

The complaint

Mr and Mrs W complain that ReAssure Life Limited (ReAssure) unfairly administered their reviewable whole of life assurance (RWOL) policy, in particular the changes required to maintain it and how that was set out to them.

What happened

Mr and Mrs W took out a RWOL policy in April 1996. On inception the policy provided £120,000 of cover in return for a monthly premium of £115.68. Initially the policy cover and premium would increase annually with inflation before this feature was cancelled by Mr and Mrs W in 2009. ReAssure wasn't the original policy provider and took over the business of the firm who originally provided it to Mr and Mrs W. For ease I'll refer to ReAssure when discussing any actions of any prior provider of this policy.

A change was first made to the policy in 2009 and was then reviewed annually from at least 2016 up until 2021, after which Mr and Mrs W surrendered the policy to receive its cash value. In each of the reviews from 2016 Mr and Mrs W were informed that the review had 'failed' because their policy wasn't going to be able to sustain itself for the long term. ReAssure explained in review letters sent to Mr and Mrs W for their policy to continue for the longer term they would need to make changes to either the premium or sum assured.

ReAssure say as no changes were instructed the premium and sum assured remained the same during that period. This led to, following the 2021 review, ReAssure explaining to Mr and Mrs W that to maintain the current sum assured their premium would have to increase from £250 to £673.48. In response to this letter Mr and Mrs W told ReAssure they were expecting the policy to last longer at their current premium and sum assured. They said this was because the projections ReAssure had given them in prior years, which they now considered to have been misleading, failed to meet the time given and fell disproportionately year after year.

ReAssure considered what Mr and Mrs W said as a complaint but didn't think it should be upheld. It said this was because:

- Mr and Mrs W were told from the outset the amount of cover and the monthly premiums were only guaranteed for 10 years.
- After this it would depend on the performance of the underlying investment and changes in the cost of cover, which increased over time with age.
- They were given the opportunity to alter the cover at each review but chose not to.
- It operated the policy in line with its terms and conditions.

Mr and Mrs W didn't agree with the outcome ReAssure reached and referred their complaint to our service to consider. One of our Investigators reviewed the matter but also didn't think the complaint should be upheld. In setting out his findings he explained this was because:

- Information was given about the policy deductions at the time of sale.
- While the reviews since 2018 met what he'd expect to see, those before 2018 didn't. He said this was because those earlier reviews hadn't provided enough information about the extent of the changes the policy might need in future years.
- But he didn't think Mr and Mrs W, where they hadn't taken any action when receiving the reviews which had been sufficiently clear, would've taken any action in response to those failed reviews if they'd been given more information.

Responding to our Investigator Mr and Mrs W said they didn't agree with the conclusion they wouldn't have taken any action if the earlier reviews had been clearer. And, reiterated that the cover reduced more dramatically than had been set out in the review letters.

As an agreement wasn't reached the 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.

Having done so while I appreciate Mr and Mrs W's strength of feeling about what's happened to their policy and their feelings about the information ReAssure had given them about it, I won't be upholding their complaint

Relevant considerations

In reaching my decision, I've given consideration to the following:

- 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).

A key feature of Mr and Mrs W's policy is that in the early years the amount required to cover the life cover is much lower than it will become in later life. The part of the premium leftover once the life cover has been paid for is invested with the aim to grow that amount to offset or supplement the cost of life cover, which increases as the policyholder gets older.

Over time the cost of the life cover can exceed the premium being paid with the remainder being drawn from the investment side of the policy. If that continues the policy will reach a point where the premiums being paid and the value of the underlying investment can no longer continue to pay the cost of the life cover beyond the short to medium term. To improve the prospects of the policy being able to last longer, there can be a need to increase the premium or reduce the sum assured under the policy, which can be significantly different. This can lead to several poor outcomes for the consumer as the policy can end up with little to no surrender value, become too expensive or reduces the level of cover to a point where it no longer meets the needs it was taken out for.

The impact of such sudden and significant changes needing to be made to the premium or sum assured would lead to a review 'failing'. When that happens, the impact can be

mitigated by the consumer making, or agreeing to, an adjustment to the policy. The earlier these changes are made the less likely a review will fail in the future or reduce the extent of any future changes needed to sustain the policy.

