

complaint

Mr V complains that Friends Life Limited didn't invest his pension contributions as he'd instructed. The money was switched into funds which gave a lower return.

background

I issued a provisional decision on 1 February 2019. I've attached it and it forms part of this decision. In summary I upheld in part Mr V's complaint. I set out how Friends Life should compensate Mr V.

Mr V was generally happy with the outcome. But he did make a couple of points:

First, he thought my redress was a little narrow. I'd proposed treating the contributions he'd made from May 2015 (save for the March 2017 contribution) as if they'd been invested in FL UK Equity Fund. Mr V suggested that should also apply to the contributions he'd made in March 2013 and December 2014. He said I'd recognised he couldn't have known, from the information he'd been given, what was happening with his contributions, at least not before late 2016. Logically, the further back in time it was, the less able he was to determine the true position.

I'd said FL should have contacted him and told him his instructions would be overridden. That should have happened with the earlier contributions too, especially as the December 2014 one was a large payment. It wasn't fair to exclude those contributions when he'd given specific investment instructions for those payments too.

Secondly Mr V recognised it had taken him a long time to move his investments once he knew something had gone wrong. He said he'd struggled to understand the paperwork and when he did realise what had happened he didn't know what to do to put things right, especially as he felt the damage had already been done. And, later on, once he'd complained he was nervous about moving his fund as he thought Friends Life would be less inclined to investigate properly if he did.

He accepted that Friends Life wasn't responsible for some of the time it had taken him to deal with the matter. But he suggested it would be reasonable to allow a little more time than up to 31 October 2016 – say another two or three months. He added that the transfer was a complex process and he couldn't deal with it quickly. And, if he'd complained earlier it would still have taken Friends Life the same sort of time to deal with it.

Mr V said that the basis of the calculation I'd asked Friends Life to do seemed straightforward. But it might not be. Friends Life should be asked to show how they'd done the calculations.

Mr V also pointed out that there was a contribution which didn't appear on the list I'd set out in my provisional decision – he'd made a further payment of £25,000 in May 2015.

Mr V thought it might be difficult to make a payment into the pension as he'd transferred away. He said a lump sum with a 15% tax deduction would be acceptable. He confirmed he was now a basic rate tax payer.

Friends Life confirmed safe receipt of my provisional decision but didn't comment by the deadline set or request more time. The adjudicator emailed Friends Life on 4 March 2019

with a copy of Mr V's comments and saying that I intended to issue my final decision shortly. The adjudicator drew Friends Life's attention to the contribution of £25,000 in May 2015 which had been omitted and which would need to be included in the redress calculations. We haven't heard further from Friends Life.

my findings

I've considered again all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In particular I've considered what Mr V's said in response to my provisional decision.

I understand Mr V's point about not knowing how his contributions would be invested. But I think he did have some responsibility to monitor what was happening. In particular he should have known that the Lifestyle investment programme had started. Friends Life wrote to him three times in 2011 to remind him. And he should have known that future contributions would be invested in line with that.

As I've said, I think Friends Life should have realised that the specific investment instructions that Mr V gave when he made his single contributions were inconsistent with the Lifestyle investment programme. But I pointed to the number and size of those contributions. If Mr V had made fewer or less significant contributions my view might have been different. I might have said that Friends Life couldn't really be criticised for not spotting that Mr V may not have appreciated that his instructions would in effect be overridden by the Lifestyle investment programme.

So I don't think it was incumbent on Friends Life to query the position at first. But, as time went on, I think Friends Life should have contacted Mr V to check that he understood how the Lifestyle programme would impact on his specific investment instructions. So, on that basis, I still think it's appropriate to draw a distinction between the contributions made before May 2015.

I note what Mr V's said about not being able to move his funds promptly once he became aware what had happened. I know that in the end he transferred away from Friends Life. But I think it would have been relatively easy for him, once he found out that his contributions hadn't been invested as he'd thought, to exit the Lifestyle investment programme and switch funds. That would have limited the damage even if he later decided to transfer away from Friends Life.

