

The complaint

Mrs H complains that Phoenix Life Limited (Phoenix) failed to properly administer her reviewable whole of life assurance (RWOL) policies.

What happened

Mrs H took out four RWOL policies which provided life and critical illness cover across 1993, 1994, 1995 and 1996 through an independent adviser and were provided by a different firm. These policies were managed separately until 2019 when Phoenix appears to have dealt with them together.

These policies were originally provided and administered by another firm with Phoenix more recently taking over these policies and the responsibilities of administering them. As Phoenix are now the product provider for these policies and for ease, I'll refer to the actions of the previous product provider as if they were Phoenix's. In a similar manner I'll refer to the actions of Mrs H's representative as if they were hers.

As these policies were 'reviewable', Phoenix wrote to Mrs H to provide her with the outcome of the regular reviews of her policy. On many of these occasions these policies 'failed' their reviews, which meant the monthly premium was no longer sufficient to sustain the policy's benefits. Phoenix then wrote to Mrs H to ask that she either increase their premium or to reduce the benefits of the policy. But as Phoenix didn't receive a response from Mrs H, the benefits of her policy were reduced.

Phoenix however had been writing to a different address which meant Mrs H hadn't received the letters it had sent her. Once the address had been updated Mrs H was concerned about the levels of cover and surrender value of her policies as they were lower than she was expecting, and that her surname had been spelt incorrectly when Phoenix updated it.

Dissatisfied with Phoenix's actions and communications around those matters, Mrs H complained to the firm saying that it had failed to communicate with her which had resulted in the reduction of her policy benefits, of poor administration and a lack of service, which included the issues around her address and name.

Phoenix considered the complaint and upheld it in part. It said there had been some errors on the policy reviews sent in 2021 and 2022 and acknowledged there had been long wait times for its call centre and it failed to properly update her name when instructed. To apologise for those matters, it offered her £250.

As Mrs H didn't think that fairly resolved her complaint she asked our service to look into what happened further. One of our Investigators looked into the matter and reached a different outcome to Phoenix.

He thought Phoenix was responsible for Mrs H not receiving the review letters and that had she received those then she would've accepted the premium increases. He recommended then that Phoenix reconstruct the policy based on those premiums having been accepted. He also concluded that Phoenix's offer of £250 didn't fairly reflect the inconvenience caused

to Mrs H by the service Phoenix had provided her during its communications in recent times, which included the issues she experienced around her name and address. He instead recommended £350.

Phoenix accepted those findings while Mrs H had further concerns. She explained she was concerned how Phoenix would communicate with her further following the UK's separation from the EU. She also thought a refund of all premiums paid since Phoenix took over her policies would be a fairer resolution to the matter.

Our Investigator didn't agree and also explained that Phoenix had confirmed it could service arrangements entered into before the UK left the EU, which it had written to her about as well.

As an agreement wasn't reached, Mrs H's 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.

Firstly, I'd like to apologise for the time it has taken to determine this complaint. Our service had to spend time developing our approach to complaints that involve aspects relating to RWOL policy reviews following an increase in complaints made about them. Since the complaint was passed to me, I wanted to see further information on a number of occasions which included actuarial information about Mrs H's policy, which usually takes firms a while to produce.

Having reviewed the matter, I've reached the same outcome our Investigator did and for largely the same reasons. In explaining my decision I'll deal with the policy review and service aspects separately below.

Administration of Mrs H's policy

Phoenix hasn't been able to explain why it had Mrs H's address recorded incorrectly. But I'm satisfied it caused that issue given Mrs H has provided evidence of a letter from 2005 and 2006 from the previous product provider to the address she resides now, and no evidence has been provided to demonstrate Mrs H instructed any different.

After Mrs H asked Phoenix to correct her address, it wrote to her on 11 December 2021 to confirm it had done so. I'm satisfied overall while Phoenix was responsible for the address being incorrect in the first place, it updated its records within a reasonable period of being aware the address it held being incorrect.

On 27 November 2021, Mrs H wrote to Phoenix to update her surname following her marriage. It wrote to Mrs H's representative to acknowledge it received the request. Unfortunately, the address change letter, and a response to a request about the policy details, had been sent before her name had been updated which led to the address change letter being addressed to Mrs H under her previous name.

