DRN-6251893

The complaint

Mr T is dissatisfied that his pension pots dropped in value before he annuitised them in 2022. He believes that Scottish Widows Limited trading as Lloyds Bank (Scottish Widows) mismanaged his funds, as the funds should've been invested in a way that would increase the value. Mr T would like Scottish Widows to compensate him for the shortfall in value.

What happened

Mr T had two pension policies with Scottish Widows. The first (which I'll refer to as policy A) was set up in March 1986. It was invested in Scottish Widows Pensions Managed Fund (Series 1). As at 5 March 2022 the annual statement showed the fund value was £50,260.35. That was an increase of £2,910.51 on the previous year's value of £47,349.84.

The second policy (which I'll call policy B) was a stakeholder pension plan set up in July 2006. It was invested in Scottish Widows Strategic Growth Portfolio Fund. The annual statement issued in August 2021 showed a fund value of £11,178.42 which was an increase of £885.28 from the previous year's value of £10,293.14.

In early 2022 Mr T decided to access both plans. He bought annuities after he'd taken tax-free cash. From the illustrations I've seen, policy B was annuitised on 21 July 2022, with a start date of 18 July 2022. Based on a total pension fund of £48,320.74, the amount to purchase an annuity was £36,240.56, after taking £12,020.18 tax-free cash. Mr T's annuity would be £773.14 pa, no guarantee period, paid annually in arrears without proportion and with payments increasing by 8.5% pa. Policy A was annuitised on 6 September 2022, with a start date of 10 August 2022. The total pension fund was £9,710.22. The amount to purchase an annuity was £7,282.66 after Mr T had taken £2,427.56 tax-free cash. The annuity was £104.24 pa and paid on the same basis as the other annuity.

Mr T complained to Scottish Widows in July 2022 as he was unhappy that the plan values had fallen.

Scottish Widows issued its final response on 27 September 2022. Scottish Widows said it had delayed in responding to Mr T's complaint and had sent him a letter about an increase to his direct debit, despite payments having been cancelled some months earlier. Scottish Widows said it was making a payment of £50 to Mr T for the inconvenience he'd been caused. But Scottish Widows didn't uphold his complaint about fund performance, saying that, as long as a pension is invested, its value depended on the market and might go up or down. The situation in Ukraine had caused a sharp market decline, which impacted the value of investments.

Dissatisfied with Scottish Widows' explanation, Mr T referred his complaint to us. However, it seems that his complaint didn't progress. Mr T got in contact with us again in October 2025 and provided a copy of a letter dated 17 October 2025 from Scottish Widows.

In that letter Scottish Widows said it had reviewed Mr T's complaint in September 2022 and had upheld it in so far as it related to service and administration issues but not fund performance. Having revisited the matter, Scottish Widows understood Mr T's disappointment about the reduction in fund values prior to annuitisation but had found no evidence of error in how his pension was managed or invested. The changes in value were due to market conditions beyond Scottish Widows' control.

Scottish Widows also said their original final response had been sent in September 2022 which might mean this service couldn't consider the complaint now. But that issue was resolved and our investigator did look into the complaint.

However, she was unable to uphold it. She wrote to Mr T on 12 March 2026 explaining why. Essentially she said that fund values had fallen due to prevailing market conditions at the time Mr T had annuitised his funds. Her main points were:

