final decision

For the reasons given above, I uphold this complaint. I require Scottish Equitable Plc trading as Aegon to take the steps listed in “Putting things right” above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr S to accept or reject my decision before 17 February 2026.

Jo Occleshaw
Ombudsman