

## Ombudsman's Determination

Applicant	Mr R
Scheme	Lloyds Bank "Your Tomorrow" Pension Scheme ( <b>the Scheme</b> )
Respondent	Lloyds Banking Group Trustees ( <b>the Trustee</b> )

## Outcome

1. I do not uphold Mr R's complaint and no further action is required by the Trustee.

## Complaint summary

2. Mr R's complaint concerns the transfer of his invested benefits within the Scheme from a global equity fund to a mixed investment fund (where both of which were component parts of different, default lifestyling arrangements).

## Background information, including submissions from the parties.

3. The sequence of events is not in dispute, so I have only set out the key points. I acknowledge there were other exchanges of information between all the parties.
4. Mr R is a member of the Scheme, which is a defined contribution occupational pension scheme.
5. Mr R joined the Scheme when he started employment with Lloyds Bank. His targeted retirement date was set for when he reached age 62.
6. In January 2016, Mr R's retirement account was held in the Scheme's default option, then known as 'Flexicycle'. This was a lifestyling arrangement that made changes to its composition of underlying investments depending on the amount of time before the member's target retirement date. Specifically, Flexicycle provided that 10 years before the target retirement date the composition of funds would move over time to 'less risky' options – in this case shifting from a global equities fund to the 'Your Destination' and the 'Your Destination Cash' funds. For Mr R's target retirement date, that shift would have started to happen in October 2018.

7. Mr R contacted the Scheme administrator and asked how he could stop this automatic switching of the funds as he was happy that the Scheme was 100% invested in the global equity fund.
8. Mr R was informed how the switching would work and when it would take place under the existing, Flexicycle arrangement. He was also provided with an investment options form and guide, should he wish to make changes.
9. In 2017, following a review, the Trustee updated the investment options available to its members and changed some of the Funds available for investment.
10. In November 2017, the Trustee wrote to Mr R and other members of the Scheme to explain that it was making changes to the investments available to them and directed them to its website where it could obtain more information and where the changes could be reviewed in detail. The Trustee also explained that members did not need to do anything unless they wished to change where their investments were held.
11. The Trustee further explained that investments in the current default lifestyling investment arrangement would, unless the member made an active choice otherwise, move to a new default lifestyle option (known as 'LifePlan A3'). It went on to explain that the growth element of this option was comprised of a combination of the global equity fund and a mixed investment fund.
12. As I mention, the letter also pointed to the Scheme's website, where a member could find out further details about the changes it was making to the available investments. This included further detail regarding the new LifePlan A3 option, which made it clear that the growth element was the "*Global Equity Fund moving to Mixed Investment Fund (between 30 and 20 years from retirement)*". Ten years before the target retirement date, the underlying funds would then move to a combination of the mixed investment fund, together with the 'Annuity Focus Fund' and the 'Cash Fund'.
13. Importantly, the letter set out that if a member wanted to change his investment fund or strategy, they would need to instruct the Scheme administrator of that change before 5pm on 19 January 2018.
14. Mr R says he read this letter but did not take any action.
15. On 8 February 2018, Mr R's retirement account was moved into LifePlan A3. In accordance with the composition of that arrangement, and the age of Mr R at the time, the underlying fund was switched from the global equity fund into the mixed investment fund.
16. In April 2018, the Trustee sent Mr R a further letter to confirm that the investment changes were now complete, and Mr R was now in the new LifePlan A3 default lifestyling investment arrangement.
17. On 26 July 2018, Mr R contacted the Scheme administrator by telephone. He was told that his pension had been 100% invested in the mixed investment fund. Mr R was unhappy as this was a significantly different investment to the global equity fund.