- Poor performance isn't, in itself, a reason to uphold a complaint. Funds can go up and down and there'd need to be evidence of fund mismanagement or administrative error.
- Mr T's pension pots were invested in unit-linked funds where contributions purchase units in the chosen investment funds. Values can drop because the money is invested in the stock market and other assets, the values of which fluctuate based on economic conditions. Returns from investments like this aren't guaranteed and the value of the amount invested can fall as well as rise. Performance depends on many external factors which can't be controlled by the pension provider.
- Mr T might assume that Scottish Widows would ensure that funds were doing what they were set out to do – making a reasonable profit. But whilst a fund manager will make decisions that they think will lead to better returns, they can't predict the markets, and their decisions can never be guaranteed to lead to positive returns.
- In 2022 numerous economic factors hit both stocks and bonds simultaneously. 2022 saw the worst performance for many bond indices since 1975, alongside significant declines in global equity. Interest rates increased rapidly and bond prices dropped significantly. Stock markets fell post-Covid due to economic uncertainty, the war in Ukraine and rising borrowing costs for companies. These external factors meant many investments suffered large downturns. Most of the funds had the potential to recover, unless the money was withdrawn or the pension was transferred while the value was down.
- The investigator sympathised with Mr T's situation. The timing of his retirement alongside world events had been unfortunate. But Scottish Widows couldn't have predicted that. The investigator hadn't seen evidence that Scottish Widows mismanaged Mr T's pension plans, or that any action or omission by Scottish Widows caused the drop in fund values, which appeared to be the result of market volatility.
- A pension provider's primary role is to set up, administer, and manage pension schemes. While they must provide information, they generally don't provide regulated financial advice, as they aren't typically qualified or authorised to do so.

Scottish Widows didn't have any further comments. Mr T didn't agree with what the investigator had said. I've listened to the call he had with the investigator (and to the other calls). The call was fairly wide ranging and touched on other financial areas (including Mr T's bank account and internet banking, life assurance and mortgages) and wider issues. But, and as the investigator explained during the call, we're only dealing with Mr T's complaint about Scottish Widows and the fall in his pension fund values.

About that, Mr T's central points were, although Scottish Widows had said it hadn't done anything wrong and the investigator had agreed with that, Scottish Widows *had* done something wrong – it had lost his money which it had invested on his behalf. So Scottish Widows should pay it back to him. He'd set up the direct debits to pay into the policies but after that he'd had no control over the money. Scottish Widows was supposed to make money for him – instead Scottish Widows had mismanaged his money and lost it and he now can't get it back. He didn't know at the time (although he did know now) where the money was being invested. No-one told him there was a risk he could lose money. He didn't know he'd lost money until after he'd taken out the annuities. If he'd known, he wouldn't have bought the annuities and he'd have waited until the fund values had gone back up again and, in the meantime, relied on his state pension and another pension he has.

As agreement couldn't be reached, the investigator said she'd refer the complaint for an ombudsman's decision.

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.

Mr T has shared a large amount of information with us about his circumstances and what's happened to him over the last 20 or so years. He feels he's been poorly served by financial services and he's suffered setbacks and misfortunes more widely. I'm sorry to learn of the difficulties he's faced. However, I'm only considering his complaint about Scottish Widows. I can understand his disappointment and upset that his pension fund values had fallen when he came to access his plans in 2022. The issue is whether Scottish Widows is responsible for that.

I know Mr T feels very strongly that Scottish Widows is responsible and so should pay him the money he considers Scottish Widows has lost in investing the money on his behalf. Mr T has made his position very clear – he invested money with the expectation that Scottish Widows would make as much money as possible for him to retire on. And he's done nothing wrong – he did what he was advised to do and saved for his retirement. He's trying to enjoy his retirement but this issue is causing him a great deal of upset.

To a certain extent at least, I can understand Mr T's position. Having entrusted his money to Scottish Widows to invest on his behalf, he expected a return to be achieved. Scottish Widows employs fund managers and is the professional when it comes to investing. Mr T would've expected his pension fund to grow in value year on year. So I can see why he's disappointed that didn't happen. That said, I haven't seen anything to suggest that, before the downturn experienced in 2022, Mr T was unhappy with how his pension funds had performed. From what I've seen, values had increased and, if the falls in 2022 hadn't happened, Mr T might not have complained.

But the value of his funds did fall. While I agree with Mr T that it's unlikely that anyone would be happy to have lost money, I can only award compensation for financial loss if I'm satisfied that a business has done something wrong (or not done something it should've) and that failing has caused the consumer's financial loss. It isn't about Scottish Widows having resources to meet Mr T's losses – I have to decide the complaint on the basis of what's fair and reasonable in all the circumstances. It would only be fair to say that Scottish Widows should meet Mr T's losses if Scottish Widows has been at fault.

