

The complaint

Mr S complains that Aviva Life & Pensions UK Limited (Aviva) didn't adjust his investments following the extension of his retirement date despite saying it would. He then suffered large losses in the years that followed.

What happened

I set out the background to this complaint and my provisional findings in my provisional decision. This is set out below and forms part of this decision:

Mr S originally held a Group Personal Pension (GPP) with Friends Provident (FP) set up in 2011. When it was set up the funds were invested in the following:

FP Blackrock 15Y+ Corp Bond index
FP Blackrock UK Equity Index

From the outset the five-year lifestyle investment programme was selected for his funds, which meant in the last five years before the retirement date Mr S's investments would move into lower risk funds.

The original retirement date for this pension was Mr S's 65th birthday, in December 2021.

Aviva took over the administration of Mr S's pension when they took on FP's business. As Mr S approached the original retirement date Aviva wrote to Mr S on 23 June 2019 to make Mr S aware of his upcoming retirement date and to ensure Mr S was aware of his options.

A further letter was issued on 23 June 2021, six months before the retirement date. This included information about his pension to help Mr S decide what to do. This letter also explained Mr S could leave his money where it was by changing his retirement date and told Mr S to call them to discuss this further.

Following this letter Mr S called Aviva on 30 June 2021 to discuss changing his retirement date as Mr S didn't need to access these funds in the immediate future. Mr S also discussed the investment strategy and how this could change with the amended retirement date.

Aviva actioned the request to change the retirement date to Mr S's 75th birthday. And wrote to Mr S to confirm this and what this meant for his pension.

Over the following years Mr S received statements for the pension that showed the value falling continuously. Mr S started to get concerned about this and so on 14 January 2025 Mr S called Aviva to find out what was happening with his pension and what he could do in terms of amending the investments within it. On this call Aviva couldn't understand what adjustments had or hadn't happened following the retirement date change in 2021, however the call handler said it didn't seem as he expected.

Mr S asked Aviva to review this and so they set up a complaint on his behalf to review what happened when Mr S made the amendment in 2021. Aviva issued a final response on 11 February 2025 explaining the lifestyle Investment Programme had been realigned to finish at age 75, which was the updated retirement date. They also explained the decreasing value was down to the type of investments Mr S was in. Aviva didn't uphold the complaint and said they found no error in how they handled his funds or the realignment of the Investment Programme.

Mr S was unhappy with this response and complained to our service. Our investigator looked into matters but she didn't think Aviva had done anything wrong. She explained that when Mr S called Aviva in 2021, to move his retirement date, she could see why Mr S may have thought that Aviva would change his investments for him but this was his misunderstanding. And Aviva wrote to Mr S following this and set out his investment funds clearly. She believed Mr S should have been clear then on where he was invested and he was aware he could make changes online as he'd asked about that in the call. She said the funds had been realigned with his new retirement date.

Mr S said in response the investigator acknowledged that Aviva failed to act in a clear manner. This lack of clarity led to Mr S not rebalancing his funds. He also didn't agree that his funds had been realigned to match his new retirement date.

What I've provisionally 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 don't agree with the conclusions reached by the investigator, I'll explain why.

This case as the investigator set out, all stems from the call Mr S had with Aviva when he called to extend his retirement date. The investigator came to the view that whilst the information supplied wasn't as clear as it should have been and there were some misunderstandings, Aviva had given Mr S enough information to understand the situation and to make an informed decision. This is the matter I disagree on. The investigator was also of the understanding that Aviva had re-aligned his investments -i.e made some changes to the allocations and or funds. This was based on Aviva's final response which said:

“On 30 June 2021 you asked us to change your Intended Retirement Date to your 75th birthday and chose to realign the IP to finish at the same point. Prior to doing this you were invested in the following two funds: Av BlackRock UK Equity Index Tracker, and Av Blackrock Over 15 Year Corporate Bond Index Tracker. However following realigning the IP you were also invested in the Av Cash and Av BlackRock Over 15 Year Gilt Index Tracker. You expected it to revert to the funds prior to when the IP started to rebalance and so “wanted this to be checked.”

