

The complaint

Mr B complains that The Royal London Mutual Insurance Society Limited (RL) invested him in a default fund despite his instructions not to. He believes this may have caused him a loss.

What happened

The investigator set out the background to this complaint in his letter of recommendation, for ease of reference I have included an amended copy of this below:

On 7 August 2025, Mr B made contact with RL to notify them that he wanted his pension applied to a specific fund, not their default fund. Mr B wanted the contributions to go into the Royal London RLP/BlackRock ACS World (ex UK) Equity Index. Mr B asked how RL would make that change.

On 8 August 2025, RL explained that once Mr B's plan had generated a policy number, Mr B would be able to log in and amend the funds himself.

Mr B's enrolment confirmation letter was sent on 26 August 2025. At this time, and previously on the 8 August 2025, RL had explained how Mr B could amend the funds using the self-service portal and also advised that Mr B can put the request in writing but online was quicker.

On 22 August 2025, RL received the pension funds and invested it in the default fund.

On 27 August 2025, Mr B raised a complaint with RL explaining he felt it was wrong that he was unable to control the funds from the start. Mr B expressed dissatisfaction on how he was treated.

On 28 August 2025, RL issued their Final Response Letter (FRL); they were unable to uphold the complaint as their internal processes would only allow them to move Mr B's funds once the account was live on their system.

On the same day, Mr B asked for clarification on what losses he would incur in respect of any growth or fees applicable to moving the money to his chosen fund. RL replied the same day that there were no fees associated with making a change to his funds and it was an overnight process so there should be no loss in terms of growth. RL asked that Mr B let them know once he completed the fund switch and they would double check this had been completed correctly for Mr B.

As Mr B remained unhappy with RL's response, Mr B referred the case to our service.

Mr B told us that he'd completed the switch of his pension contributions into his chosen fund as of the 28 August 2025.

On 29 August 2025 Mr B responded to RL explaining that he didn't accept this explanation. Mr B felt that RL has invested his money in a way contrary to his explicit instructions. Moreover, Mr B felt that RL had broken the law or at least, government best practice

guidance. RL responded to Mr B's message on the same day, explaining that the plan was set up via Mr B's employer and that the fund must be live, at which point, a change of investment can be submitted by the member. RL also explained they were unable to make a change to investments without a valid request, and Mr B's email of 7 August 2025 was not a valid request as it could only be done online by Mr B, or via completion of a change of investment form. Furthermore, the plan wasn't live at the point of Mr B's email.

RL went on to explain that the change of investments hadn't been actioned, and this had been explained on 8 August 2025. RL stated that Mr B was now able to log in online to make the changes, or Mr B could complete and return an attached form.

Our investigator looked into matters but didn't recommend the complaint be upheld. He felt RL had acted within the terms and conditions of the plan. And he accepted that as part of the Key Features document where it says an individual member can choose their investments and without a selection the default fund would be used, that this was fairly applied once the plan had initially been set-up and gone live. He said RL had a process to follow to switch funds only once the policy had gone live and that this had been set out to Mr B. So his request made by email before the policy had been setup wasn't a valid fund switch instruction.

Mr B remained unhappy. He said he felt it was insane that he was forced to have his funds invested in a way contrary to his wishes. He said if the investment crashes, a person could suffer losses in a product that didn't match their risk tolerance and this cannot be right. He also said RL's own documentation says that an investor can choose.

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.

Whilst I can understand Mr B's broader point about a person having to invest in a fund that may not match their investment risk (at least initially), pensions are designed as a long term investment. Here, the default fund can be switched out of and a specific selection made shortly after the plan goes live with no charge. So any period invested in a fund that may not be wanted is short and especially short when you consider the likely length of the policy. Furthermore, this was a pension set up by Mr B's employer with the default fund ultimately chosen by it (or authority given by it for the default fund to be chosen) and Mr B didn't have to take out this pension – he could opt out. I accept it wouldn't likely be in Mr B's interests to do so but if he didn't want to accept the terms of the policy which say:

"The scheme default investment is the investment option that has been selected as the most suitable for the members of your employer's group pension plan. It is reviewed regularly and can be changed to an alternative investment option to ensure that it remains suitable. If your employer or group pension plan sponsor passes responsibility for the suitability of the default investment to us then the default investment that applies will be the Royal London default".

he didn't have to. The way this policy would be run was agreed between Mr B's employers and RL and part of that was that the default investment would apply. When Mr B accepted enrolment into his employers Group Personal Pension he also accepted his pension would be administered by RL and its terms. The Group Personal Pension application form that was signed by Mr B's employer set out the funds would be invested in RL's default funds and it said:

9 INVESTMENT

Who is responsible for the design and suitability of the plan default investment going forward?

