

The complaint

Mr M complains about Aviva Life & Pensions UK Limited. He's unhappy with the outcome of the 2021 policy review on a reviewable whole of life (RWOL) policy he holds with them.

What happened

Mr M took out the policy in 1991 and it initially provided a sum assured of £60,000 for monthly premiums of £17. The sum assured and premiums increased over time and by 2021 he was paying monthly premiums of £38.69 for a sum assured of £100,000.

The outcome of the 2021 policy review gave a few different options, but in summary, for the sum assured to remain at £100,000, the premiums would need to increase to a minimum of £70.66. Alternatively, if the premiums weren't increased, the sum assured would reduce to at least £73,427.

Mr M complained to Aviva about the outcome of the review, but they didn't uphold his complaint. They wrote to him and explained that the policy had failed the review because under their assumptions, it wasn't projected to have a positive fund value by the time of the next review in 2026.

This was because the costs of providing cover had increased over time and were higher than the premiums being paid. This meant the policy's underlying fund was being used to offset the difference and if it continued at the same rate, the fund would run out. Therefore, in order to continue providing benefits, the policy would have to be amended. They didn't think they'd acted unfairly as the changes they'd proposed were allowed under the policy's terms and conditions.

Mr M didn't accept their findings and asked for our help with the matter. The complaint was considered by one of our investigators who didn't think it should be upheld. She thought that the changes required by the 2021 review had come about because the cost of providing cover had increased over time. But she thought that Aviva had given Mr M sufficient information from 2011 onwards about the potential changes that might be required in the future. Therefore, she didn't think they hadn't met their regulatory requirements or that they'd treated Mr M unfairly.

Mr M didn't agree with the investigator's findings and made the following points, in summary:

- The policy had been administered by several firms since he took it out. But all of them, including Aviva, had said that there would be no changes to the policy's terms and conditions. And there wouldn't be any changes to the benefits because of the transfers.
- He'd increased the policy's sum assured to £100,000 and premiums to £39.68 in 2006 and documentation from the time had stated that contributions would be for life.
- The 2021 review didn't reflect Aviva's earlier statement that there would be no changes to the policy term or benefits. He was now concerned that he had no

guarantees around what the final sum assured would be or that the policy would return more than the premiums that he'd paid in.

The investigator wasn't persuaded to change her opinion, so the complaint has been 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.

Having done so, I don't think this complaint should be upheld and I will now explain why. I've carefully thought about the points Mr M has raised. In my opinion, the crux of this complaint is whether Aviva were within their rights to review the policy and make changes to either the sum assured or monthly premiums. In order for me to uphold this complaint, I need to see that their actions weren't in line with how the policy was supposed to operate, or that they treated Mr M unfairly.

I've reflected on Mr M's submissions, including the documentation he's highlighted from 2006 which said *"Basic monthly contribution: £38.69 throughout life"*

I appreciate that he strongly believes the sum assured and premiums were guaranteed for life. But one document cannot be considered in isolation. It is important to consider all the available documentation, including the policy's terms and conditions, in order to determine if Aviva have treated him unfairly by reviewing the policy.

With that in mind, I've looked at the content of the policy booklet from the time the policy was taken out. I've summarised the key points relating to reviews below:

- *The policy terms shall be reviewed by the Actuary on the first policy review date shown in the schedule and on every fifth anniversary thereafter.*
- *If at any such review date the Actuary considers that the accumulated unit value is not sufficient to support the mortality charges up to the next review date, assuming all renewal contributions due during that period are paid, then the sum assured will be reduced.*
- *If the sum assured has been reduced to an amount determined by the Actuary, then the Life Assured may request to alter the policy so that the previous sum assured is reinstated, and the renewal contribution is increased to a level that the Actuary deems to be sufficient to support the monthly mortality charges under the policy until the next such review date.*

In my opinion, this clearly shows that the policy wasn't guaranteed and instead was reviewable. And at each review, changes could be made to either the sum assured or monthly premiums. I also haven't seen any guarantees that the policy would return more than the premiums that were paid into it.

The main reason for the changes, as the investigator noted, was because of the increased costs of the policy. The costs of the policy weren't a fixed sum and would increase as the life assured gets older, but this was how the policy is designed to operate.

At the start of the policy's lifecycle, the premiums being paid are higher than the cost of cover. Any residual funds left after the cost of cover is deducted from the premiums is used to build up an investment pot. As the life assured gets older, the costs of the policy increase and can exceed the premium being paid, but this can be offset by using the funds in the investment pot.

Firms will carry out reviews to ensure that the policy can continue to provide the chosen level of cover. They will look at a number of different factors such as the size of the investment pot, current mortality rates and investment performance. If they decide the policy isn't sustainable at its current premium, the policyholder will usually be offered the option of reducing the sum assured or increasing the premium. This will ensure that investment pot doesn't run out and is able to continue to sustain the policy for life.

At the 2021 review, Aviva determined that Mr M's policy wasn't sustainable on its current terms. This was because at the time, the policy had an investment pot worth around £1,700, but the charges were around £57 against premiums of £38.69. Aviva's assumptions about the policy showed that the investment pot wouldn't be able to last up to the point when Mr M was expected to pass away.

This was because, as I've previously noted, the cost of providing cover would continue to increase over time and would deplete the investment pot before Mr M was expected to pass away. Therefore, this is why they proposed the changes that they did. By reducing the sum assured or increasing the policy's premiums, there would be excess funds left over each month. These excess funds would be used to top up the policy's investment pot which would then help to sustain the policy over time. I don't think this was unreasonable, and taking everything into account, I'm satisfied that Aviva didn't act unfairly and were within their rights to review the policy in 2021 and propose the changes that they did.

The next point I've considered is if Aviva gave Mr M sufficient warning about the changes that the policy might need in the future. This is because in order to meet the regulator's requirements, firms need to ensure that they provide policyholders with enough information to enable them to make an informed decision about their options for the future.

I don't think Aviva provided Mr M with all the information they should have done. I haven't seen that they ever provided him with costs of the policy, which was a key piece of information, especially from the point where they overtook the premiums being paid in 2012. They also didn't provide details of how long the policy was expected to last on its current terms. But as the investigator noted, Aviva have been providing Mr M with some information and a variety of options in their review letters.

For example, the review letters from 2011 onwards explained that while the existing level of premiums would be sufficient to maintain the policy until the next review date, premium increases would be required in the future. But Mr M could make the changes detailed below which were likely to sustain the policy throughout life:

- The 2011 review said that premiums of £170.24 or a reduction in sum assured to £31,238 would be sufficient to maintain the policy for life.
- The 2016 review said that premiums of £238.66 or a reduction in sum assured to £22,603 would be sufficient to maintain the policy for life.

Having considered the level of information that Aviva provided to Mr M, I think they gave him enough information to show that his premiums and sum assured weren't guaranteed and also indicated the level of changes that might be required in the future – which were significant. Mr M didn't take any action after receiving this information, so I don't think that he would have taken a different course of action even if he had received information about the specific level of charges or a projection of how long the policy was expected to last on its current terms.

Therefore, having considered everything, I don't think this complaint should be upheld. I appreciate this will come as a disappointment to Mr M, but I hope he can understand the

reasons why I've come to this conclusion.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 1 October 2025.

Marc Purnell
Ombudsman