I'm sorry I omitted to include the contribution of £25,000 Mr V made in May 2015. Assuming Mr V's instructions were for that contribution (or part of it) to be invested in FL UK Equity Fund it should be included in the redress.

All in all my views remain as set out in my attached provisional decision. And the redress (which included a direction that Friends Life provide details of its calculations to Mr V in a clear and simple format) is unchanged (but, as I've set out above, should include the contribution of £25,000 which Mr V made in May 2015).

my final decision

I uphold in part Mr V's complaint. Friends Life should redress him as I've set out in my attached provisional decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 28 April 2019.

Lesley Stead
ombudsman

PROVISIONAL DECISION dated 1 February 2019

complaint

Mr V complains that Friends Life Limited didn't invest his pension contributions as he'd instructed. The money was switched into funds which gave a lower return.

background

Mr V took out this pension plan in 2001. He was contracting out of what was the State Earnings Related Pension Scheme (SERPS) with rebated national insurance contributions to be paid into the plan. The application form set out the available funds. Mr V's instructions were for 100% of the contributions to be invested in the FL UK Equity Fund. Mr V made regular contributions of £250 gross per month. His employer also contributed.

Mr V ticked a box for the *'Lifestyle Investment Programme'* to start five years from his selected retirement age (his 60th birthday in June 2016). A note, headed *'Important'*, said when that started the funds would be automatically switched in line with his instruction.

Friends Life wrote to Mr V on 9 January 2011 saying that his *'chosen investment programme 5 year Lifestyle'* would start on 13 May 2011. And:

'From that date, your pension investments will be gradually moved into different funds as you get closer to your retirement date, with the aim of moving them into lower risk funds. This movement of funds will occur at regular times without charge. You will see these movements on your future statements. Future contributions will also be invested in these funds in the same proportion.'

The percentages to be moved and the funds to be moved into, are set out in the investment brochure. If you would like a copy please contact us using the details above.'

The letter added that up to date information on any of the funds, including those under the Lifestyle investment programme, was available on Friends Life's website or by telephone. No action was needed by Mr V unless he wanted to change or cancel the programme.

Friends Life sent letter with similar information on 8 February 2011 and 13 May 2011 (but saying the programme would start on 12 June 2011). Friends Life also wrote to Mr V on 22 July 2011. The letter referred to Mr V's *'recent request to update his investment options'* and said it had made the following changes to his pension investments. Under the heading, *Switch Fund Holdings* (in bold), the letter said:

*'We have updated your details using a price date of 22 July 2011 as follows
50% of the holdings in the UK Equity fund are now invested in the Pre-Retirement Fixed Interest Fund.'*

Mr V later made a number of single contributions to the Plan. I've seen some of the letters or emails Mr V sent with his payments saying where the money should be invested. The dates, gross amounts and funds Mr V nominated were as follows:

March 2013	£8,750	50% FL UK Equity/50% FL Pre-retirement Fixed Interest
December 2014	£55,000	50% FL UK Equity/50% FL Pre-retirement Fixed Interest
May 2015	£625	100% FL UK Equity
May 2015	£14,062.50	100% FL UK Equity
November 2015	£50,000	100% FL UK Equity
March 2016	£25,000	100% FL UK Equity
March 2016	£2,500	100% FL UK Equity
March 2017	£32,000	100% FL Pre-Retirement Fixed Interest

The complaint centres on the contributions Mr V asked to be put in the FL UK Equity Fund. Friends Life initially invested the money in that Fund, as Mr V had directed. But the operation of the Lifestyle investment programme meant the money was then moved into lower risk funds (FL Pre-Retirement Fixed Interest and Cash). And, as I've identified below, there was also a problem with the last, March 2017, payment.

Friends Life wrote to Mr V to confirm receipt of each contribution. I haven't seen all of the post sale documentation for all of the contributions. But I assume it was similar to the letter dated 1 June 2016 which I've considered in more detail below.

