

Ombudsman's Determination

Applicant	Mrs T
Scheme	Aegon Retiready Pension (the Scheme)
Respondent	Aegon UK (Aegon)

Outcome

1. I do not uphold Mrs T's complaint and no further action is required by Aegon.

Complaint summary

2. Mrs T's complaint is that her fund value significantly reduced shortly before her selected retirement date (**SRD**), as Aegon had previously failed to say that the related investments within the Scheme were not suited to her benefit aims.

Background information, including submissions from the parties

3. The fund factsheet for the Scheme's Balanced Lifestyle Fund dated 30 June 2015 states:

"The 'Balanced Lifestyle Fund uses a two-stage investment process called lifestyling. It aims to perform better than its benchmark in the early years (the growth stage) and gives you more certainty about the amount of pension you can buy via an annuity when you retire (the lifestyle stage)..."

4. Clause 4.5 in the Scheme's Terms & Conditions of July 2020 (**the 2020 Terms**) states:

"Lifestyle Funds

The Retiready insured funds may include funds where we automatically change the underlying investments over a defined glidepath to target a particular outcome. These funds may be designated a Lifestyle fund...or another designation where the description will make clear the fund operates with a glidepath. The purpose of such a glidepath is to move your investment into the retirement fund or a similar fund at a particular date. This date is the retirement age that is specified when you open your Retiready Pension..."

5. The 2020 Terms also explains that Aegon's cash facility (**the cash facility**) is the "untraded" cash account used to hold funds relating to each of its financial products. This facilitates the movement of money to, from and within any of Aegon's financial products.
6. In 2004, Mrs T joined the Scheme and her benefits were invested in its Balanced Lifestyle Fund.
7. On 8 April 2015, Aegon sent Mrs T a retirement quotation (**the 2015 Quotation**) that confirmed her fund value was £5,207.07 with tax free cash of £1,301.77 available. The letter also included a recommendation for Mrs T to seek financial advice regarding the ways in which she could convert her fund value into retirement income, and it also stated:

"Please remember, these figures aren't guaranteed and the value of the investment could fall as well as rise before the [retirement] date you've chosen. You may get back less than you invested. The actual amounts will be calculated on the second business day following the date we receive all the necessary documents to process a settlement."
8. On 30 October 2015, Aegon wrote to Mrs T, (**Upgrade Letter 1**) and said that, unless she advised otherwise by 11 December 2015, her existing benefits would transition into a Retiready Pension (**the upgrade**).
9. Aegon also confirmed that the upgrade would reduce the charges on Mrs T's investments. This would also allow her to check details including where her benefits were invested and the related performance via the Scheme's online member portal (**the Portal**) for which log in details would subsequently be provided.
10. Under a heading 'Terms of Retiready Pension', Aegon also informed Mrs T that:

"Following the upgrade, you will remain in the Retiready version of your current fund. You can choose to switch into one of our five Retiready Investment funds..."
11. The letter also referred Mrs T to Aegon's website for further information and access to the Scheme's 2014 Terms and Conditions that were applicable at the time.
12. On 20 November 2015, Aegon sent a reminder letter to Mrs T, (**Upgrade Letter 2**), stating that the upgrade was due for implementation within 21 days.
13. On 18 December 2015, Aegon wrote to Mrs T (**Upgrade Letter 3**), confirming that the upgrade had been implemented and that her benefits fund would be invested in the Scheme's 'Balanced Lifestyle 2021 RR' fund (**the Balanced Lifestyle Fund**).
14. Attached to the letter was a 'confirmation of transfer document', which stated:

"This confirmation of transfer document records the terms that we are using to transfer your plan's terms to a Retiready Pension. Please take time to read it carefully and make sure all of the information is correct..."

