

## The complaint

Mr and Mrs W complain how ReAssure Limited (ReAssure) administered their reviewable whole of life (RWOL) policy.

## What happened

Mrs W took out a solely held RWOL policy in April 1992 which provided her with life cover of £150,000 for a monthly premium of £25.75. She recalls the reason to take out this policy was to provide an inheritance to her children. Indexation applied to the policy which meant those values could increase to keep pace with inflation – reaching a monthly premium of £65.08 for a sum assured of £379,056.

This policy was originally provided by another firm ReAssure has since taken over. For ease I'll refer to the actions of that firm as if they were ReAssure's given it's responsible for the actions of that firm in relation to this policy. The policy was sold through an independent broker and so ReAssure isn't responsible to Mr and Mrs W for how it was sold.

In 2012 Mrs W decided to add Mr W to the policy, seemingly at no change to the premium or sum assured. The indexation was also cancelled by Mrs W around this time as she was satisfied with policy continuing at the levels it provided for the premium due.

On 12 March 2022, ReAssure wrote to Mrs W to explain it had reviewed her policy, finding that the premium wasn't enough to maintain the sum assured. It set out a number of options to her which were to reduce the sum assured, increase the premium, replace it with a different type of life cover, or cancel it.

In response to that letter, Mr and Mrs W complained to ReAssure about the changes it was proposing to their policy. Their recollections were that they had been told the policy was guaranteed at the levels they'd been up until now and so didn't know the policy could change in the manner ReAssure was proposing. Because of that they thought ReAssure should either honour the policy at the current levels or refund their premiums paid to date.

ReAssure considered their complaint but didn't agree it should be upheld. It explained its role and responsibilities to Mr and Mrs W were providing and administering the cover, and not how it was sold where that was carried out by another firm. It explained the policy had been reviewable from the outset but that reviews had been missed with the first of these taking place in 2022. As it had taken over this policy the only review it could reconstruct was the review which ought to have taken place in 2017. And unlike the 2022 review, it said the policy would've passed the 2017 review with no recommendations to alter the policy. While it didn't think it needed to compensate Mr and Mrs W as it wasn't likely they would've made change to the policy, it agreed it had provided poor service by failing to provide the earlier reviews. To compensate Mr and Mrs W for the service provided it offered them £100 and sent them a cheque for that amount. As Mr and Mrs W didn't accept the offer the cheque expired.

Mr and Mrs W didn't think ReAssure fairly answered their complaint and asked our service to look into what happened. One of our Investigators considered the complaint and thought the

offer should be increased to £350 to better reflect the impact that review letter had on them when it wasn't expected. But she didn't think ReAssure needed to do anything more around the policy itself. She explained this was because while the firm ought to have earlier communicated the significant changes the policy likely needed in the future to sustain itself in the longer term, she wasn't persuaded Mr and Mrs W would've done anything differently had clearer information been given earlier.

ReAssure agreed with those findings. Mr and Mrs W didn't, explaining that they wouldn't have taken out the policy had they known these changes would be needed, and would've invested instead in investment and savings products to meet their objectives of providing a future inheritance.

One of our Senior Investigators provided some additional reasoning around parts of the complaint. In particular that we couldn't consider the sale, that the original terms explained the reviewable nature of the policy, and even if incorrect information was given about the policy in 2012 during a call with the firm we wouldn't be able to, in their circumstances, ask the firm to reconstruct the policy as that would reflect a position they would've never been in anyway.

As an agreement wasn't reached Mr and Mrs W's complaint was passed to me to decide.

### **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.

I appreciate Mr and Mrs W's patience while our service has been looking into the issues they complained of more widely, which has led to the time they've had to wait for a decision in this matter. But having carried out my own independent review of it, I've reached the same outcome as our Investigator did. I recognise my decision will come as a disappointment for Mr and Mrs W as I can't give them the outcome they were hoping for. I'll explain why I've reached the conclusions I have.

The type of policy Mr and Mrs W took out was a RWOL policy. These policies tend to work by using the premium to pay for life cover and to use what's left over to build an investment pot to be drawn from when the premium can no longer sustain the cost of life cover alone, which increases with age. Overtime the aim is that the investment pot grows enough to cover the additional life costs into the long term, ideally for the rest of the policyholder's life. But when it can't, which can occur when the cost of life cover increases above the premium, changes may be required to sustain the policy. Reviews are carried out at set intervals to see how the policy is performing and where change is needed, the firm would usually recommend increasing the premiums or reducing the level of cover provided.