However, this I think was misleading and poorly worded, it was prior to the life-styling kicking in that Mr S was invested in those two funds. By the time Mr S called Aviva, lifestyling had already occurred and he was invested in the four funds, the realigning only changed the retirement date not the funds.

Aviva's explanations in dealing with the complaint and the information passed on to us have been rather confusing – it seems some of their staff were confused by how the plan worked. But after requesting the statements and piecing this together with Aviva's explanation and the original documentation it seems to me that the way this plan worked was once you reached the end stage lifestyling funds, it couldn't be realigned to how it was before (Aviva equity funds etc). A new instruction had to be given to pick a new fund with the lifestyling kicking in again as you got closer to the new retirement date. Otherwise you would just remain in the end stage lifestyling funds going forward.

With that in mind I've listened to the call with Mr S and looked at the information he was provided with then and afterwards and I don't think he was given clear information to indicate this was the case. I disagree with the investigator's reading of what happened in the call (but then her understanding of the context was not what I've explained above). It is clear that Mr S is calling up looking to amend his funds, the call handler did his best to be helpful but his explanation was muddled and not clear and there was possibly a misunderstanding between him and Mr S which is unfortunate. But I don't think the call handler was aware that the funds would remain as they were when extending the retirement date, I think he thought they would go back to the stage they were at prior to the lifestyling kicking in - as some plans do.

After listening to the call and taking notes, my summary of the call is as below:

The call handler said the funds had been automatically de-risking, he said there was three options just adjusting the retirement age, moving the goal posts and adjusting the investment approach or alternatively reviewing the funds – implying Mr S could pick a new fund. Mr S said this could be something he'd want to do – picking a fund. The call handler said they'd update the retirement age and then asked what he wanted to do with the funds now, leave them where they were or move the goalposts – Mr S said he thinks it would be stupid to leave it where it was – and said I think it would be appropriate to rebalance it now. And the call handler confirmed it would be rebalanced and he would plant the seed for Mr S to come back and review his funds (send him fund information).

I think it was clear that Mr S went away from the call thinking Aviva would rebalance his funds (i.e go back to the pre-lifestyling state. But it appears this wasn't an option with this type of lifestyling and so the call-handler was mistaken. Mr S even asked the call-handler how the lifestyling would work going forward and it was set to 10 years so that it would be at least five years before he thought the fund switches (lifestyling) would kick in again. The call handler confirmed that this is how it would work.

The letter Mr S received after this to confirm the deferral also didn't give him enough information to understand that in fact his funds would be staying exactly as they are unless he provided a manual switch request.

Investment programme

Please note that your lifestyle investment programme is now scheduled to end on your new selected retirement date.

Lifestyle investment programmes are designed to move investments into lower risk funds in the years before retirement.

Mr S did not know or understand that the lifestyling here was only relevant to the last five years and the funds selected before were disconnected from it – because of the wrong information he was given by the call-handler.

I appreciate that Mr S would have received the statements showing his fund allocation and so it could be argued he should have seen nothing had changed. But this may not have been the easiest thing for a lay person to work out – how exactly the lifestyling and funds worked in conjunction with each other.

Whilst I think it's possible that Mr S could or should have realised what he thought had occurred hadn't, taking it back a step, had he clearly been told he had to pick a fund otherwise nothing would change, the evidence strongly suggests he would have made a switch instruction. Had he done so what happened afterwards (and Mr S's arguable lack of action) falls away. So I am of the view that Aviva's misleading information has meant that Mr S didn't make a switch instruction when he otherwise would have done. And therefore, this needs to be put right.

I also note that it appears Aviva at no point indicated to Mr S that his lifestyling was targeting an annuity – as it should have done. However, I don't think this would have made a difference to Mr S's actions as at that point in time from what he has said to our investigator, annuitizing was something he was considering – all though later down the line – hence the request to extend the life of the plan. But I do think given all the correct information, he would have looked to switch into a fund other than the ones at the end of the life-styling process. It's difficult to say which fund he would have picked and how he would have gone about this selection – whether he would have got advice as he subsequently did after his funds fell in value. So I think in this situation the redress should be an index in-line with the sort of risk Mr S would've looked to have taken within his fund selection. Listening to what he said during the call and his plans for that money, I think he would have wished to take on risk to potentially grow those funds. He was clear he thought the funds he was invested in on the basis of de-risking his pot wasn't what he required.