15. The confirmation of transfer document also stated that Mrs T would initially be investing in the Balanced Lifestyle Fund. It also confirmed that 1% of Mrs T's fund value would subsequently be moved to the cash facility on the first day of the month following a transfer into a Retiready Pension.
16. In February 2016, Aegon wrote to Mrs T confirming changes to the terms and conditions for Retiready that would be applicable from 1 April 2016 (**the February 2016 Letter**).
17. The letter stated that the minimum amount to be held in the cash facility had changed from 1% to 0.25% of a member's fund value. The letter also quoted Aegon's website address that Mrs T could use to view the updated terms and conditions, and attached to it was a leaflet that stated:

"New clause 4.5 has been added to set out how lifestyle funds work where we have made a lifestyle fund available to your Retiready Pension."
18. On 16 April 2019, Mrs T telephoned Aegon to update her login details for the Portal. During the call Mrs T also asked for confirmation of her fund value and clarification on how she could claim retirement benefits. In response the call handler informed Mrs T that:-
 - Her fund value at the end of 15 April 2019 was £6,188.27 but this figure was not guaranteed as the underlying investments are subject to fluctuations in the stock market.
 - She could elect to either switch funds within the Scheme or transfer to another provider if her existing investment performance was unsatisfactory.
 - Retirement benefits could be claimed as either a one-off lump sum with a 25% tax free portion or through a series of smaller lump sums with any residual benefits remaining invested in the Scheme.
 - Alternatively, she could set up a regular retirement income via an annuity by transferring to another provider.
19. In response Mrs T said that her fund value was small and she did not consider that purchasing an annuity would be appropriate for this reason.
20. On 1 January 2021, Aegon sent Mrs T a benefit statement, (**the January 2021 Statement**). It confirmed that her fund value on 15 December 2020 was £7,375.62 invested as follows:
 - The Balanced Lifestyle Fund £7,357.48
 - Cash £18.14
21. Under a heading 'Review your retirement plans', Aegon said:

“Your circumstances can change, so it’s important to take an active interest in shaping your retirement plans to make sure that they’re still right for you. We recommend that you:

- regularly review your product, investment choices and retirement goals, and
- get advice or guidance about the retirement options available to you...”

22. On 31 January 2021, Aegon wrote to Mrs T confirming that she was approaching her SRD in May 2021 at age 65 (**Wake Up Pack 1**). In this letter Aegon referred Mrs T to the Portal for further information regarding her options and stated:

“Fund value for your pension options

The current value of your [account] is £7,290.80.

The fund value is not guaranteed and the value of the investment could fall as well as rise before the date you take your benefits. You may get back less than you invested.”

23. The letter also included contact details for Pension Wise, a service endorsed by the Government, which offers free and impartial guidance to pension scheme members approaching retirement.

24. On 15 February 2021, Mrs T telephoned Aegon and complained that, since receiving Wake Up Pack 1, her fund value had been decreasing. She requested an explanation for this.

25. On 2 March 2021, Aegon sent Mrs T a retirement quotation which confirmed her fund value as £6,673.12 and set out her options. The letter also included a recommendation for Mrs T to seek financial advice.

26. On 4 March 2021, Aegon emailed Mrs T and said:-

- Fund performance was not guaranteed since investment values in the Scheme could fluctuate either up or down according to movements in the stock market and other external economic factors. The lifestyle strategy she had invested in via the Balanced Lifestyle Fund (**the lifestyle strategy**) provided preparation for paying benefits at her SRD in a two-stage process. An initial ‘Growth Stage’ followed by a ‘Lifestyle Stage’, which sought to provide more certainty regarding the fund value available to purchase an annuity at retirement.
- During the growth Stage of the lifestyle strategy, investments are made solely in Aegon’s Mixed Fund (**the Mixed Fund**). This aims to generate greater returns than the ABI Mixed Investment 40-85% Shares Sector median over the long term. The underlying investments of the Mixed Fund are mainly in UK shares but also in overseas equities, fixed interest securities and cash.
- The Lifestyle Stage of the lifestyle strategy starts six years before the start of the SRD year on the assumption that an annuity would be purchased at retirement.

The process involves progressively moving the investments into Aegon's Long Gilt Fund with the aim of securing the existing pension fund. During the final year before the SRD some of the investments are also switched into Aegon's Cash Fund (**the Cash Fund**) to facilitate payment of the member's 25% maximum tax-free cash pension lump sum entitlement.