Mr T says Scottish Widows' mismanagement of his pension funds is evidenced by the falls in fund values. But the fact that his pension funds fell in value isn't enough, of itself, to say that there's been mismanagement by Scottish Widows. I know this isn't the answer that Mr T wants to hear but I'm unable to say that Scottish Widows has done anything wrong. My reasons are the same as the investigator's (which I've summarised above). Essentially, I agree that the falls in fund values were due to investment performance which in turn is down to prevailing market conditions over which Scottish Widows had no control and which couldn't have been predicted.

As the investigator has explained, it's the nature of investments that values can fluctuate. There are some investments which offer guaranteed returns, such as fixed interest over a set period. But these are more typically savings, not pension, products although some pension providers may offer, for example, a deposit fund which pays a fixed interest rate. The downside is that the returns may be less than other investments might produce – there's generally a correlation between risk and reward. But the funds Mr T was invested in via his pension policies with Scottish Widows didn't have any guarantees. So there was always a risk that his fund values could fall, due to downward market movements.

As the investigator has acknowledged, the timing was very unfortunate for Mr T. Due to various global events (such as Covid and the war in Ukraine) and other factors, including sharp increases in interest rates over a relatively short period, investment conditions in 2022 were very challenging. There was significant volatility across equity and bond markets – it's unusual for there to be that sort of correlation. The difficult market conditions which led to falls in value of most asset classes would've impacted particularly on those approaching retirement and who may not have been in a position to delay accessing their retirement funds to allow values time to recover. Unfortunately, that was Mr T's position. He's explained the circumstances surrounding his decision in 2022 not to seek new employment and instead retire and which meant accessing his pension plans held with Scottish Widows.

Mr T has also said that he wouldn't have accessed his pension policies if he'd known the fund values had reduced, which he didn't find out until after he'd bought his annuities. But he had a telephone consultation before buying the annuities. I've also referred above to the illustrations which were issued to him and which set out, amongst other things, the available fund values. Mr T would've also received confirmation that his annuities had been set up. There'd have been a cancellation period. So, if he was unhappy with what he'd be getting, he could've cancelled the annuities and relied, in the interim, on his state and other pension.

Mr T says, once he'd set up the direct debits, he lost control and he didn't know where his money was invested (although he's since found out). But, as well as the illustrations and other information Mr T got when the policies were set up, annual statements were issued to him. For example, the statement sent to him on 30 August 2016 for Policy B showed the previous and current transfer values, the investment funds and how much was held in each. A reminder was also given that automatic fund switches would be made over the five years before Mr T's selected retirement date – his 65th birthday in July 2021 (although his retirement was later deferred) – a strategy which is known as lifestyling. Annual statements issued from 2016 showed how the funds were moved. So Mr T did have information about the funds he was invested in.

Mr T says he didn't understand about investments and he was unaware there was any risk he might lose money. But Scottish Widows was Mr T's pension provider, not his adviser, and investment decisions were Mr T's responsibility, in conjunction with any financial adviser he might appoint. The annual statements asked him to consider if the plan still met his aims. Fund/transfer values were included which, as the statements said, weren't guaranteed. Illustrations of the pension Mr T might get when he retired were also given. But, again, the figures weren't guaranteed.

The statements also referred Mr T back to the documents he received when he started the policy. Looking at the booklet for policy B, it explained, in section 2 which dealt with the funds in which the policy can be invested, that these were index-linked, that the prices were directly related to the value of the assets held in the fund and that prices can go down as well as up. And, as I’ve said above, the funds Mr T was invested in didn’t offer any guarantees. In the circumstances, I don’t agree that it was simply a case of Mr T handing over his money to Scottish Widows for them to ensure he made a return on it.

I realise that Mr T is going to be disappointed. He’s undoubtedly suffered a lot of upset and frustration about this matter but I’m unable to say that Scottish Widows caused his losses.

My final decision

I’m not upholding the complaint and I’m not making any award.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr T to accept or reject my decision before 5 May 2026.

Lesley Stead
Ombudsman