

## The complaint

Mrs M, as trustee of the C Trust, complains about how Zurich Assurance Ltd have administered a whole of life policy the trust held. She's unhappy that the policy has lapsed and thinks Zurich didn't provide the trust with sufficient information prior to this happening.

## What happened

The trust held the policy for a number of years. Mrs M's late father, Mr C, was the life assured and was the person who was mainly responsible for day to day running of the policy. In 2010, because the annual premium payment wasn't made, the policy was moved in the Sum Assured Continuation (SAC) Facility. This meant that the policy was made paid up and no more premium payments would be taken, instead the policy would be funded by using the value within its underlying fund.

In May 2021, Zurich wrote to Mr C and said that the value within the fund had been exhausted so the SAC facility had come to an end, essentially meaning that the policy had lapsed. Unfortunately, Mr C passed away in July 2021. Mrs M subsequently complained to Zurich about the service they'd provided. Her main concern, in summary, was that Zurich hadn't provided much in the way of detailed information about the policy over the years. This meant the trust hadn't been aware of escalating yearly charges and their impact on the fund value.

Zurich looked into her concerns but didn't uphold the complaint. They explained that while the policy was in the SAC facility, the level of cover remained in place, but units would be deducted from its underlying fund each month to cover the cost of the cover. Because of this, there was always a possibility that the fund would reduce to zero at some point.

They apologised if Mrs M felt that the information they'd provided hadn't been sufficient. But they noted that each year they'd written to Mr C and provided information about the value of the policy's underlying fund. They also said that they'd provided contact details and would have been happy to provide further information, including projections about how long the policy would last, if requested. They also explained the different factors which caused the fund to depreciate more rapidly as the life assured got older.

Mrs M didn't accept Zurich'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. She thought that Zurich had made the trust aware in 2010 that life cover would only be maintained until the cash value of the plan reaches zero.

She didn't think there was a requirement for Zurich to provide projections about how long the policy would last once it went into the SAC facility. She noted that even if projections had been provided, Zurich wouldn't have been able to guarantee how long the cover would last as the value of the policy was linked to investment performance.

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

- She appreciated that the charges had been increasing over time, but there hadn't

been anything to suggest that a fund valued at over £16,000 at the start of 2020 would've been exhausted within two years.

- If the pros and cons of leaving the policy in the SAC facility in 2010 had been properly explained, then a different decision might have been made and the policy surrendered at the time when the fund was worth over £48,000.
- Zurich hadn't made any allowances for the fact they were dealing with an elderly and potentially vulnerable client. She didn't think Zurich had adhered to the FCA's principles around treating their customers fairly and communicating with them in a way which was clear, fair and not misleading.

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 fully appreciate how disappointed Mrs M must be with how quickly the policy lost its value. I'd like to reassure her that I've carefully considered all the comments and the evidence she's provided.

I've firstly thought about the period when the policy first entered the SAC facility. At the time Zurich sent Mr C a letter saying that life cover would be maintained until the cash value of the policy reduced to zero. This was allowed under the policy's terms and conditions, so I don't think Zurich acted unfairly by moving the policy in the SAC facility. I'm also satisfied that they made Mr C aware of what would eventually happen to the policy – it would end when the value of the underlying fund ran out.

I appreciate that Mrs M thinks that there should have been more of a discussion around the pros and cons of leaving the policy in the SAC facility, but there wasn't a requirement for Zurich to do this. I think the two options were clear, either take the policy's surrender value at the time or leave it to run until the value was exhausted. Taking all this into account, I don't think Zurich acted inappropriately by not having more of a discussion around the impact of moving the policy into the SAC facility.

However, as Mrs M has pointed out, Zurich had a requirement to provide the trustees with clear, fair and not misleading information about the policy. I've therefore considered the level of information that Zurich provided each year.