Mr S responded to say he accepted the decision.

Aviva responded to say they did not. They said:

- In the call Mr S said if he went for a five year extension then he'd potentially still be in the de-risking phase. This shows Mr S was aware of the de-risking phase.
- The call handler set out Mr S options as either to leave the funds where they are or rebalance the investment programme. And explained he recommends the policy holder review his funds to make sure they are in the best place – as this isn't something Aviva can do.
- Aviva did not confirm the action when Mr S said '*it would be stupid to leave his funds where it was*' and Mr S did not confirm which funds he wanted to move into.
- The call handler then said '*we'll move the goal posts for now, plant the seed and coming back to review where you're invested*' and the Policyholder said '*I think so yeah, I think that's a good idea.*' From Aviva's perspective it has taken all necessary actions to complete this request with saying they will come back to review the investments.
- Mr S did not request any further information about the fund split or when the funds would be switched. And Aviva cannot make a switch without the input of a member as this would be against FCA regulations and could leave a member in a worse position.
- Mr S was given online access after the call and regularly went online to view his policy. It is possible to view the investments and change the investment programme online.
- Mr S had a financial adviser from February 2025 before transferring out. Aviva thinks this is significant because they would have reviewed the plan then and it would have been reasonable for the policyholder to discuss his concerns with the adviser then.

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 see no reason to depart from the findings reached in my provisional decision. I'll explain why.

I don't disagree with all the points that Aviva has made in response but I don't think they challenge the key reason I am upholding this complaint, that Aviva didn't give Mr S clear information with which to make an informed decision. At no point did the call handler tell Mr S that the investment programme wouldn't change without a clear selection of a new fund(s). Mr S came with the intention to change his funds and update his retirement date but the call handler I think didn't understand that in changing the retirement date the funds wouldn't move.

I don't disagree that Mr S was aware of the de-risking phase of the lifestyling. That was why he asked that the retirement date be moved more than five years further forward.

Aviva couldn't make the switch for him but the call handler gave Mr S the impression that '*moving the goal posts*' and '*rebalancing*' would mean that the funds go back to their pre-lifestyling state – this is how some lifestyling programmes do work. I don't think the adviser realised this wouldn't be the case. A lot of the language was imprecise and unclear on both sides but this cannot be seen to be Mr S's fault as Aviva seem to be implying in their response. It's job was to give Mr S clear information about his options and they undoubtedly failed on that front.

For whatever reason despite looking at his statements and accessing his plan online, Mr S didn't realise his funds had remained as they were. I don't think it would always be immediately clear to the average person that the funds hadn't changed but more often than not I'd expect this to have been noticed. But I am of the view that Mr S did believe that Aviva would be '*rebalancing*' his funds (funds back to pre-derisking phase) as this is what he was led to believe by the call-handler as I set out in the provisional decision.

Had he been told as he should've been, that he would have to select a fund and that was the only way to get out of the de-risking phase, I think he would have taken action then. This was not explained either by the call-handler or in any of the documentation he received about his lifestyling. Had the call handler explained this, it could have been as simple as asking for a switch into the original funds (pre-lifestyling) and Mr S could go away as agreed to review the funds. After all this is what I think Mr S thought he was agreeing to when the call-handler said he'd rebalance the funds. And when he confirmed Mr S's understanding the de-risking phase would kick in again five years before his new retirement date.

So I think what happened after that doesn't over-ride Aviva's error, it is a little hard to understand why Mr S took no action when his statements showed the same investments as before his retirement date switch but then some of Aviva's staff in answering the complaint didn't seem to understand they hadn't moved either. The bigger failing is Aviva's and as I've said I think on the balance of probabilities had it given Mr S clear information he would have made a switch – and then it wouldn't be relying on Mr S to realise Aviva's mistake.