On 2 February 2022, Phoenix wrote to Mrs H to confirm it had changed her name and marital status but had recorded the spelling of her changed surname incorrectly. At least one other letter had been sent with that incorrect spelling. After being notified by Mrs H of the incorrect spelling Phoenix updated her name, but again incorrectly as demonstrated in the name change confirmation letter sent on 23 February 2022. Mrs H wrote to Phoenix again on 1 March 2022 to correct it, which led to another letter being sent with the incorrect spelling. On 8 March 2022, Mrs H's name was updated once more, this time correctly.

By using an incorrect address for Mrs H, Phoenix didn't send her policy review letters to the address it ought to have, which I'll address below. I'm satisfied that since on realising Phoenix had reduced her policy benefits by her not responding to those letters, that caused her a degree of worry and upset about the value of her policies.

I also think Phoenix repeatedly failing to correctly spell her name on several occasions of attempting to update her name required additional unnecessary communication, which I'm satisfied caused her avoidable frustration and inconvenience.

Mrs H has also raised concerns about how Phoenix can service her policy given it is providing services to her within the EU. Phoenix sent its communications about this to Mrs H's incorrect address. But regardless Phoenix is still able to service existing agreements.

Like our Investigator, I think £350 fairly reflects the inconvenience caused by the issues with some of the service Phoenix provided her, and is the amount I will award here.

Policy Reviews

The type of policy Mrs H had was a RWOL policy. These typically work by using the premium to pay for life cover with the excess, if any, being paid into an investment fund. Over time as the cost of the life cover increases, which it does with age, less of the premium is invested and more spent to maintain the life cover. The aim of this arrangement is that over time the investment element grows sufficiently to offset the higher costs of life cover in the future. As Mrs H's policies appear to have been taken out on a 'maximum' basis, that typically means less is invested with more of the premium being used to provide a higher level of cover. The policy is then reviewed at regular intervals to evaluate whether the value of the investment fund, future premiums to be paid and the anticipated future cost of life cover would allow the policy to continue on the current terms. If that assessment is that it can't, then the review would "fail", with options being set out to sustain the policy for longer. Those typically being an increase in the premium paid, the sum assured being reduced, surrendering the policy, or taking no action and letting the policy lapse once it can no longer sustain itself.

Phoenix hasn't provided a copy of the policy documents Mrs H would've been given when she took out these policies. But given the passage of time I can't make any adverse inferences from it not doing so. The policy appears to have been managed in a way consistent with how a RWOL would typically work and so given that and as Mrs H doesn't appear to dispute her policies were reviewable, I'm satisfied it is likely they were and the

policy terms likely would've explained that the premium and/or benefits may need to change in the future.

But to apply the terms around reviewing the policy fairly, Phoenix would've needed to present information about her policy and the suggested changes to her in a clear, fair and not misleading way. I say this because in meeting the regulator's requirements around this, firms needed to ensure that they provide policyholders with sufficient information for them to be able to make an informed decision about what changes to make on their policy, and how this might affect it in the future, before it's too late for them to do anything about it.

In Mrs H's circumstances, it's unclear what the expected frequency of reviews were given the terms are no longer available, but I've seen evidence of reviews taking place in at least 2006, 2008, 2010, 2011, 2013, 2016, 2019 and 2022. From the evidence provided her reviews began to fail from 2008, doing so seemingly on all occasions apart from 2022.

Phoenix has provided the cost of providing life cover for Mrs H's policy since it was taken out. I've not been able to correlate this with other information it has provided about the premiums Mrs H was paying, it's unclear to me then when the tipping point of Mrs H's policy was reached, when the cost of cover became more expensive than the premium she was paying. But given the reviews began to fail from 2008, I think it's likely around then. When the tipping point was reached would've been an important moment in the policy as this is when the difference between the premium and the cost of cover would be paid from the investment element of the policy. This would be important information to Mrs H when making an informed decision about what to do with her policy.