On 12 July 2016 Friends Life wrote to Mr V saying his selected retirement date had passed. As he hadn't told Friends Life when he intended to retire it had updated its records to show a retirement date in June 2030. The letter also said the Lifestyle investment programme had now ceased.

Mr V emailed Friends Life on 5 October 2016. He asked for a list of the lump sum payments he'd made since the beginning of 2012. Friends Life sent him a contributions history for the Plan on 11 October 2016. It showed dates and amounts. But not how the payments had been invested or any fund switches.

In March 2017 Mr V emailed Friends Life about a contribution of £32,000 to be invested in the FL Pre-retirement fixed interest Fund. He also queried how the single contributions he'd made in 2015 had been invested. He said he wasn't sure if his instructions had been followed. According to his records he'd asked for them to be paid into the FL UK Equity Fund. Friends Life replied on 13 March 2017 with the payment dates, amounts and where they'd been invested. Mr V also had a number of telephone calls with Friends Life in 2017.

In June 2017 his benefits were transferred to a new arrangement with a different provider.

Mr V complained to Friends Life by letter dated 2 August 2017. In summary he said:

- The post sale documents dated 21 March 2013 showed 100% of the contribution had been initially invested in the FL UK Equity Fund as he'd instructed. That was clearly separate to the further information about the Lifestyle investment programme which related to other funds invested in the plan, not those for which he'd just given Friends Life specific instructions which he reasonably expected Friends Life to follow.
- He'd made nine separate and significant contributions over a four year period which Friends Life had switched, sometimes within a matter of days, under the Lifestyle investment programme. Prior to making the contributions there'd been written or verbal communication with Friends Life. So it had nine separate opportunities to tell him what was going to happen to his contributions but failed to do so.
- When his retirement date was changed Friends Life's systems should have taken that into account as required by the Lifestyle investment programme.
- Friends Life had said that once that programme is in place it applies to the whole Plan. But the letter dated 13 May 2011 refers to investments outside the programme. And to changing the programme which was exactly what he was trying to do.
- The letter dated 18 December 2014 includes a lot of detail about how it was possible to change investments and how the Lifestyle investment programme could manage only part of the overall funds held in the plan. He didn't use the form but his instructions had been clear.
- Page 3 of Friends Life's letter dated 5 September 2016 clearly said that future payments will be invested 100% in FL UK Equity Fund apart from some separate accounts.
- The annual statements didn't really help. It was only when there was nothing in the FL UK Equity Fund that it became apparent that something was amiss.
- His estimated loss was some £37,070.

Friends Life didn't uphold Mr V's complaint. Friends Life said:

- When Mr V made his single contributions the Lifestyle investment programme had already started. Both current and future contributions were invested in line with that. The programme applied to the whole plan. Future contributions couldn't be kept separate in a different fund.
- It referred to its May 2011 letter saying the programme would start in June 2011 and that Mr V's funds would gradually be moved into lower risk investments with future contributions invested in the same funds in the same proportion. The investments referred to as outside the programme were with profits funds or in a personal managed portfolio, neither of which applied to Mr V.
- The letter dated 21 March 2013 says the contribution was invested 100% in the FL UK Equity Fund. But underneath it said that Mr V had selected the 5 year Lifestyle investment programme and an allowance for that had been made in the illustration. As he was already two years into the programme it would be reasonable to expect some of his contribution to be moved straight away.
- The post sale letters did say the funds would be moved. If Mr V had queried that at the time the Lifestyle investment programme would have been stopped. Friends Life's letter of 18 December 2014 included a form to opt out of the programme.
- When Mr V's retirement date was deferred it wasn't appropriate for Friends Life to make changes to his funds. He could have told Friends Life to switch funds.
- The letter of 5 September 2016 said future contributions would be invested 100% in the UK Equity Fund. But immediately below it said that didn't take into account any payments managed by the Lifestyle investment programme.
- The annual statements gave a full breakdown of where Mr V's funds were invested

Mr V asked us to look into the matter for him. He said his lump sum contributions totalled £220,000 – about half the plan value. He'd given specific instructions how each payment was to be invested – nearly all in the FL UK Equity Fund. Friends Life had initially followed his instructions before (sometimes within a very short period) switching the investments in accordance with the programme. The value of the plan was significantly lower than if Friends Life had followed his clear instructions.

