

Ombudsman's Determination

Applicant	Mr S
Scheme	Baker Hughes UK Retirement Savings Plan (the Plan)
Respondents	Aviva

Outcome

1. I do not uphold Mr S complaint and no further action is required by Aviva.

Complaint summary

2. Mr S has complained that Aviva:
 - Delayed the switch from his Mercer Growth/Balanced risk fund (the **Balanced fund**) to the Mercer Cash Retirement (the **Cash fund**). He claims this resulted in him incurring a financial loss.
 - Incorrectly informed him, both before and after the switch, that the unit values were guaranteed, and the purchase of the funds would be at the "best price".
 - Mismanaged his pension and failed to provide him with sufficient advice.

Background information, including submissions from the parties

3. On 18 March 2020, Mr S telephoned Aviva saying that his Plan value had fallen by £6,700 in the last month and he felt it had a duty to proactively inform him of this. In response, Aviva directed him to its website so he could switch his investment fund to one with a lower risk. Aviva explained that the fall in value was due to volatility within the market. Mr S was not satisfied and raised a complaint.
4. On the same day, Mr S opted to switch out of the Balanced fund and invest in the Cash fund, which was within a lower risk category. Aviva actioned the switch the next day, on 19 March 2020.
5. On 19 March 2020, Aviva provided its final response to Mr S' complaint, it stated that the Plan value was not guaranteed, but was instead subject to fluctuations within the financial market and could go up or down. The news of coronavirus spreading across more countries had caused concern as to how the world economy would be

impacted. This led to a significant fall in the stock market which impacted the value of Mr S' pension as his investment was linked to these markets. The Plan offered different funds he could invest in, and he was able to regularly track the performance of his funds online.

6. On 20 March 2020, Mr S telephoned Aviva and explained that he had switched to the Cash fund, but his account was still showing him as being invested in the Balanced fund.
7. Aviva explained that it could see the fund switch in the deals section of his account, but it would take three working days for the transfer to be completed. During the conversation, Mr S asked several times which prices would be used when the switch of funds was calculated.
8. The call handler was unsure which value would be used and at times indicated that Aviva would use the fund value from the time the trade was actioned. The call handler did not provide a best price guarantee.
9. On 23 March 2020, Aviva provided Mr S with a breakdown of the trade switch. It stated that the request for the switch was placed at 4:07 pm on 18 March 2020 and went to the market on 19 March 2020 using the price from that day. The unit price for the Balanced fund was 0.9405 and the unit price for the Cash fund was 1.0180. "Going to the market" is covered in the Plan's investment brochure to help investors understand which price would be taken when they are buying or selling within the market. Aviva tends to value funds at the end of each business day using the most recent price available, these prices will not necessarily be the dealing prices as most funds are priced on a forward basis.
10. In response Mr S requested answers to the following questions: -
 - Why had the value fallen by £1,200 between when he had requested the switch and its completion?
 - When had Aviva sold the Balanced fund units?
 - When had Aviva purchased the Cash fund units?
 - He also asked Aviva to provide the unit prices for both funds for 18, 19, and 20 March 2020.
11. On 1 April 2020, Aviva responded to Mr S' request for information. It said that there was no delay in the implementation of the requested switch. Mr S had invested into insured funds, so any trade request made after 9:05 am would go to market the following morning. The sale of the Balanced fund units and the purchase of the Cash fund units took place at the same time, using the unit price from 19 March 2020. The Balanced fund units were sold at 0.9405, its price on 18 March 2020 was 0.9835. The Cash fund units were purchased at 1.0180, the price on 18 March 2020 was the same.

12. On 2 April 2020, Mr S responded stating that the delay in Aviva making the trade had caused him to lose 4% more from the value of his Plan. His total loss amounted to £7,000. His funds had been mismanaged and he expected Aviva to choose funds and manage pensions better than this.
13. On 27 April 2020, Mr S wrote to Aviva saying that he had spoken to Aviva both before and after his funds were switched. During a telephone conversation, he was “guaranteed” that the unit values used to calculate the trade would be at the best price and would not decrease in the time taken to complete the switch. He asked a copy of the call recording in which the above conversation occurred.
14. In response, Aviva provided Mr S with the requested call recording and confirmed that its stance on Mr S’ complaint had not changed. It explained that any trade request would go to market the next morning after it was made, so there was no delay in the timing of Mr S’ requested fund switch. To prevent people from “playing the market”, it does not backdate or provide best-price fund switches. The call recording was unclear, Aviva was unable to identify where its representative had agreed that Aviva would backdate the fund switch. It accepted the call was not up to its normal customer service standard and said the representative would be given feedback to improve their service.
15. On 22 June 2020, Aviva outlined the findings of its investigation and concluded that it does not provide financial advice or manage funds so could not make Mr S aware of how market movements might affect his Plan value. During the pandemic the market had dropped drastically and there was no evidence that the decrease in value of Mr S’ investment was due to anything other than the market dropping.