- The mix of underlying investments in the lifestyle strategy had gradually changed over the previous few years. On 1 January 2021, it was invested around 75% in the Scheme's Long Gilts Fund (**the Long Gilts Fund**) and 25% in the Cash Fund during the Lifestyle Stage. From 31 December 2020 to 22 February 2021 the Long Gilts Fund produced returns of -10.5%. As she had invested predominantly in this fund via the lifestyle strategy, this performance had an impact on her fund value.
 - The Long Gilts Fund is used in the lifestyle strategy because it tends to have an inverse relationship with annuity rates. This means that when annuity rates lower, the value of investments in the Long Gilts Fund increases. That expectation facilitates the aim of reducing fluctuations in the fund value in the last few years immediately before retirement.
 - The changes that occurred in Mrs T's investments were in accordance with the stated aims and processes of the lifestyle strategy. If Mrs T did not feel that the lifestyle strategy was meeting her investment needs, she should have sought financial advice.
27. On 10 March 2021, Mrs T telephoned Aegon and complained that her benefits had been mismanaged, causing investment loss. So, she wanted the fund value of £7,290.80 quoted on 31 January 2021 to be honoured.
28. On the same day, Mrs T emailed Aegon and attached a retirement claim form to take her benefits as a one-off lump sum. She also complained that:-
- Aegon had written to her on 1 January 2021, 31 January 2021 and 2 March 2021 regarding her retirement. However, none of those letters explained that her investments had moved in accordance with the lifestyle strategy. Those investment changes had caused a reduction in her fund value since 1 January 2021.
 - The lifestyle strategy assumes that an annuity would be purchased at retirement. However, it would have been prudent for Aegon to check on the option she had elected to take at retirement, then leave the investments, if purchasing an annuity was not chosen. Aegon should also have assessed whether it was feasible for her to purchase an annuity, given her relatively low fund value.
29. On 14 March 2021, Aegon sent another wake up pack to Mrs T confirming that she was within 12 months of her SRD (**Wake Up Pack 2**) and reiterated the information regarding the Portal and Pension Wise previously provided in Wake Up Pack 1.

30. On 15 March 2021, Aegon wrote to Mrs T confirming that her full fund value of £6,654.90 had been switched into the Cash Fund.
31. On 17 March 2021, Aegon paid Mrs T's benefits to her as a one-off pension lump sum.
32. On 31 March 2021, Aegon wrote to Mrs T and in response to her complaints of 10 March 2021 and said:-
 - A review of her Benefit Statements established that she had invested in the Balanced Lifestyle Fund since joining the Scheme. The email of 4 March 2021 explained how the lifestyle strategy operates.
 - The value of investments in the Scheme can fall as well as rise. So, her fund value at retirement could legitimately have been lower than the total sum of her investments. There had been no mismanagement of her investments requiring the fund value to be increased.
33. On 3 April 2021, Aegon wrote to Mrs T in response to her telephone call of 15 February 2021 and reiterated the information provided in the email of 4 March 2021 regarding the way in which the lifestyle strategy operates.

Mrs T's position

34. On several occasions before the upgrade, Aegon stated that she could not purchase an annuity due to her relatively small fund value. However, Aegon failed to ask for her preferred retirement option at her SRD so that she could take action to avoid entering the lifestyle strategy which is geared towards purchasing an annuity at retirement.
35. During the telephone call with Aegon on 16 April 2019 she was told that due to having a small fund value, 'it would not be possible to purchase an annuity'. However, the call handler failed to say that the Balanced Lifestyle Fund was unsuited for this purpose.
36. In 2019 she was a higher rate taxpayer with no reason to make a retirement claim, especially since this would have incurred a tax liability of 40% on any pension lump sum over the initial 25% tax free portion. So, she planned to retire at her SRD in 2021.
37. Due to a previous record of steady growth on her investments in the Scheme, she had no reason to doubt that this would continue up to her retirement. Aegon has failed to accept any responsibility for the sudden reduction of around 10% in her pension fund value during a period of approximately six weeks from 1 January 2021, approaching her SRD.
38. She did not invest in the Balanced Lifestyle Fund based on the recommendation of a financial advisor. Pensions providers including Aegon should not expect members to use a financial adviser to secure their benefits. She had trusted the way that such financial services companies are regulated.