Mr V said the position might be different if he'd made just one or two lump sum payments. But having made nine it would have been easy for Friends Life to have alerted him to the situation. The documentation was open to interpretation (if not misleading). Friends Life shouldn't be able to rely on standard documentation to override clear instructions. Especially when the documents indicate that it's possible for only part of the fund to be subject to the Lifestyle investment programme.

He added that with the benefit of hindsight he could have been even more explicit in his instructions. And it did take him some time to work out what had happened. So he accepted he should bear some responsibility for the loss he'd suffered.

Our adjudicator looked into Mr V's complaint but didn't think it should be upheld. He said the central issue was whether Mr V should have taken more decisive action sooner to cancel the Lifestyle investment programme or if Friends Life ought to have realised Mr V's instructions were inconsistent with that and investigated his intentions at some point. But, on balance, the adjudicator thought Friends Life had handled the contributions appropriately. The Lifestyle investment programme had already started when Mr V made his contributions. He should have known where they'd be invested. And he had the opportunity to move them into higher risk funds if he wanted.

Mr V disagreed. He said he'd made nine single contributions with specific investment instructions which Friends Life had effectively ignored. He hadn't wanted to move away from the Lifestyle investment programme completely – only for certain investments to be put in equities. He agreed Friends Life wasn't required to assess suitability. But he expected Friends Life to follow his clear instructions. Friends Life's letters were confusing and shouldn't be considered with the benefit of hindsight. It wasn't until around August 2016 that he realised that something had gone seriously amiss as no equity investment was shown. Until then the statements showed a mix of investments. The values could be due in part at least to poorly performing equity investments. He had no real way of knowing just what switching was taking place.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've first considered if Mr V should have known about the Lifestyle investment programme. The plan was set up 2001. The Lifestyle investment programme started in June 2011, some ten years later. So it would be understandable if, by then, he'd forgotten he'd given that instruction. His plan to retire at age 60 may also by then have changed.

But Friends Life wrote to Mr V three times (in January, February and May 2011) to remind him about the Lifestyle investment programme. Friends Life also wrote on 22 July 2011 to confirm a fund switch had been made – 50% of Mr V's holding in the FL UK Equity Fund had been switched to the Pre-retirement Fixed Interest Fund.

The letters did say that the programme would apply to future contributions – they'd be invested in the same funds and in the same proportions. Mr V's pointed to what Friends Life's letter dated 13 May 2011 said about certain investments being excluded from the Lifestyle investment programme. But those were specified as with profits investments or in a personal managed portfolio, neither of which applied to Mr V.

In my view Mr V ought to have known the Lifestyle investment programme had started and that future contributions would be invested in line with that. If that wasn't what he wanted he could have contacted Friends Life to discuss his options, including exiting the programme.

But I think there's some merit in Mr V's argument that, given the number and size of the single contributions he made, Friends Life should have realised his investment instructions were incompatible with the Lifestyle investment programme and clarified things with him.

I haven't seen Mr V's letter or email instructions for all of the payments. But it isn't disputed that he gave specific investment instructions for each payment. The operation of the Lifestyle investment programme meant his contributions couldn't remain in the particular fund he'd nominated. So, in effect, Friends Life was unable to comply with his instructions, except on an interim or temporary basis, unless he exited the programme.

I think Friends Life should have realised Mr V's investment instructions were incompatible with the programme and would, in effect, be overridden (sometimes almost immediately). Friends Life should have sought clarification from Mr V and pointed out to him that it wasn't open to him to give specific instructions about how a particular contribution should be invested when he remained in the Lifestyle investment programme. It would have been relatively easy for Friends Life to have contacted Mr V to check he understood how the programme would impact on his specific instructions and to confirm he wanted to remain in the programme.

