

The complaint

Mr and Mrs R complain ReAssure Limited mis-sold them a whole of life policy. They are unhappy that the cover on the policy has been reduced as they were led to believe it would provide them with a guaranteed amount.

What happened

In September 1995, Mr and Mrs R were sold a reviewable whole of life policy by Legal & General (but ReAssure are now responsible for the sale). Initially, the policy provided life cover of £69,120 for a monthly premium of £20.

Policy reviews were carried out in 2005, 2010 and 2015, the outcome of both was that no changes were needed to the policy and the cover continued at the original level.

A review was carried out in September 2020 and this showed that the monthly premium of £20 was no longer enough to support the level of life cover. Mr and Mrs R were given options to either increase the premium or reduce the level of cover. The cover was reduced as the default option.

Initially this review communication wasn't received, so ReAssure reissued the review letter. When Mr and Mrs R found out the cover had been reduced, they raised a complaint. They were unhappy about being told the sum assured had gone down as they were led to believe during the sale the policy provided a guaranteed level of cover.

ReAssure responded to the complaint. It didn't uphold it. It set out the history of the policy and the reviews carried out. It again provided details of Mr and Mrs R's options with regards to the future of the policy following the failed review and said as it didn't receive a reply it reduced the cover provided.

Mr and Mrs R referred their complaint to this service for an independent review. They said they took out the policy as they were told it would provide a guaranteed level of cover. They rejected a cheaper term assurance policy and chose the more expensive option as they needed the security of a guarantee of the sum assured. They said they weren't aware the policy reviews could lead to a reduced sum assured.

In May 2021, ReAssure issued a further complaint response to Mr and Mrs R, focusing on the sale of the policy. In summary it said:

- At the time the plan was sold they were both aged 27 and employed. They were married and interested in family protection following the birth of their son. The advisor recommended this policy for £20 per month as it provided over £69,000 of life cover for a minimum of 10 years.
- These types of policy are typically recommended for long term family protection, this was suitable based on the stated objective at the time of sale.
- The sales paperwork provided explained that the policy guarantees the benefits for 10 years, after this the policy reviews would determine if the plan needed to increase in premium or reduce the sum assured to maintain the plan for a longer term.

One of our investigators looked into the complaint, she didn't uphold it. In summary she said:

- In respect of information given at the reviews, she noted ReAssure hasn't been able to show any of the review communications prior to 2020, so she can't say it met its regulatory obligations and standards of good practice until 2020.
- But she didn't think this information failing would have led Mr and Mrs R to take any different action with the policy. Mr and Mrs R explained it was important to them to have life cover in place for family protection, for the whole of their lives. So, on balance, even if ReAssure met their obligations sooner, she wasn't persuaded Mr and Mrs R would have done anything differently.
- She didn't find the policy was mis-sold. She was satisfied Mr and Mrs R were given information at the time of sale about the possibility of reviews and the possibility of changes being made to the policy.

Mr and Mrs R didn't agree and asked for an ombudsman to reach a decision on the complaint. In summary they said as soon as the situation was pointed out clearly by ReAssure, they immediately complained. So, they would always have cancelled this policy if the terms were explicitly explained to them at the time of the sale. They are of the opinion that they would never have taken the policy out in the first place if it had been fully explained with all risks detailed, not just a paragraph within the policy document.

One of our investigators provided further reasons to explain why she didn't think the complaint about the sale of the policy should be upheld.

In summary she said:

- The cost of the policy at the time of sale appears affordable, and they have maintained this over the years.
- While Mr and Mrs R maintain that they were led to believe the policy provided a guaranteed level of cover for life, the plan document clearly explains that the cover is guaranteed until the first review. It says this will take place after 10 years, when the premium is likely to substantially increase.
- The advice to take a policy to provide cover for family protection was suitable for them. ReAssure has considered Mr and Mrs R's objectives and financial circumstances and its recommendations fits within those.

This further clarification didn't resolve the matter for Mr and Mrs R. They maintain they were mis-led when they were sold the policy as they were told that it was for whole of life, with no changes to the sum assured or the premiums paid during their lifetime.

As no resolution could be reached, the complaint has been passed to me to reach a decision.

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.

Mis-sale

I've first considered Mr and Mrs R's concerns about the sale of the policy as this appears to be at the crux of their complaint. They have been clear they were led to believe the policy was guaranteed to provide the initial level of cover for life, and were unaware of the possibility of reviews leading to changes being made to the amount of cover.

The policy was taken out following advice received from a representative of Legal & General (who ReAssure are now responsible for). There is limited evidence from the time of sale, but I have reviewed the documents available - including the application form, illustration and key features document.

Firstly, I've looked at whether the policy was suitable for them at the time it was sold. In their complaint submissions Mr and Mrs R provided details of their circumstances and needs at the time. They confirmed the reason for taking the policy was to provide cover for their family in the event of death. They also said they were looking for whole of life cover rather than cheaper cover through a term assurance (which would only last for a specified term). I haven't been provided with much detail about their income and outgoings at the time, but I haven't seen anything to suggest the premium was unaffordable and it has been maintained.