Adjudicator’s Opinion

16. Mr S’ complaint was considered by one of our Adjudicators who concluded that no further action was required by Aviva. The Adjudicator’s findings are summarised below:-
 - There was no delay in the processing of Mr S switch request. Mr S requested to switch the units he held in the Plan from the Balanced fund and into the Cash fund at 4:07pm on 18 March 2020. Due to the switch trade being requested late in the day it was actioned the following morning. Additionally, Mr S was invested in active funds and his trade request fell outside of trading hours.
 - The unit price of the Balanced fund fell from 0.9834 on 18 March 2020 to 0.9405 on 19 March 2020. Aviva cannot be held responsible for the change in unit price as markets fluctuate daily depending on market conditions.
 - Aviva could not be faulted for using the unit prices from 19 March 2020. The switch trade was requested late on 18 March 2020 and actioned on the following day which is in line with the standard industry practice of ‘forward pricing’.

Information about this was provided in Aviva's investment terms and conditions brochure.

- Mr S says he was provided with misleading information during telephone calls with Aviva regarding what unit price would be used. He claims he was given guarantees that the 'best unit prices'; would be used both before requesting the switch, as well as after. After reviewing the call, the Adjudicator found no evidence to substantiate Mr S' claims. While the call handler seemed unsure, there was no mention of a guarantee of the best unit price being made available to Mr S.
 - Mr S complained that Aviva mismanaged his pension and failed to provide him with sufficient advice regarding safeguarding his investments. If Mr S was concerned about the value of the Plan or fund performance, he should have sought advice from an independent financial adviser as Aviva was not responsible for providing financial advice.
 - Aviva actioned the switch request as soon as was reasonable and there is no evidence that the fall in unit price was because of anything other than market movement. Aviva cannot be held responsible for Mr S' decision to request a switch of the funds late in the afternoon on 18 March.
 - While Aviva could have been clearer when Mr S raised enquiries, its actions did not amount to maladministration.
17. Mr S did not accept the Adjudicator's Opinion and the complaint was passed to me to consider.
18. Mr S provided his further comments which do not change the outcome. In summary, he said:-
- During a telephone conversation on 20 March 2020, Aviva provided him with incorrect information when it told him that the Balanced fund would not lose any value during the fund switch from the moment, he pressed the trade button.
 - The incorrect advice led him to make the 'wrong decision'.
 - He lost £1,000 as a result of the incorrect advice.
19. I note the additional points raised by Mr S, but I agree with the Adjudicator's Opinion.

Ombudsman's decision

20. Mr S has complained that on 20 March 2020 he was given 'incorrect advice' by Aviva which prompted him to switch out of the Balanced fund and invest in the Cash fund. He claims this advice led him to make the 'wrong decision' and resulted in him incurring a loss of £1,000.
21. The staff member from Aviva, who took Mr S' telephone call on 20 March 2020, seemed unsure about what unit price would be used in the calculation of Mr S' trade

but I agree with the Adjudicator that no best price guarantees were given. I find that the information provided by Aviva to have been ambiguous rather than incorrect. Nonetheless, Mr S instructed the switch to the Cash fund on 18 March 2020, before he was provided with the alleged misleading information. His decision to switch funds was independent of the information provided by Aviva on 20 March 2020.

22. Mr S has not presented any evidence to demonstrate that Aviva provided incorrect information prior to him requesting the switch trade. I have considered the call on 18 March 2020 and find it does not support Mr S' argument. Additionally, I have seen nothing to suggest that Mr S would have acted differently if the forward pricing method was made clearer to him before he requested the switch trade.
23. I do not agree that Aviva's information led Mr S to incur a loss of £1,000. I agree with the Adjudicator that the Balanced fund lost value due to fluctuating market movements which caused the value of Mr S' overall investment to decrease. Once Mr S requested the switch trade Aviva correctly upheld the standard industry practice of 'forward pricing' which means any instruction to buy or sell an investment is held alongside many others and the price achieved is determined later (usually once a day). This means that a member would not know exactly how many units they would receive for their investment, or how much money would be achieved from a sale until the transaction has been priced. This method is an essential practice utilised to avoid price manipulation within the financial industry.
24. Therefore, I do not uphold Mr S' complaint.

Anthony Arter

Pensions Ombudsman
12 October 2022