

The complaint

Mr and Mrs G complain about a reviewable whole of life (RWOL) policy they hold with Aviva Life & Pensions UK Limited. They're unhappy that it has lapsed.

What happened

Mr and Mrs G have held the RWOL policy since 1997. It was subject to regular reviews and following the 2017 review, Aviva wrote to them and said that if they didn't increase their monthly premiums, then the policy was likely to lapse within the next five years. They then wrote to Mr and Mrs G in November 2020 explaining that the policy would stop from 1 December 2020.

Mrs G contacted Aviva as she was unhappy and was told that Aviva would look into the matter and get back in touch with her. Aviva have said they were unable to contact Mrs G by telephone and eventually sent her their final response letter (FRL) in December 2020. They didn't uphold her complaint as they felt their review had been carried out in line with the policy's terms and conditions. They noted that Mrs G had complained about the review outcome in 2017 and at the time, they'd explained why reviews were carried out.

Mrs G didn't accept Aviva's 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. In summary, she was of the opinion that Aviva had told Mr and Mrs G in 2017 that the policy was going to lapse unless its premiums were increased. And despite this, they hadn't increased the premiums.

Mrs G didn't agree with the investigator's opinion and asked for an Ombudsman to review the case, so it 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 go on to explain why. I'd firstly like to apologise to Mr and Mrs G for the length of time it has taken to provide them with an answer to their complaint, and I appreciate their patience.

Turning back to the complaint, I fully appreciate Mr and Mrs G's disappointment with the fact that the policy has lapsed. I note their comments; especially around how important the policy was to them and also that its premiums had been automatically increased in the past when required.

I'd like to address the point about the previous automatic increases. There are two scenarios where the policy's premiums can be increased. The first is the annual indexation reviews and the second is the policy reviews. The annual indexation reviews are where the policy's sum assured and premiums increase in line with the Retail Price Index. The premiums are increased automatically and confirmation of this process is contained within the yearly

indexation letters.

For example the 2018 indexation letter said:

“On 1st July 2018 the sum assureds for life cover and critical illness and the premium will increase by 3.30% in line with the Retail Price Index. The terms in the policy schedule will change to:-

Life Cover Sum Assured - £89181 Critical Illness Sum Assured - £89181

Premium Payable £39.32 payable monthly from 1st July 2018.....

.....An Advance Notice of the revised payments to be collected by Direct Debit will be sent to you shortly. If you do not currently pay by this method, please telephone our Customer Service department on 0345 304 0401, so that they can send you the appropriate forms.”

The policy reviews are a separate process and focus on whether or not the premiums being paid can support the policy's sum assured until the next review date. If an increase in premiums is required, the policyholder must confirm that they accept the increase before any amendments are made.

I appreciate why Mr and Mrs G would think that the premiums would be increased automatically but I think that the review letters are clear around what needs to be done in order for premiums to be increased. The 2017 policy review letter said:

“Please let us know how you wish to proceed by completing the enclosed decision form and returning it. If we do not hear from you within the next two weeks we will assume that you do not want to increase the premium to guarantee the level of cover. Consequently, as previously explained, we would then expect the policy to lapse without value during the next five years and for no benefits to be payable from the policy after it has lapsed.”

In my opinion, it is clear that no action needed to be taken for the premium increase due to the indexation review. However, the opposite was true for the premium increase due to the policy review. I think the policy review letter was clear that the decision form needed to be returned if Mr and Mrs G wanted to increase their premiums. And crucially, it also explained what would happen if they didn't respond.

There was also further confirmation in another letter Aviva sent Mr and Mrs G in 2017 which said that as they hadn't responded to the review letter, it was expected that their policy would lapse without value within the next five years. So, taking all this into account, I don't think I can fairly say that Aviva didn't let Mr and Mrs G know that the policy would lapse unless they increased their premiums.

I've then considered if it was fair for Aviva to let the policy lapse. I will recap how RWOL policies generally work in practice. The cost of providing cover isn't a fixed amount and will instead increase over time as the lives assured get older. At the outset, when charges are relatively low, the difference between the premiums being paid and the charges results in an investment pot being built up. As the lives assured get older, the cost of providing cover increases and can exceed the premiums being paid in, but this can be offset by selling the accrued funds, or the return from the investment pot.

Businesses will undertake 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 consumer will usually be offered the option of

increasing the premium.

This is what happened at the 2017 policy review, Aviva's assumptions were that the policy was unsustainable on its current terms, so the premiums needed to be increased. At the time, the policy's underlying investment pot was valued at £902.85, its charges were around £55 per month, and the monthly premiums were £36.79. The charges of the policy would continue to increase over time, so unless the return on the investment pot was consistently at a significant level, the policy would run out of money before the next review point.

This is why Aviva asked Mr and Mrs G to increase their monthly premiums. I don't think this was an unreasonable course of action and was allowed under the policy's terms and conditions. From what I've seen, Mr and Mrs G were aware of the changes that needed to be made in 2017, given that they complained about it at the time, but they chose not to take any action.

Taking all this into account, I don't think Aviva treated Mr and Mrs G unfairly by undertaking the review and proposing the changes that they did. Mr and Mrs G didn't increase their premium, so their policy lapsed. As Aviva warned them that this was the expected outcome, I don't think I can uphold this complaint.

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 G and Mrs G to accept or reject my decision before 2 September 2025.

Marc Purnell
Ombudsman