Having considered the available evidence, I'm satisfied the policy was a suitable recommendation to meet Mr and Mrs R's needs and aims at the time.

But the main reason Mr and Mrs R think the policy was mis-sold is because they say they weren't told that the policy premium could change, or the level of cover reduced. As referred to above they say they were led to believe the cover was guaranteed for the whole of their life, and when they discovered at the 2020 review changes were needed, they raised a complaint.

Although there is limited sales information, I don't find this completely surprising considering the advice was provided around 30 years ago. But there is some evidence to suggest that information about potential changes was given to Mr and Mrs R as part of the advice process. I note the illustration that was provided before taking out the policy confirms: *"The level of life cover is the maximum allowed for the plan. It is guaranteed until the first review, which will take place after 10 years, when the premium is likely to substantially increase."*

I also note the key features document explains the plan reviews – including that the cover selected is only guaranteed to be payable until the first review (after 10 years) – and that reviews take place regularly to ensure the premium is sufficient for the level of cover chosen. Conversely, I haven't seen anything that would indicate the premium and sum assured were guaranteed to stay the same for the whole of the life of the policy.

I understand Mr and Mrs R don't recall being given this information. But I don't think the balance of evidence supports that they were given misleading information about the possibility of reviews or that any guarantees were given about the level of cover.

So in conclusion, I haven't found that the policy was mis-sold to Mr and Mrs R. I understand they are disappointed that the policy hasn't performed as they expected but I haven't seen this as a result of a failing in the sales process.

Reviews

I've gone on to consider the issues relating to the reviews that have taken place on the policy. ReAssure hasn't been able to provide any evidence of reviews being carried out before the 2020 review. But it has indicated that there were scheduled reviews before this but they passed, and the 2020 review was the first failed review.

In making this decision, I've taken into account the following standards:

- The FCA's Principles for Businesses, in particular Principle 6 and Principle 7;
- The FCA's Conduct of Business Sourcebook (COBS), in particular COBS 2.1.1R(1) and COBS 4.2.1R(1)

- The FCA's Final guidance on the "Fair treatment of long-standing customers in the life insurance sector" (FG16/8).

With these standards in mind, I think that ReAssure ought to have provided Mr and Mrs R with clear, fair and not misleading information about the policy. What I've drawn from the guidance is that their communications to Mr and Mrs R should have included key details about the policy such as its performance, the value of its underlying fund and any fees and charges that had been applied. And they should have provided this information within a reasonable time frame and at the very latest, within 12 months of the point in time the costs of the policy overtook the premiums being paid in.

This policy was scheduled for its first review, 10 years after commencement, in 2005, and then regularly after that (every five years). So, the policy should have next been reviewed in 2010 and then again in 2015. As ReAssure hasn't provided details of the communication it sent at these earlier reviews, it hasn't been able to show how it met its obligations in terms of information up to this point.

From the 2020 review communication I've seen, it did provide detailed information about the performance of the policy. This made clear the policy had failed a review and options were given to reduce the cover and keep the premium the same, increase the premium so the original level of cover could be maintained, or to surrender the policy with a warning that you would give up the guaranteed level of cover of £8,820. It also provided information about the future of the policy including the impact of not making changes on the sum assured, and what the premium could increase to if Mr and Mrs R wanted to maintain the original level of cover. But in giving this amount of information, this was the point at which Mr and Mrs R complained.

As previously noted, ReAssure hasn't been able to provide any information relating to the earlier reviews, so I can't be sure that it did meet all of Mr and Mrs R's information needs. This is particularly relevant as it has provided information to indicate the point at which the cost of providing the life cover had exceeded the premium being paid on this policy was potentially as early as 2014. Although the cost did fall below the premium shortly afterwards and it is from 2016 that it has consistently exceeded the premiums being paid.

Despite my concerns that ReAssure has failed to show it provided sufficient information to Mr and Mrs R as part of the earlier reviews, I don't think providing clear information sooner would have led them to taking different action. I'll explain why.

Mr and Mrs R's submissions indicate they valued the life cover and still wanted it when they understood it would provide the original amount they applied for. So, it does appear they wanted and needed cover throughout the time they held the policy, and they were happy to pay the initial premium of £20 per month for the original level of cover. The point at which that changed was when they were told at the 2020 review, the premium could no longer maintain the cover. They didn't agree to increase their premium at this point and instead complained about the sale. I also note they didn't seek to surrender the policy either at this point

So, if they were given the clear information at the 2015 review about the cost of the policy and potential future need for changes, I think it most likely they would have decided to keep the premiums at the original level when the original cover was still available, rather than take different action. It doesn't seem they wanted to contribute anything more to the policy above the £20 premium they first agreed to. And while the same cover was still being provided, I'm not persuaded that they would have sought to surrender the policy sooner. So, taking this all into account, I don't think it's likely Mr and Mrs R would have made any changes to the policy or surrendered it even if they had been provided with sufficient information earlier.

So, despite my concerns that ReAssure hasn't demonstrated how it met its obligations, I haven't found reason to say it needs to do anything further.
Your text here

My final decision

For the reasons provided, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R and Mr R to accept or reject my decision before 6 November 2025.

Daniel Little
Ombudsman