At each review a consumer will be given options for the actions to take on their policy, which tends to include increasing the premium, reducing the sum assured, surrendering the policy or take no action. This allows the opportunity for the consumer to set the premium to a more sustainable level to maintain the cover, or reduce the sum assured if they don't value the increase or it would be unaffordable for them. Alternatively, if the consumer no longer sees value in continuing to hold the policy they may choose to encash the remaining fund value left in it. In other cases, they may decide that it's worth keeping the policy on its current terms up to the point it fails another review or lapses due to it no longer being able to meet the cost of life cover.

The decision on what action to take is a key event in the life of a policy like this. These are important and difficult decisions, which become more difficult the longer the consumer has been paying into it and the options to mitigate poor outcomes diminish. It is in the consumer's best interest then to make these key decisions at the earlier stages of the policy's life.

In order for them to do so in an informed way, firms need to provide consumers with the information to do so in a clear, fair and not misleading way.

Mr and Mrs W's increasing life cover changes and the reviews of their policy

The historic costs of the life cover I've been provided with for Mr and Mrs W's policy shows it's likely the cost of life cover began to exceed the premiums being paid during 2011. As I've said above, once that tipping point is reached units would've been sold within the investment fund to cover the remaining cost and where the premium is being fully utilised for the life cover there wouldn't be any further contributions to the investment side of the policy. This tipping point in these circumstances then was reached in 2011, around five years before the first review I've seen evidence of which took place in 2016.

By the 2016 review Mr and Mrs W had been informed they needed to start taking action to sustain their policy over the longer term. The outcome of this review was the premium they were paying may only be sufficient to support the policy for another four years. It invited Mr and Mrs W to either reduce the sum assured or increase their premium to support it for a further five years. At this time, they were paying a monthly premium of £250 when the life cover costs for them combined were around £400 each month. The investment fund value was £13,603.22 and so with the level of life cover costing £400, and continuing to increase, against a premium of £250 and the fund value being what it was, the policy was then likely only sustainable for around the period ReAssure estimated then – around four years.

The impact then of the cost of life cover was having on the premium and underlying fund was significant, eroding the available funds available to support the life costs in the future. That isn't to say ReAssure had done anything wrong by this happening or wasn't in line with the product or the likely terms for it, the fund was designed to work in this way.

What should ReAssure have told Mr and Mrs W?

Taking into account the regulatory obligations I have set out above (PRIN) and what I consider to be standards of good industry practice at the time (including the regulator's views as expressed in FG16/8), and in any event what I consider to have been fair and reasonable in the circumstances, I'm satisfied that ReAssure should have taken steps to ensure it communicated information to enable Mr and Mrs W to assess the impact the increasing life

cover costs had on their policy. And to present the options available to them in a clear, fair and not misleading way.

This needed to include the risks, costs and benefits associated with those options, as well as giving them clear timelines for making decisions when needed.

In my opinion, ReAssure would need to do this within 12 months of the tipping point at which life cover exceeded the premiums to allow Mr and Mrs W enough time to act early to mitigate poor future outcomes for them. Which as I've mentioned above I think occurred during 2011.

By providing Mr and Mrs W with clear information about the costs and giving them clear information to compare that against the premiums they were paying, ReAssure would've been acting consistently with the guidance at FG16/8 that provides *"regular communications" with customers – and to ensure that, in their communications, that "firms [include] sufficient and clearly explained details regarding the performance of the product, its value and the impact of fees and charges"*. Such communications also needed to specifically set out the *"value of any premiums paid in over that period"*, and *"charges incurred over the period in monetary figures"*, including *"major components and the charge to the customer for benefits such as life cover and guarantees"*.

What information was given to Mr and Mrs W?

The first review I've seen evidence of outside of this took place in 2016. Although an adjustment was made in 2009 given the content of letters from then, the premium being sufficient to cover the life costs and the auto-increase feature being cancelled at this time, I think that adjustment was prompted by Mr and Mrs W wanting to set the premium at £250 following auto-increases to previous years. Rather than ReAssure informing them about a failed policy review.

The letter sent at the 2016 review, which is the same sent in the 2017 review, in my view didn't provide Mr and Mrs W with the clear information it needed to. Those letters did provide some basic information about the policy including what they would have to increase the premium or reduce the sum assured to in order to keep the policy in place for another five years, which wasn't guaranteed, and how long it may last if they took no action. But importantly there was no information in these about the premium they were currently paying, what they were paying for the life cover and the likely impact this may have on their policy in the future. They couldn't have known then what further significant changes might be needed in the future based on the decisions they made in response to that review. Without that information I can't fairly say they would've understood how large the shortfall was and how it would likely increase in the future as the cost of the life cover continued to increase as they grew older.