39. No leaflet regarding the Balanced Lifestyle Fund or explanation as to how it would work was ever provided with any Annual Benefit Statements that she received in January each year.
40. Wake Up Pack 1 and Wake Up Pack 2 were not personalised to suit her circumstances approaching the SRD. No form was enclosed with either letter setting out the options available at retirement or setting a deadline to decide on payment options. Neither was a link to online instructions on how to proceed prior to retirement provided. Other pension companies have given her greater assistance in that regard.

Aegon's position

41. Retiready was introduced with the aim of improving the service provided to members by giving them greater control over their benefits and reducing the related charges. A review identified some members who may have benefitted from the upgrade. For example, those members with individual pensions or paid-up group pension plans with no active financial adviser details attached to their plan.
42. Upgrade Letter 1, Upgrade Letter 2 and Upgrade Letter 3 were then sent to the members concerned, including Mrs T, setting out the proposed changes following the upgrade. This correspondence also provided an opportunity for Mrs T to opt out of the upgrade.
43. The three previously mentioned letters made it clear that Mrs T would remain invested in the Balanced Lifestyle Fund following the upgrade. Upgrade Letter 1 confirmed the planned changes in detail and encouraged Mrs T to check the Scheme's terms and conditions via Aegon's website.
44. The Scheme's Terms and Conditions of December 2014, that were applicable at the time of the upgrade, did not include an explanation of how lifestyle funds work. However, there was no material change to Mrs T's investments in the Scheme following the upgrade.
45. In February 2016, a letter and leaflet were circulated to members stating that there would be changes to the Scheme's Terms and Conditions from April 2016. These changes included an explanation of lifestyle funds. The 2020 Terms that applied at around the time of Mrs T's SRD also explained the process of gradually moving the underlying investments of a lifestyle fund in accordance with a "glidepath".
46. A member's fund value fluctuates on a daily basis. The value of long gilts reduced between the end of 2020 and February 2021 when Mrs T first noticed a corresponding reduction in the value of her investments. This negatively impacted the fund values of members who had invested in a lifestyle strategy such as the Balance Lifestyle Fund and were close to, or at retirement.
47. Mrs T's investments moved in line with the Balanced Lifestyle Fund's "glidepath" as normal. Mrs T could have switched funds if she was unhappy with that fund's

performance. However, she took no such action. Aegon is not responsible for any investment loss resulting from Mrs T's fund choice.

Adjudicator's Opinion

48. Mrs T's complaint was considered by one of our Adjudicators who concluded that no further action was required by Aegon. The Adjudicator's findings are summarised below:-

- Mrs T has provided no evidence to support her assertion that Aegon said an annuity would not be an appropriate option for her at retirement. Aegon was, in any case, simply required to provide important factual information regarding Mrs T's retirement options and answer the specific enquiries that she raised.
- In the Adjudicator's view there was no requirement for Aegon to ask Mrs T for her retirement option before her SRD or consider her individual circumstances and guide her towards avoiding the Balance Lifestyle Fund. Such guidance would have amounted to financial advice, which Aegon was not authorised to provide.
- During the telephone call on 16 April 2019 Mrs T said that an annuity would not be suitable due to her relatively small fund value. However, by that time the call handler had already quoted Mrs T's other retirement options. The call handler also confirmed that Mrs T's latest fund value of £6,188.27, quoted the previous day, was not guaranteed, since it was subject to fluctuations in the stock market.
- Mrs T was given the option of either switching funds within the Scheme or transferring to another provider if she was unhappy with the performance of her investments at the time. In the Adjudicator's opinion the call handler provided sufficient information in response to the specific enquiries that Mrs T raised. In the Adjudicator's view it was for Mrs T to consider this information and make alternative investment choices if she felt it was necessary. Mrs T could also have sought independent financial advice if she remained unclear on the subject. The 2015 Quotation had previously encouraged her to do so.
- Fluctuations in a member's fund value are an inherent feature of unit-linked pension arrangements such as the Scheme. Past performance provided no guarantee of future growth on such investments. Aegon informed Mrs T that her benefits were invested in the Balanced Lifestyle Fund and stated that her fund value was not guaranteed over a period of several years leading up to her SRD. The January 2021 Statement was particularly clear on this point.
- The February 2016 Letter and the attached leaflet pointed to the Scheme's terms and conditions which clarified the way in which lifestyle strategies including the Balanced Lifestyle Fund operate. Aegon's email of 4 March 2021 adequately explained the reasons for the fund value reduction that Mrs T has referred to, especially in the absence of any evidence to the contrary provided by Mrs T. Further, Mrs T's investments changed over time in accordance with the features of

the lifestyle strategy. So, in the Adjudicator's view Aegon cannot be held responsible for the investment loss that Mrs T has claimed.