From what I've seen they were sending annual statements which gave the value and unit holding of the policy's underlying fund. The table below shows the policy's value over time:

<b>Date</b>	<b>Value</b>	<b>Unit Price</b>
01-Nov-09	£44,016.77	£0.738
01-Nov-10	£46,390.62	£0.831
01-Nov-11	£43,739.38	£0.838
01-Nov-12	£42,231.10	£0.902
01-Nov-13	£43,980.46	£1.028
01-Nov-14	£41,113.03	£1.066

01-Nov-13	£38,360.28	£1.123
01-Nov-16	£36,788.37	£1.264
01-Nov-17	£33,444.61	£1.383
01-Nov-18	£23,330.40	£1.373
01-Nov-19	£17,214.66	£1.434
01-Nov-20	£4,020.18	£1.381

What it shows is how the depreciation in value fluctuated and eventually escalated over time. In November 2017 the policy was worth over £33,000 but by November 2018 it had fallen to c.£23,000 and by November 2019 it had fallen further to c.£17,000. I've reviewed the annual statements that were being sent to Mr C around this time. They contained a warning that said:

*“The charges we take each month for the insurance cover are based on the difference between the cash value at the time and the level of cover provided by your plan. The cost of providing the insurance cover is being met by cancelling units from your plan. This reduces the cash value and over time the cash value will reduce to zero at which point your insurance cover will end. We cannot say when this will be as it depends on investment performance which cannot be guaranteed. There is a risk that if investment returns are poor, cover will end sooner than you hoped.”*

There was also an invitation to contact Zurich if there were any questions about the policy.

The format of the statement changed in 2020, and the January 2020 statement Mr C received contained the following warning:

***“You're not currently making payments***

*This means the payments to maintain your cover are being taken from your plan value by cancelling units. Over time this will reduce the cash value to zero at which point your cover will end. We can't say when this will happen as it depends on how the fund performs, if investment returns are poor, your cover will end sooner than you hoped, if you no longer need the cover, you can surrender your plan at any time and we will pay the current value.”*

Having considered the information that Zurich provided to Mr C when the policy first moved into the SAC facility and in the annual statements, it's clear that he was told that the value of the policy would run out at some point. Being aware of this, I think the decrease in value from 2017 onwards should have put him on notice that the value of the policy would run out within a few years.

I think that a fall in value of over £10,000 when previous reductions had never been more than £3,000 should have caused concern. But I note that he didn't take any action, such as contacting Zurich, even when the reductions over the next few years were also significant.

So, even if I were to say that Zurich ought to have provided more information in their communications, such as a projection of when the fund might run out or annual charges, it is debatable whether Mr C would have taken a different course of action. If he didn't take any action when the policy lost half its value in two years, it doesn't seem likely that he would have taken any action if Zurich had provided further information.

It's also important to note that any forecast Zurich provided would have been based on their assumptions that the fund's unit values would grow over time. But in reality, this wouldn't always be the case. The table shows that the large falls in the policy's value were in years where the unit value decreased – 2018 and 2020. So even if a forecast had been provided, it

wouldn't have predicted years where the unit value fell. Therefore, it wouldn't have accurately given the date when the fund value would be exhausted, only an estimation which would likely have shown that the policy would last beyond 2021. Taking this into account, I remain of the opinion that Mr C wouldn't have taken a different course of action if Zurich had provided further information.

I also appreciate Mrs M's points relating to her late father's age and potential vulnerabilities. But I don't think that Zurich ought to have treated him differently simply because of his age. They weren't made aware of any vulnerabilities or additional needs, so I don't think they've acted inappropriately by communicating with Mr C in the way that they did.

I accept that it must have been very upsetting to find out that the policy had lapsed. But from what I've seen, Zurich made it clear that this would happen. The statements Zurich sent each year showed that the value was reducing year on year, and from 2017 onwards the reductions were significant but no action was taken. Taking all this into account, I don't 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 Mrs M as trustee of the C Trust to accept or reject my decision before 28 October 2025.

Marc Purnell  
**Ombudsman**