My view might have been different if Friends Life had made the position very clear to Mr V when it wrote to him confirming receipt of his contributions. But I think the post sale documentation could have been clearer. I've looked at the letter dated 1 June 2016 and enclosures as an example.

change instructions form

First I'm not sure Mr V would have realised the form might contain relevant information. It says it's for use if Mr V wanted to update his personal details or change his investment instructions. His personal details hadn't changed. And, as he'd given specific instructions for the contribution he'd just made, he might not have thought he needed to read the form.

Assuming he did read it he'd have seen the section headed, '*Your investment choices*'. Under that was a further heading, '*Lifetime investment programme*'. There was a box to select a programme (if available) or another to tick to exit a current programme. In that case the investor 'must' provide

instructions for the redirection of future contributions and 'may' give instructions to switch existing fund holdings. The investor was referred to the '*Investment funds*' section.

The form then said, in bold, that the 'Investment funds' and 'Lifestyle investment programme' sections didn't apply if a Lifestyle investment programme had been chosen.

The next section of the form is headed '*Lifestyle investment programme*'. There's a box to select a Lifestyle investment programme (if offered). And a box to tick to exit a current Lifestyle investment programme.

At first reading I found those sections very confusing. But, reading more carefully, I can see they are in fact about different programmes – *Lifetime* or *Lifestyle* investment.

We asked Friends Life about the two programmes. It confirmed Mr V's plan was managed by a Lifestyle investment programme, designed to gradually move investments into funds considered to be more suited to someone approaching retirement. The Lifetime investment programme is designed to manage retirement savings throughout the lifetime of the plan. But again as retirement nears the investment is gradually moved into lower risk funds. Friends Life also confirmed that each programme would have to apply wholly to the particular plan – it can't apply to a part of it.

Looking at the form, the distinction between the two programmes isn't immediately apparent. I don't think Mr V, if he'd read the form, would necessarily have appreciated that his Plan had a Lifestyle investment programme and so what was said about the Lifetime investment programme didn't apply to him – his only option was to exit the Lifestyle investment programme.

The '*Investment funds*' part of the form (assuming Mr V didn't think it didn't apply because he was in a Lifetime investment programme) isn't clear either. It talks about switching funds (marked with a *) or redirecting future contributions. It gives instructions as to how to do that as well as a table with space for up to ten fund selections. But below that it says:

**Please read these notes if your plan includes a Lifestyle investment programme which has already started:*

Your Lifestyle investment programme manages some or all of your funds, known as 'investment programme funds'. These will be unaffected by your switch request. We will apply your switch and redirection instructions to the portion of your fund that is not managed by the Lifestyle investment programme. Existing units in, and future contributions to, the investment programme funds will not change, unless you exit your Lifestyle investment programme, using the tick box on this form.'

But, even if Mr V had read that – and appreciated he was in a Lifestyle (and not a Lifetime) investment programme – I'm not sure he'd have realised the full implications. The notes refer to '*some or all*' of Mr V's funds and to the switch and redirection instructions applying to '*the portion of [the] fund that is not managed by the programme.*' That implies it's possible to have some funds outside the programme. I don't think Mr V would necessarily have realised that, for his investment instructions to be met (long term), he'd need to exit the Lifestyle investment programme.

post sale illustration.

It showed the amount of the contribution and the tax relief added. Under the heading '*Where your contributions have been invested*' it says '*FL UK Equity 100%*'. The charges section names that fund and the applicable Annual Management Charge (AMC). I think Mr V would have read that as confirming the contribution had been invested in line with his instructions

The sections headed '*What you might get back when you're 60*' and '*Important information about these figures*' weren't easy to understand. I don't know if the growth rates used take into account fund

switches as a result of the operation of the Lifestyle investment programme. But even if they do that sort of adjustment isn't expressly referred to.