It follows then in my view I don't think ReAssure's letters in 2016 and 2017 gave Mr and Mrs W enough clear information for them to have made an informed choice about what changes, if any, to make on their policy, or whether to encash it.

However, later reviews ReAssure sent Mr and Mrs W did provide the clear information I would expect it to give them. I'm satisfied the reviews from 2018 onwards told Mr and Mrs W exactly what the costs were and how they related with the monthly premium, the options available to them and illustrations of the impact changes to the policy could have on future changes that may be needed to sustain it. It had also been highlighted to them in these review letters that *"If you need the cover to last for a long time, it is likely to be more cost-effective to make a change now which could support your cover for longer, rather than make the minimum change every five years."* Also in this review is a table showing the premium increases ReAssure had forecasted for their policy. This shows significant increases at each

five year interval, starting at the current premium of £250, increasing to £736.59 in May 2022 and then increasing at around 35% to 45% from each further five year review period – reaching £3,059.28 each month by the age of 78.

Mr and Mrs W from 2018 onwards then, in my view, would've been aware the cost of cover was significantly more than the premiums paid in the previous year, and the extent future changes might be. While these were only forecasts, they were a strong indication of what might happen in the future and the need to make changes now to increase its future sustainability, if choosing to keep the policy. This along with what they were told in 2016 about the need for changes to their policy was a clear demonstration that significant changes would be needed in the future to maintain the policy if they wanted it to last for life.

ReAssure say until the 2021 review Mr and Mrs W didn't respond to indicate the option they wanted to take. Nor have I seen any evidence any such selection was made or indicated. If there was a selection it's likely that was to maintain the sum assured at £272,277 and the monthly premium at £250 given the policy remained at those levels at each review.

Mr and Mrs W had then in my view seen clear, fair and not misleading information about the significant changes needed to maintain it at that time, and the future impact of those, in 2018, 2019 and 2020, and importantly took no action.

When deciding then on the balance of probabilities what action I think Mr and Mrs W would've likely taken had they received clearer information when they ought to have annually from around 2012 onwards, I'm not persuaded they would've taken a different decision to leaving the policy as it was. I say this because when they received that information in a clear, fair and not misleading manner they took no action leaving the policy to continue on the current terms for as long as that would last. I've also considered that when they did take an action on their policy, as they did in 2009, that was to set their monthly premium to £250 and made no changes to it afterwards. And in ensuring it remained at that level they asked ReAssure to remove the auto-increase feature of their policy. In my view then I think it's likely they saw value in their policy providing the level of cover it was in return for the monthly premium they were willing to pay, knowing this wouldn't last for more than around five years, with them only surrendering it once ReAssure had to reduce the sum assured. I'm not persuaded then they wouldn't have made any changes to it had information in the earlier reviews been clear.

I understand Mr and Mrs W feel the information in the reviews from 2019 to 2021 hadn't been clear around how long changes to their policy would last. But I'm not persuaded those were unclear, they in my view are fairly set out as being the firm's expectations rather than a guarantee on how long this would last. These letters also made it reasonably clear that the time the policy may last was dependent on factors such as the performance of the underlying investment and to the extent the cost of life cover increases. The estimates given reduced in the following years were mostly likely reduced due to the impact of those factors, which is what it told Mr and Mrs W may happen. I appreciate they may have made their decision on keeping the policy at the levels it was based on how they understood the information ReAssure gave them about how long it thought their cover might last. But as I'm satisfied that had been set out clearly to them I can't fairly say Mr and Mrs W was led to a different decision because of unclear or unfair information ReAssure provided them with.

It follows then while ReAssure didn't always provide clear, fair and not misleading information about the policy to allow Mr and Mrs W to make an informed decision. But if had provided sufficient information at that time, I'm not persuaded Mr and Mrs W wouldn't have taken any different action on their policy.

Mr and Mrs W questioned the fees deducted from this policy. As I've said above those were largely the costs of life cover with some other smaller deductions for the management of the underlying investment fund and costs to administer the policy. So, while Mr and Mrs W aren't wrong that the impact of charges has reduced the duration the policy could cover them, I've not seen ReAssure applied those costs unfairly.

For the reasons given above while I acknowledge my decision will be disappointing for Mr and Mrs W, I won't be upholding their complaint.

My final decision

I don't uphold Mr and Mrs W's complaint.

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 2 October 2025.

Ken Roberts
Ombudsman