18. On 28 August 2018, Mr R moved his investments in the Scheme into the 'North American Fund'.
19. In October 2018, the Scheme administrator explained to Mr R that he had been invested in the global equity fund by default under the previous Flexicycle option. This was not by choice so the switch to the mixed investment fund was correct as this was the new default fund under the new LifePlan A3 investment strategy.
20. Consequently, there was no requirement to pay any redress because the investments had been switched in keeping with the notification provided in the letter sent in November 2017, and had not been switched in error.
21. Mr R subsequently complained to the Trustee, and then to the Pensions Ombudsman after completing the Scheme's Internal Dispute Resolution Procedure.

### **Adjudicator's Opinion**

22. Mr R's complaint was considered by one of our Adjudicators who concluded that no further action was required by the Trustee. The Adjudicator's findings are summarised below.
23. Key information had been sent by the Trustee which Mr R acknowledges he received. This information demonstrated that it had the power to make the changes which form the basis of the complaint.
24. The Adjudicator shared an extract from the Scheme's governing rules, the December 2012 Your Tomorrow Rules, with Mr R and highlighted that rule 4.4 permits the Trustee to carry out investment changes at any time, so long as Lloyds TSB (**LTSB**), the employer, is consulted:

"The Trustee may at any time, after consulting LTSB, change the investment options available under Your Tomorrow. In particular, the Trustee may also, after consulting LTSB, withdraw any option at any time for amounts already allocated to Retirement Accounts as well as for amounts to be allocated in future. In particular, the Trustee may also, after consulting LTSB, withdraw any option at any time for amounts already allocated to funds within the Scheme as well as for amounts to be allocated in future".
25. The Adjudicator also informed Mr R that in order to uphold this complaint, there would have to be a finding of maladministration against the Scheme administrator or Trustee.
26. In Mr R's case, the Trustee has the power to make decisions about the Scheme on behalf of members. In this case changing the Funds in which a member's investments are held.
27. The November 2017 letter explained that all LifePlan A3 options would be moved to one new option which invested in a combination of the Global Equity Fund and Mixed

Investment Fund before switching into other funds ten years from retirement. Mr R was also sent a letter in early April 2018 to confirm that the investment changes were now complete.

28. Mr R therefore had the opportunity to make changes to the makeup of his investments both before and after the changes took place between January 2018 and March 2018.
29. There was no record of Mr R making any request to change his investments before the changes took place. It was only in August 2018 when he asked to change from the default investment arrangements in the LifePlan A3 to the North America Equity Fund.
30. It seemed to the Adjudicator that the matters Mr R was complaining about, namely the communications that the Trustee sent to him about the change to his investments, and the further referral to its website, would not amount to maladministration. It followed that there can be no loss as a result.
31. The Adjudicator acknowledged that Mr R was originally informed that he would be provided with redress for any loss. However, it seemed that Mr R's investments were placed in the correct funds, which is to say, where he would have expected them to be after the notified changes took place. Consequently, the Adjudicator could find no maladministration on the part of the Trustee, and there was no requirement for it to pay any redress.
32. The Adjudicator agreed that it might have been good practice to have provided Mr R and the other members with tailored communications about any changes but there was no requirement for the Trustee to do so and failure to provide this would not amount to maladministration.
33. It was therefore the view of the Adjudicator that the complaint would not be upheld.
34. Mr R did not accept the findings and the complaint was passed to me to consider. Mr R has provided his further comments, which do not change the outcome.
35. Mr R rejected the Adjudicator's findings as he says they ignored the fact that his investments were switched into "safer" funds more than ten years before his planned retirement age of 62, contrary to his investment strategy.
36. Mr R does not feel that the change in available investment funds was adequately communicated, and that the Trustee therefore acted too quickly in switching his investments, resulting in a material loss. He is also unhappy that he was initially offered redress, but the offer was later withdrawn.