All in all I don't think the illustration really gave the full picture. In particular I don't think there was anything to alert Mr V to the fact that his contribution would be switched from FL UK Equity Fund into a lower risk investment.

statement of investment

This showed the total gross contribution of £2,500 and that it had bought 1,442.82 units (at a unit price on 14 March 2016 of 173.27000p) in the FL UK Equity Fund. Again I think Mr V would have understood that his contribution had been invested in line with his instruction.

Friends Life also sent Mr V yearly statements each September. I've considered those. I've looked first at the yearly statement dated 3 September 2012 (for the period 1 September 2011 to 31 August 2012). That was after the Lifestyle investment programme had started (in July 2011). But it was before Mr V started to make single contributions. So I don't think the statement is particularly relevant here.

I don't think I've seen the annual statement issued in September 2013. By the time he got it Mr V had made one single contribution: a payment of £8,750 (gross) in March 2013 to be invested 50% FL UK Equity/50% FL Pre-retirement Fixed Interest. As the contribution was relatively modest with only half of it to be put in the FL UK Equity Fund I don't think the September 2013 statement would or should have alerted Mr V to the possibility that the contribution hadn't been invested as he'd thought.

I have seen the September 2014 statement. But in the interim Mr V hadn't made any further single contributions. So he wouldn't have been looking to see how additional money paid in had been invested. I note that under the heading, '*Your investment funds*' there's a breakdown of the total fund value. It was split between the FL Cash (£14,130.13) FL Pre-retirement Fixed Interest (£44,364.45) and FL UK Equity (£33,274.90) Funds. That might have been more or less what Mr V was expecting.

Earlier on in the same section of the statement the FL UK Equity Fund is identified as where payments were invested (100%) a year ago and how future payments would be invested (again 100%). It's marked with an * which says '*This does not take into account payments that are managed by your Lifestyle investment programme.*' But it doesn't say the programme covers all investments in the Plan, including future contributions. The statement is somewhat contradictory. Mr V may well have thought future contributions would be invested in the FL UK Equity Fund.

By the time Mr V got his September 2015 statement he'd made a contribution of £55,000 (in December 2014) to be split between the FL UK Equity and FL Pre-retirement Fixed Interest Funds. So he'd have expected to see at least £27,500 in the FL UK Equity Fund. The statement showed £29,654.39 in that Fund. Again that might not have been too far off what Mr V was expecting. And the statement included the same statement about payments a year ago and future payments being invested in that Fund.

The 2016 statement (yearly review) was in a slightly different format. And, during that year, Mr V had made three single contributions totalling £77,500 (gross), all for investment in FL UK Equity Fund. He'd also cancelled his regular contributions as he'd used up all his annual allowance. The three single contributions were listed on the statement.

Not far below that fund values were given. The total fund was £308,850.42, split between FL Cash (£71,370.54) and FL Pre-retirement Fixed Interest (£237,479.88) Funds. The statement still said that future payments would be invested (100%) in the FL UK Equity Fund, not taking into account payments managed by the Lifestyle investment programme. And the FL UK Equity Fund is listed under the charges section of the statement. The illustration attached to the statement appears to have been based on the FL Cash and FL Pre-retirement Fixed Interest Funds only.

The notes mentioned the Lifestyle investment programme. And said that it had already started and it was possible to opt out. It said the further details of the programme could be found in the plan documentation.

Just pausing there, I think Mr V would have been given a brochure about investment funds when he took out the plan. I haven't seen a copy – Friends Life hasn't retained a copy of that version. I've seen a later version. It does mention the Lifestyle investment programme. And sets out how it operates, including the fund switches made on a monthly basis. But I haven't seen anything which makes it clear that it isn't possible to have only part of the fund managed by the programme. So I don't think if Mr V had consulted the brochure he'd have been any the wiser.