I don't think Mr S getting a financial adviser in February 2025 has any relevance to the complaint. By this point the losses had already been suffered and it seems clear Mr S and the adviser did review matters as they raised a complaint with Aviva in February 2025 and subsequently transferred away when it did not uphold the complaint.

So it is for these reasons that my decision remains that Aviva did something wrong and it needs to put things right as set out below.

Putting things right

To compensate Mr S fairly, Aviva must:

- Compare the performance of Mr S' investment with Aviva to that of the benchmark shown below. If the *actual value* is greater than the *fair value*, no compensation is payable.

If the *fair value* is greater than the *actual value* there is a loss and compensation is payable.

- Aviva should also add any interest set out below to the compensation payable.
- If there is a loss, Aviva should pay into Mr S' pension plan to increase its value by the amount of the compensation and any interest. The amount paid should allow for the effect of charges and any available tax relief. Compensation should not be paid into the pension plan if it would conflict with any existing protection or allowance.
- If Aviva is unable to pay the compensation into Mr S' pension plan (now with a new provider), it should pay that amount direct to him. But had it been possible to pay into the plan, it would have provided a taxable income. Therefore the compensation should be reduced to *notionally* allow for any income tax that would otherwise have been paid. This is an adjustment to ensure the compensation is a fair amount - it isn't a payment of tax to HMRC, so Mr S won't be able to reclaim any of the reduction after compensation is paid.
- The *notional* allowance should be calculated using Mr S' actual or expected marginal rate of tax at his selected retirement age.
- It's reasonable to assume that Mr S is likely to be a basic rate taxpayer at the selected retirement age, so the reduction would equal 20%. However, if Mr S would have been able to take a tax free lump sum, the reduction should be applied to 75% of the

compensation, resulting in an overall reduction of 15%.

- Pay Mr S £250 in distress and inconvenience due to the losses he has incurred that he likely otherwise wouldn't have done so. Remaining invested in the end stage lifestyling funds meant Mr S was hit hard when UK gilts suffered major losses. Had he chosen a new fund it's unlikely he would have experienced the same volatility. And realising this loss had occurred due to mis-leading information provided by Aviva must have been very frustrating.

Income tax may be payable on any interest paid. If Aviva deducts income tax from the interest, it should tell Mr S how much has been taken off. Aviva should give Mr S a tax deduction certificate in respect of interest if Mr S asks for one, so he can reclaim the tax on interest from HM Revenue & Customs if appropriate.

Portfolio name	Status	Benchmark	From ("start date")	To ("end date")	Additional interest
Aviva pension	No longer in force	FTSE UK Private Investors Income Total Return Index	Date of investment	The initial calculation end date should be the date Mr S transferred his funds. This will establish his loss at date of transfer. This loss should then be brought up to date also using the benchmark.	See fair value section below

Actual value

This means the actual amount paid from the investment at the end date.

Fair value

This is what the investment would have been worth at the end date had it produced a return using the benchmark.

Aviva must pay the compensation within 28 calendar days of the date on which we tell it Mr S accepts my final decision.

If Aviva fails to pay the compensation by this date, it should pay 8% simple interest per year on the total loss, for the period following the deadline to the date of settlement.

Why is this remedy suitable?

I've chosen this method of compensation because:

- Mr S wanted Capital growth and was willing to accept some investment risk.
- The FTSE UK Private Investors Income *Total Return* index (prior to 1 March 2017, the

FTSE WMA Stock Market Income total return index) is made up of a range of indices with different asset classes, mainly UK equities and government bonds. It's a fair measure for someone who was prepared to take some risk to get a higher return.

- Although it is called income index, the mix and diversification provided within the index is close enough to allow me to use it as a reasonable measure of comparison given Mr S' circumstances and risk attitude.

My final decision

I uphold Mr S's complaint against Aviva Life & Pensions UK Limited and direct it to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 20 January 2026.

Simon Hollingshead
Ombudsman