Default range - Royal London is responsible for the suitability and design of the default investment

Default Plan investment strategy:
Investment target:

Balanced lifestyle
Drawdown

You'll find more details about the Royal London default investment on our website at employer.royallondon.com/investment.

9. I confirm that I have read **Royal London's Default investment options guide** and understand the level of responsibility which falls on the employer, the employer's financial adviser or Royal London as a result of the choices made by the employer and reflected in section 9 of this application form.

So, I think RL has followed the instructions given by Mr B's employer for setting up the scheme. Mr B's employer made the application for Mr B and the others in the scheme on their behalf, this wouldn't have occurred without prior agreement between Mr B and his employer as part of the enrolment process into the scheme. If this isn't the case this is something Mr B will have to take up with his employer. Furthermore, Mr B still at this point could have cancelled his enrolment in the scheme.

But in any event Mr B had the option to switch his funds once the policy went live into funds of his choice. RL confirmed in advance how Mr B could achieve this but he'd first have to wait for the policy to go live. So he would be invested in the default funds, that he agreed to when he signed up to join the pension, for a very short time if he made an immediate switch instruction. I don't think this is unreasonable. And I accept RL's explanation that plans such as Mr B's can have thousands of members and having to set up potentially each plan with a different fund could be a big administrative burden in terms of time and cost. So a default fund is selected initially with the option to switch funds provided shortly after.

Mr B argues that the Key Features of the plan say:

"You can choose from a wide range of investment options...In the absence of an investment instruction from you, all contributions will be invested in the scheme default investment. The scheme default is the investment option selected by your employer into which Royal London will invest your contributions. This is described in your plan documentation."

And that this says he can choose a fund and if he doesn't it will go into the default. But I don't agree that this means for this plan the investment choice can be made from outset, or that it over-rides the other information Mr B was given that I've referred to above. It isn't specific about when that choice of investment can be made. Also on the Key Features document just after the above it also says:

"If you decide to choose your own investments and don't use the scheme default investment, there may be an additional charge."

You can switch your investments and/or change the investment choice for future contributions, although there may be conditions and a charge for doing so.

We have the right to delay a transfer, switch of investments or retirement before or after your chosen pension date. We do this to protect the interests of everyone invested in that particular fund."

So read in conjunction with the above, I think RL has acted within the boundaries of its explanation of the product given in the Key Features document.

Mr B has also looked for legislation to support his position. He has referred to Occupational

Pension Schemes (Charges and Governance) Regulations 2015 which isn't particularly specific other than to say a default option is used if a customer doesn't make a choice. But it doesn't cover when this choice has to be implemented. In any event this refers to an Occupational Pension and Mr B's pension is a Personal Pension. I have found government guidance that covers auto enrolment in pensions such as Mr B's but nothing I have seen in it suggests RL has done anything wrong here. This guidance says a default option has to be selected for employees as they cannot be forced to make a choice but members should not be locked into that default option. Mr B was not locked into this as he has the opportunity to switch funds. Ultimately, I don't think what RL has done is unreasonable, Mr B had the opportunity to switch funds once the policy went live, exposing him to a few days invested in the default funds agreed by his employer with RL and communicated to him prior to the policy going live.

Mr B's initial attempt at a switch prior to the policy being setup wasn't valid for the reasons already touched upon. One thing Mr B might want to check, he's told us he made a fund switch once the policy went live but I haven't seen anything confirming this. And RL's correspondence to us seems to suggest no fund switch has been made but it is unclear what time period they are referring to.

In conclusion, Mr B agreed to enrol in the plan, his employers agreed to the terms which included the default investments. RL explained how he could amend the investment to one of his choice but that this wouldn't be immediate. The downside to Mr B is that he would be invested in a fund not of his choosing for a short period of time, with the plan expected to run for another five years at least, I don't think this is unfair or unreasonable. I accept RL's explanation as to why this was the case and its terms allow it to delay switch instructions. I think it has acted within the spirit of the government's guidance on auto enrolment schemes. And it has administered the plan in line with instructions given to it by Mr B's employer. Once it was set up and went live, Mr B was able to make his own personal fund choices. For these reasons, I don't think RL has acted unfairly here.

My final decision

For the reasons explained above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 27 January 2026.

Simon Hollingshead
Ombudsman