Further what was said about the Lifestyle investment programme having started wasn't right. Or was at least incomplete in that it had started but it had also come to an end. Mr V's selected retirement date in June 2016 had passed. And Friends Life had written to him in July 2016 to say that his retirement date had been reset to June 2030 and that the Lifestyle investment programme had stopped.

That aside, Mr V did study the statement. The absence of any funds in the FL UK Equity Fund (despite his relatively recent instructions to invest £77,500 in that Fund) made him think something hadn't gone as he'd planned. So he emailed Friends Life on 5 October 2016 querying how the lump sum payments he'd made over the years had been invested.

It looks like it then took Mr V some time to get the answers he required. I'm not sure why but from what he says it seems he may have been investigating his longer term options, including transferring to a new arrangement which he did in June 2017.

But in the meantime in March 2017 he made a further single contribution of £32,000 which he wanted to be invested in FL Pre-retirement Fixed Interest Fund. It looks like something went wrong with that payment too – I think 75% of it was invested in that Fund but the balance in the FL Cash Fund. I don't see why that was, given that by then the Lifestyle investment programme had stopped.

To sum up, I don't think Friends Life has acted as it should. I think when Mr V started to make contributions for investment in the FL UK Equity Fund Friends Life should have contacted him and pointed out that, in effect, his instructions would be overridden by the Lifestyle investment programme. As I've indicated Friends Life's post sale documentation wasn't particularly clear. Nor do I think the annual statements Mr V got before September 2016 would have made him aware. There was also a problem with the information given with that statement – it said the Lifestyle investment programme had started. It had but by then it had stopped. Further, Friends Life didn't invest Mr V's March 2017 contribution in accordance with his instructions, despite the programme having by then ceased.

On that basis I'm upholding Mr V's complaint. That means I need to consider what would be fair redress. Generally my aim is to put Mr V as far as possible in the position he'd be in now if Friends Life had acted as it should. If, when Mr V made his single contribution of £14,062.50 (gross) for investment in the FL UK Equity Fund in May 2015, Friends Life had contacted him to check he understood his contribution would be switched as part of the Lifestyle investment programme, I think he'd have decided to exit the programme so that his contributions could be invested in equities.

From what he's said it seems he was happy for some of his fund to be invested in accordance with the Lifestyle investment programme. On that basis I'm going to assume, if he'd exited the programme in May 2015, he wouldn't have made any fund switches. But that his May 2015 single contributions and those he later made (apart from the March 2017 payment) would have been invested in FL UK Equity Fund.

Friends Life should calculate what Mr V's transfer value would have been at, say, 31 October 2016. That should be compared with the actual transfer value was on that date.

That's on the basis that it seems by early October 2016 Mr V knew something had gone wrong and could have instructed fund switches. I don't think it's fair that Friends Life should meet any loss once Mr V knew there was a problem if he didn't act quickly to correct it.

If there's a loss Friends Life should add a return equivalent to what the FL UK Equity Fund would have produced between then and the date Mr V transferred away.

Friends Life should also correct the March 2017 contribution and add to the redress any loss Mr V's suffered as a result of that contribution not being invested as he'd instructed.

The total amount should be paid into Mr V's current pension arrangement. The payment should allow for the effect of charges and available tax relief. It shouldn't be paid into the pension if it would conflict with any existing protection or allowance.

If the payment into the pension isn't possible or has protection or allowance implications, it should be paid directly to Mr V as a lump sum after making a deduction of 15%. The payment would otherwise have been used to provide pension benefits, 25% of which would be tax free and the rest would have been taxed according to Mr V's likely tax paying status in retirement – presumed to be 20%. And so the 15% deduction adequately reflects this.

Friends Life should provide details of its calculations to Mr V in a clear and simple format. Friends Life should also pay Mr V £100 as compensation for the trouble and upset this matter has caused him.

my provisional decision

I uphold the complaint. Friends Life Limited should calculate and pay compensation to Mr V as I've set out above.

Lesley Stead
ombudsman