## **Ombudsman's decision**

37. Mr R has complained that his investment in the global equity fund was moved without his consent or knowledge to a new mixed investment fund. He argues that he has suffered a direct financial loss as a consequence.
38. Rule 4.4 of the December 2012 Your Tomorrow Rules makes it clear that the Trustee had absolute discretion as to what underlying investments it made available to its members. As is normal, and indeed necessary from time to time, the Trustee reviewed the investments it made available to members, including to its default lifestyle arrangements, and decided to make changes. It did so in accordance with the Rules of the Scheme and so the change of underlying investment is not maladministration.
39. I have also considered whether Mr R was suitably informed in advance of the change to his investment choices. I note that Mr R was notified of the changes in November 2017 and then in early April 2018 to inform him the change had been made. I find that the November 2017 letter provided sufficient information for Mr R to be able to ascertain what changes would be made to the way in which his retirement account would be invested and, furthermore, afforded him an opportunity to make his own changes to the investments prior to the automatic switch. Mr R read that letter. Mr R was therefore suitably informed and had sufficient time to take any steps that he deemed reasonable to mitigate his perceived loss.
40. However, it was not until 16 August 2018 that he sought to make amendments and transferred his investments from the Mixed Investment Fund to the North America Equity Fund.
41. Although I note the additional points raised by Mr R, I agree with the Adjudicator's Opinion that the way in which the Trustee communicated the changes would not amount to maladministration.
42. In addition, it would not have been reasonable, given the number of the members in the Scheme, to have expected the Trustee to have individually tailored all the communications to each individual members particular circumstances.
43. It is also important to note that the Trustee was not required to provide such a bespoke notification. In this case I consider the information provided in November 2017 and early April 2018 to be sufficient.
44. I understand that the Scheme administrator originally suggested, on a telephone call, that Mr R may be compensated. I gather this statement was made on the basis of a misunderstanding that Mr R had made an active choice to invest in the global equity fund, and his move into the mixed investment fund had therefore been in error. It of course transpired that Mr R had not made an active 'self select' decision, but was in fact in the default, lifestyle arrangement. As a result, the switch had happened properly and, when this was ascertained, the suggestion that redress would be made for any loss suffered was withdrawn. For the reasons given above, I agree that Mr R

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has not suffered loss as a result of maladministration, and so there is no need for the Trustee to offer redress.

45. I am informed that the Trustee has offered Mr R £500 to reflect that it would have been better not to have raised his expectations that he would be provided with redress for his claimed losses, before any detailed assessment had taken place. However, I do not find that the circumstances that statement was made amounted to maladministration on the part of the Trustee, and so I will not make a direction on that point.

46. Therefore, I do not uphold Mr R's complaint.

**Dominic Harris**  
Pensions Ombudsman  
21 April 2023

## **Appendix I**

### **The December 2012 Your Tomorrow Rules**

#### 4.4 Investment options

Members may choose to link the value of their Retirement Accounts to one or more investment options offered by the Trustee from time to time. The Trustee will adjust the value of each Member's Retirement Account in line with changes in the value of the investment option to which the Retirement Account is linked. The Trustee will consult LTSB before selecting such investment options.

If the Trustee allows, Members may switch between the available investment options offered by the Trustee. Switching may apply to amounts already allocated to Retirement Accounts as well as for amounts to be allocated in future. Switching will be subject to any restrictions or conditions that the Trustee, with the consent of LTSB, may impose from time to time.

The Trustee may at any time, after consulting LTSB, change the investment options available under Your Tomorrow. In particular, the Trustee may also, after consulting LTSB, withdraw any option at any time for amounts already allocated to Retirement Accounts as well as for amounts to be allocated in future. If the Trustee withdraws an investment option it may (but is not obliged to) permit Members to choose a replacement from the options offered by the Trustee. If the Trustee does not permit Members to do so (or if any Members do not make a choice), the Trustee will choose the investment options or funds to which the relevant Members' Retirement Accounts will be linked.

The Trustee will not be liable for any loss arising from a choice of any investment option. The requirements in this Rule for the Trustee to consult LTSB as to the available options will not apply if the Trustee considers that complying with this requirement will be prejudicial to Members' interests.