As has already been explained to Mr and Mrs W, ReAssure didn't sell this policy to them and so it isn't responsible how it was sold. I can't then comment on how the sale was carried out or how the policy was explained to them by that firm when they bought it.

I have however considered how the policy was portrayed to Mr and Mrs W by ReAssure in its product literature. ReAssure has provided what it says is the terms and conditions from the time. It's undated but given the type of policy, "Freedom", is titled in this document and matches the other product documentation available, as well as the documents appearance being older looking, I think it's likely to be at least indicative of the terms in place and likely provided to Mr and Mrs W at the time they took out their policy.

Importantly this says at clause 20 that the policy is reviewable and explains when reviews will be carried out and what the impact of those can be. This says that ReAssure will assess

the value of the invested element of the policy and if future premiums won't be sufficient to cover the policy charges, which would include the costs of life cover which increase over time, it can make changes to the premium or the sum assured. It explained the first review is due on the tenth anniversary of this policy and every five years until the age of 75 when the reviews become annual.

Given that ReAssure in my view then has demonstrated on balance Mr and Mrs W were told the policy was reviewable, and that it had done so in a clear, fair and not misleading manner. It follows that it wouldn't be acting unfairly by reviewing the premium it was charging Mr and Mrs W once that initial 10 year period had passed.

But to apply that fairly, ReAssure would've needed to present information about the policy in those reviews to Mr and Mrs W in a clear, fair and not misleading way. I say this because in meeting the regulator's requirements around this firms needed to ensure that they provide policyholders with sufficient information for them to be able to make an informed decision about what changes to make on their policy, and how this might affect it in the future, before it's too late for them to do anything about it.

In Mr and Mrs W's circumstances their policy was supposed to be reviewed, up until the complaint was raised, in 2002, 2007, 2012, 2017 and 2022. However, of those expected reviews only the review in 2022 went ahead.

I'm satisfied from reading the 2022 review letter that ReAssure had presented the information it needed to in a clear, fair and not misleading manner. I say this because enough information was provided to show the policy wasn't able to sustain itself into the future. And that for the policy to be able to do so, ReAssure set out clearly that changes would be needed to either reduce the sum assured or increase the premium and had forecasted the impact of those changes far into the future. As opposed to only assessing whether the policy will make it to the next five year review. I'm satisfied then ReAssure had set out both the changes needed and the extent that would be required, and those would likely be significant, to allow them to make an informed choice about what to do with their policy. As Mr and Mrs W didn't accept any of the options, ReAssure applied the default option of reducing the sum assured from £379,056 to £205,453.

As there were no reviews prior to this, I can't fairly say ReAssure provided them with clear information about their policy and the potential changes that might be needed in the future. I think there was an imbalance of knowledge between ReAssure and Mr and Mrs W around how significant the changes would likely be in the future to sustain this policy. Given ReAssure's position in the market and information from its own customer base for these policies, I think it would be reasonable to say ReAssure ought to have known the likely extent of increases that might be needed in the future, to either the sums assured or the premiums that would need to be charged, and that these would soon become significant.

I've thought then about when ReAssure ought to have known the policy would require significant change and to have communicated that to Mr and Mrs W. ReAssure has provided information about the costs of the life cover and the premiums Mr and Mrs W paid. This information is useful to understand when the "tipping point" of this policy likely was, that being when the cost of the life cover exceeds the premium. This shows against the premiums Mr and Mrs W would pay over a year of £780.96 the point at which the cost of cover exceeded their premium was around the time the 2017 review ought to have taken place, as the life cover costs the prior year were £972.96.

This is an important moment in the policy as this is when the difference between the premium and costs of life cover would be paid from the investment element of the policy. This would be important information to Mr and Mrs W for them to be able to make an

informed decision at the earliest opportunity about what changes, if any, to make to their policy.

ReAssure say the policy would've been able to sustain itself from the 2017 review until the next review in 2022. I think it's likely given what I've said above that ReAssure ought to have reasonably known a significant change to the premium or sum assured would be needed in to go beyond this. I say this because I think given the rate at which its life costs were increasing in prior years against the premium Mr and Mrs W were paying, and the value of the investment pot, would likely suggest significant change was required at an early stage. In my view to meet its obligations around this I think then it ought to have from the 2017 review given warning or communication to Mr and Mrs W about the likely extent of changes being needed into the future to sustain the policy to allow them to decide whether to continue with the cover, make changes at this earliest stage or to look at alternative cover.