- Upgrade Letter 1, Upgrade Letter 2 and Upgrade Letter 3 made it clear that Mrs T would automatically continue to invest in the Balanced Lifestyle Fund following the upgrade, unless she opted out of that process. In the Adjudicator's opinion there is no evidence that Aegon expected members to seek financial advice regarding their investments in the Scheme unless they wished to. Instead, Aegon recommended independent financial advice for Mrs T because investment and retirement options can be complex issues. Mrs T could also have sought free and impartial guidance from Pension Wise as stated in Wake Up Pack 1 and Wake Up Pack 2.
- Mrs T could have contacted Aegon to enquire about the Balanced Lifestyle Fund at any time before reaching her SRD, if she was unsure how it worked. Section 4.5 of the Scheme's terms and conditions also included details of how such lifestyle strategies operate, as confirmed in the February 2016 Letter. That letter also included a link to Aegon's website for Mrs T to use in accessing the information. Aegon cannot be held responsible if Mrs T chose not to make any such enquiries regarding the Balanced Lifestyle Fund.
- Wake Up Pack 1 and Wake Up Pack 2 were only intended to alert Mrs T to the fact that she should be considering her retirement options if she had not already done so. Both letters referred Mrs T to the Portal for further related information. Alternatively, Mrs T could have telephoned Aegon to ask for assistance. In the Adjudicator's view there was no requirement for Aegon to personalise Wake Up Pack 1 and Wake Up Pack 2. It was for Mrs T to consider her own personal circumstances based on all the information and resources provided by Aegon.

49. Aegon accepted the Adjudicator's Opinion, Mrs T did not, and the complaint was passed to me to consider. Mrs T and Aegon provided further comments which do not change the outcome. I agree with the Adjudicator's Opinion and note the additional points raised by Mrs T and Aegon.

Mrs T's additional comments

50. During the telephone call on 16 April 2019 the call handler failed to mention the Balanced Lifestyle Fund and said that Aegon had ceased providing annuities. She had also not received any fund factsheets regarding the Balanced Lifestyle Fund with her annual benefit statements or around the time of the upgrade.
51. There was a further call during which she requested a password reset for the Portal and Aegon said that an annuity would not be an option due to her relatively low fund value.
52. Aegon ought to have made her aware that it had ceased providing annuities at the time the change was implemented, as the Balanced Lifestyle Fund was geared towards purchasing an annuity at retirement.

53. Her Aegon pension did not become due for payment automatically at the SRD; she needed to make a retirement claim to receive the benefits. She would not have known this, had she not telephoned Aegon on 16 April 2019 and received this information.
54. Aegon's retirement process was different to that of two occupational schemes she had retired under. Her Aegon fund value was only around £6,000 and she was unable to consolidate those benefits in either of the two occupational schemes. Aegon ought to have provided better customer service and communications.
55. She decided that it would not be worth making a retirement claim under the Scheme in 2016 since 75% of the benefits would have been taxable at the higher earnings rate of 40%. Instead, she planned to leave the benefits deferred until age 65, due to the state pension not being payable until age 66.
56. She decided not to seek assistance from a financial adviser due to her relatively small fund value, because she does not trust financial advisers, and due to the fees that would have been involved.
57. The investment loss she suffered shortly before her SRD caused distress and inconvenience that has not been recognised by Aegon. She had no clear understanding of what caused that outcome and felt that something "untoward" must have occurred.

Aegon's additional comments

58. Aegon ceased providing annuities in 2016. However, an agreement was reached with Legal & General that it would provide that option to Aegon members with a contractual right to an annuity. Otherwise, those members could apply for an annuity with another pension provider via the open market.
59. On 28 December 2017, Mrs T did make a second call requesting a password reset for the Portal. The call handler also confirmed the process involved in claiming a pension lump sum, and that Mrs T's retirement benefits would not be paid automatically at the SRD. She would need to submit a retirement claim.