In my view then Phoenix ought to have by 2008 set out clearly to Mrs H that her policy would likely need significant changes in the future to sustain it long term. Phoenix has sent copies of the review letters it tried to send to Mrs H and having considered the content of those, in my view those letters didn't provide the information I would expect to see for Phoenix to fairly meet its obligations.

I say this because Phoenix didn't explain in those review letters the cost of her cover or provide projections about how long her policy would last if she increased the premium or made any other adjustments to it, such as reducing the sum assured. The letters tend to only set out basic information about the policies, the current unit value and the change that would be made should she accept an increase in premium or reduction in the sum assured. It follows then I don't think Phoenix provided Mrs H with a sufficient warning when it tried to send her reviews, or with the information she'd need to make an informed decision. If the tipping point was prior to 2008, then given the 2008 review doesn't meet the requirements, it's likely in my view any sent prior to this would've also fallen below what I'd expect Phoenix to have communicated.

The latest Phoenix in my view ought to have provided Mrs H with a clear warning about the future prospects of her policy is sometime around 2008, but potentially earlier.

I've thought then what Mrs H would've done had Phoenix presented, and sent to her correct address, her with clear, fair and misleading information within a year of when the tipping point of her policies had been reached.

In doing so Mrs H has explained the benefits this policy provided were important to her. Phoenix has provided information about what would've happened had Mrs H accepted the premium increases at each review, the key information of which has been shared with Mrs H. Phoenix has calculated through its actuaries that the following increases to her total monthly premium would've been required to sustain the benefits at the original ~£56,000 cover level:

2008 – £121.61
2010 – £127.07
2011 – £132.86
2013 – £149.22
2019 – £173.22
2025 – £204.93

Mrs H has been consistent in saying that premium increases would've been affordable for her, and that she would've accepted them. Given her comments about the importance of this policy, that the above changes would've been affordable and where the premium has largely increased in line with inflation I don't think it's unlikely that the higher premium would be unaffordable for her. On balance then I'm persuaded had Phoenix presented clear, fair and not misleading information about the future changes that would potentially be needed to maintain her policy benefits, I think it's likely she would've accepted the proposed premium increases to her policies.

Putting things right

To put Mrs H back into the position she would now be in had she been presented with clear, fair and not misleading information and she had in response accepted the premium increases, Phoenix needs to reconstruct the policy based on Mrs H paying the increased premiums at each review since the policy reached its tipping point – when the annual policy charges exceeded the annual premiums paid.

Mrs H wouldn't have to make up any historic premiums and if she accepted my final decision she would then need to pay the premium as calculated by Phoenix going forward now, which as this is a reviewable policy will potentially increase further in the future. As an illustration in Phoenix's response to the actuarial information I requested, it is currently predicting an increased monthly premium of £264.53 from around June 2028, so it's likely further, potentially significant, changes will need to be made to the premium to cover the increasing cost of life cover if Mrs H wants to maintain the same level of cover in the future.

As Mrs H isn't required to repay the deficit in premiums, Phoenix will have to make a contribution to clear the deficit. Most of this contribution will be added to the policy's investment fund to help sustain the policy as Ms H gets older. This will mean that, immediately following the restructure, the investment value – and consequently the surrender value will instantly be higher. This could be unfair to Phoenix, one of the implications of this would be Mrs H would be able to take a surrender value made up of some contributions Phoenix has made on her behalf. I believe the fairest way to overcome this would be to allow Phoenix to deduct the deficit from the sum assured in the event of a claim being made or from the surrender value if the policy is surrendered before a claim is made.

In my view this is the most fair and reasonable way to put Mrs H in the position she would be in now.

For clarity, the policy will continue to be reviewed and there could be further changes to the premium and sum assured going forward. Therefore, Mrs H should consider carefully their position and may want to take financial advice before accepting my decision.

Phoenix should also pay £350 to compensate Mrs H for the impact of the service it provided around the matters affecting her name, address and difficulties at times contacting Phoenix. In my view that amount fairly reflects the inconvenience Phoenix caused.

My final decision

I uphold Mrs H's complaint and direct Phoenix Life Limited to settle it as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 6 May 2026.

Ken Roberts
Ombudsman