I've considered what would've most likely have happened had Mr and Mrs W been given that information clearly. In doing so I've taken into account the cash value of the policy in 2017, why Mr and Mrs W continued to hold this policy and alternative options available to them.

And having done so, I think it's likely had the 2017 review gone ahead they would've continued with the policy on the reduced sum assured as they would still likely see the value in it compared to the other options that would've likely been available to them.

I say this because the policy in 2017 was worth £5,793.50 and would likely have been forecasted to last at a sum assured that would meet Mr and Mrs W's needs still for many years, given in 2022 it could still offer a sum assured of over £200,000. The policy would then still provide a relatively high level of cover for the premium. Given they wanted a way of leaving an inheritance, the policy would still offer an amount that would meet those needs at a relatively low cost for the foreseeable future.

I understand Mr and Mrs W feel they could've taken that cash value and invested elsewhere but it's unlikely they would've reached the level of returns on that to meet those needs. I say this because the amount they would've had to invest had they cashed in their policy in 2017 was relatively low compared to the benefits the policy could likely provide over time. Simply put, I don't think the growth they could earn on this money had it been invested differently would likely have been a realistic replacement for their policy. As far as alternative life products, by not providing clear information ReAssure has prevented them from being able to encash and shop around for alternative cover in 2017. But given the cost of life cover increases with age, I think it's unlikely they would've found a similar level of cover, which their inheritance gifting needs would suggest is what they would've needed, at a much cheaper price. In my view they wouldn't be to avoid the premiums would still increase over the time and their need for a policy that could cover them for life.

I also think it's unlikely they would've reduced the sum assured earlier given they wanted to leave a legacy to their children in the event of their passing and likely would've still seen value in the sum assured that could still be offered at that time for the premium being paid. Nor do I think it likely they would've increased the premium when they didn't do so following the 2022 review.

On balance then for the reasons I've given above I think the most likely outcome had Mr and Mrs W been given clearer information about the future prospects of their policy in 2017 would've been to maintain the policy as it was. It follows then I won't be directing ReAssure to do anything differently around how it administered the policy itself.

Mr and Mrs W have commented that the performance of the investment element has been poor. It's important to note over the time Mr and Mrs W have had this policy there have been

several significant negative market events, from the “dot-com” bubble, to the financial crisis of 2008 to more recently wars and the pandemic. That along with the deductions from the investment pot to pay the difference between the premium and life cover costs since 2017 more likely, in my view, explain why the investment pot hasn’t been able to sustain the policy for as long as Mr and Mrs W would’ve liked it to.

I also agree with our Senior Investigator’s explanation to Mr and Mrs W about their recollection of being told in a phone call in 2012 about the policy being guaranteed at the level it was at the time. Due to the passage of time that phone call isn’t available so I can’t know what was said or make inferences against ReAssure because it can’t provide it. But even if incorrect information was given during the life of the policy, that wouldn’t mean I could require ReAssure to reconstruct the policy on the basis of the information they were told about it in any such calls. As to do so would be to putting them in a position that wasn’t available to them as the policy was already in place on terms that had been explained to them when they took it out.

ReAssure doesn’t dispute it made mistakes by not carrying out the reviews which ought to have gone ahead. Understandably by not doing that Mr and Mrs W were surprised and shocked by the changes they were told they need to make when they received the review letter. I think ReAssure caused that impact by not following the review pattern that ought to have gone ahead which may have better managed Mr and Mrs W’s expectations about their policy. While in my view, for the reasons explained above, I don’t think they likely would’ve made any changes to their policy, ReAssure has caused them distress in the way it administered the review process. And like our Investigator, I think £350, including anything ReAssure has already paid, fairly reflects the trouble caused to them.

My understanding is that ReAssure sent Mr and Mrs W a cheque but this wasn’t cashed before it expired and so remains unpaid. To settle this complaint then given what I’ve said above, I direct ReAssure Limited to pay Mr and Mrs W £350, less anything it has already paid them in this matter.

### **My final decision**

My final decision is that ReAssure Limited must settle Mr and Mrs W’s complaint as I’ve set out above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr W and Mrs W to accept or reject my decision before 26 November 2025.

Ken Roberts

**Ombudsman**