Ombudsman's decision

60. Mrs T has complained that Aegon ought to have provided better customer service and communications regarding her investments and retirement options under the Scheme before her SRD.
61. Mrs T submits that during the telephone call on 16 April 2016, the call handler failed to mention the Balanced Lifestyle Fund. Mrs T said she had also not received any fund factsheets regarding the Balanced Lifestyle Fund with her annual benefit statements, or around the time of the upgrade. I note that from the time of joining the Scheme in 2004, Mrs T invested in the Balanced Lifestyle Fund. In 2015, Upgrade Letter 3 confirmed that this would remain the case since Mrs T had elected not to opt

out of the upgrade. So, Mrs T ought to have been aware of this investment and if she was dissatisfied with it, she could have reviewed her options or contacted Aegon for further information.

62. I accept that the call handler did not specifically refer to the Balanced Lifestyle Fund during the telephone call on 16 April 2016. However, the call handler did correctly explain that Mrs T's underlying investments were subject to fluctuations in the stock market, and that the benefits quoted at the time were not guaranteed.
63. Since Mrs T had clearly invested in the Balanced Lifestyle Fund, it was for her to ask for clarification on this point if required. There is no evidence that Mrs T made any such enquiry during the call, or by contacting Aegon at a later date. Mrs T could also have checked for further information via the Portal. I find that there was no requirement for Aegon to provide unsolicited information regarding the Balanced Lifestyle Fund to Mrs T with her annual benefit statements or at any other time.
64. Mrs T contends that Aegon ought to have made her aware that it had ceased providing annuities at the time of the change. Aegon has confirmed that it ceased providing annuities in 2016. However, Aegon did make provision for members, including Mrs T, who had a contractual right to purchase an annuity at retirement, to do so via Legal & General. Alternatively, Mrs T could have applied for an annuity via another pension provider. I find that there was no requirement for Aegon to confirm that it had ceased offering its own annuity policy. There is also no evidence that Aegon told Mrs T an annuity would not be appropriate in her case.
65. Mrs T submits that she decided not to make a retirement claim in 2016 for tax reasons. Instead, she planned to leave the benefits under the Scheme deferred until age 65 in 2021. I consider that this shows Mrs T had sufficient time to make any enquiries or investment changes she required before reaching the SRD. This point is especially pertinent since Mrs T also said that Aegon's retirement process is different to that of the two occupational schemes she had previously retired under. I find that it was for Mrs T to consider these issues and take appropriate action to resolve any concerns she may have had before the SRD. There was no requirement for Aegon to consider Mrs T's personal circumstances and advise her accordingly.
66. Further, Aegon sent Wake Up Pack 1 to Mrs T on 31 January 2021, several months before her SRD. It was intended to remind Mrs T that she should consider her retirement options. The letter also confirmed that her fund value was not guaranteed, that further retirement information was available via the Portal, and that she could obtain free guidance via Pension Wise. Wake Up Pack 2, which was sent to Mrs T on 14 March 2021, then reiterated the details regarding the Portal and Pension Wise. I find that Wake Up Pack 1 and Wake Up Pack 2 included sufficient information that ought to have alerted Mrs T to consider reviewing her investments and retirement options under the Scheme prior to her SRD.
67. Mrs T has also complained that the perceived investment loss she suffered shortly before her SRD caused distress and inconvenience that has not been recognised by

Aegon. I note that Mrs T's fund value was not guaranteed and Aegon informed her of this on numerous occasions before her SRD. I appreciate that the drop in value was unfortunate, however this did not result from Aegon providing poor customer service or communications regarding her investments and retirement options under the Scheme. I do not find that Aegon committed any maladministration. I sympathise with the frustration, distress and inconvenience which Mrs T has undoubtedly suffered, and may have been caused, in part, by not properly considering the warning that investments fluctuate, and unfortunately, they dipped at the time when Mrs T was considering retirement.

68. I do not uphold Mrs T's complaint.

Anthony Arter CBE

Deputy Pensions Ombudsman
19 December 2023