

## **The complaint**

Mr and Mrs M complain that ReAssure Limited wrongly amalgamated their five whole of life policies into one against their wishes. They say that as a result they've lost flexibility in their financial planning and feel the policies have been negatively impacted by being incorrectly reviewed.

## **What happened**

Mr and Mrs M took out their first policy with another business in 2000. The policy provided an initial £300,000 level of cover for a monthly premium of £25.33. They added a second policy in 2010 to maintain their overall level of cover when the first policy failed its 10-year review. A further three policies were then taken out, in 2012, 2015 and 2016 to, as I understand it, provide index-linked increases in the level of cover.

In 2020 ReAssure took over the administration of Mr and Mrs M's policies from the previous business. When it did so it amalgamated the five policies into one. Soon after, it carried out a review, which determined that to maintain the overall level of cover – by this point just over £460,000 – the monthly premiums would need to increase from around £108 to £245. Maintaining the premium at the existing level would result in a reduction in cover to just over £130,000. This was the default option, and the cover was reduced to that figure as Mr and Mrs M made no selection.

Instead, they complained to ReAssure saying that they'd wanted to retain the five separate policies, so they'd have flexibility to surrender individual policies as required to support future increased costs of the cover. They were very unhappy as they felt the amalgamation and subsequent review had unreasonably and incorrectly decreased the level of cover.

ReAssure explained that the amalgamation had been done to make the administration of the policies easier, so Mr and Mrs M would receive only one set of paperwork. It said that although the amalgamation couldn't be reversed, the five original policies could still be reviewed and surrendered separately, as had been the case with the previous business. So, it didn't uphold the complaint.

Correspondence continued between the parties with further information, including details of the individual reviews of the amalgamated policies and their individual surrender values, being provided to Mr and Mrs M. However, they remained unhappy, and a further response from ReAssure offered them £100 for a delay in providing the information.

Mr and Mrs M then referred the matter to this service. Our investigator concluded that it had been broadly reasonable for ReAssure to have amalgamated the policies, but he didn't think the review process in 2020 had been correct. He noted that the latter three policies from 2012, 2015 and 2016 hadn't at that point reached their 10-year anniversaries, so shouldn't have been reviewed.

He recommended that ReAssure reverse the amalgamation, split the policies to how they were previously and carry out the reviews again, but only on the first two policies. If as a result, the premium still needed to be increased and Mr and Mrs M chose to pay the higher

amount, they should be able to do so going forward but without any backdating of the increase applied. The investigator also said that ReAssure should pay some compensation to reflect the distress and inconvenience caused to Mr and Mrs M.

Mr and Mrs M didn't accept the investigator's view. They felt they were due more compensation. Correspondence continued with ReAssure explaining the difficulties involved in reversing the amalgamation and stressing that it wouldn't be of much benefit to Mr and Mrs M in any event as the impact of the 2020 'overall' review had been mainly influenced by the 2010 policy, which would still be reviewed, with a similar outcome.

Mr and Mrs M maintained their view that they should be put back in the position they'd been in with the previous provider, with five separate policies, and also awarded considerably more compensation for the distress caused to them by the reduction in the level of cover.

As no agreement could be reached, the matter's been referred to me to review.

### **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.

For a number of reasons this has been a very drawn-out matter and I do appreciate the level of distress it has caused Mr and Mrs M. I hope my decision clarifies some of the issues and that, while I'm aware Mr and Mrs M will likely remain unhappy, the issuing of a final decision on the matter will at least provide some closure for them and help them to move on.

I also want to assure Mr and Mrs M I've read and considered everything on the file. But that said, I'm satisfied I don't need to comment on every point raised to reach what I consider to be a fair and reasonable decision. Where I've chosen not to comment on something, it's not because I haven't considered it. It's because I've focused on what I think are the key issues. That approach is in line with the rules we operate under.

In respect of the merits of the complaint, I would say first I don't think that the amalgamation of the policies was, on the face of it, an entirely unreasonable act by ReAssure. I accept it was most likely carried out in good faith as an attempt to simplify matters and associated correspondence. But saying that, I can appreciate Mr and Mrs M's unhappiness in discovering it had happened (although I understand there was some attempt made by ReAssure to alert them in advance, but there was mix-up with addresses). And I also understand why they feel it was done for ReAssure's benefit rather than theirs.

But once it was done, ReAssure explained that it didn't prevent the policies from being reviewed or surrendered individually. So, that did effectively address Mr and Mrs M's concerns. It meant they could still continue to manage the overall level of cover in the way they'd always intended, surrendering individual policies as and when needed so as to help fund the ongoing cost.

It seems clear that for Mr and Mrs M, as much as the amalgamation itself, the issue of the reduction in the cover following the 'incorrect' policy review in 2020 is of great concern. This was, as noted, significant, falling from £460,000 to £130,000.

I appreciate Mr and Mrs M feel this was due to the amalgamation of the policies and the subsequent review. But looking at the information provided by ReAssure it's apparent that the overall review was, in effect, simply a combination of individual reviews of the five policies. So, from the information already provided to Mr and Mrs M, originally as far back as 2021, it's possible to see that the primary cause of the reduction in sum assured/increase in

premiums was the individual review of the second policy, from 2010. It's this policy that provides most of the overall cover – at the point of the 2020 review it was providing around £286,000 of the £460,000 total.

The result of the 2010 policy's 'individual' review was a reduction in its sum assured to around £55,000, or to maintain the sum assured, the requirement for a top-up policy with a sum assured of £231,000 for a premium of around £96. So, it can be seen that it was this policy that was primarily the cause of the significant drop in sum assured/increase in premium. And, very importantly, this was one of the two policies that would've been reviewed in 2020 irrespective of the amalgamation.

In short, what I'm trying to show is that, although they may not agree, the situation Mr and Mrs M are unhappy with is not in my view really the result of the amalgamation. It's simply a by-product how the policies operate. ReAssure has confirmed that it can recreate the correct position, *ie* removing the impact of the three reviews of the later policies that shouldn't have taken place in 2020. But this won't actually make a significant difference to the overall position, for the reasons set out above.

Even if those reviews hadn't been done, the result of a 'correct' review would be that to maintain the sum assured as it was – at £460,000 – a top up of £270,000 would still be needed with a corresponding premium of £112, as opposed to £137 with the incorrect review of all five policies. ReAssure has confirmed that it would be prepared to reduce the premium in this way – effectively removing the impact of the three reviews that shouldn't have happened.

I recognise this is a complicated matter. The operation of this type is not straightforward. But having looked in great detail at the evidence and given the matter as a whole very careful consideration, given what I've said above, I'm satisfied that a resolution that broadly reflects that proposed by the original investigator is fair and reasonable in all the circumstances.

I say 'broadly reflects' because I don't think there should be a requirement for ReAssure to unmerge the policies. I think this would be a disproportionate, purely administrative requirement given that the five policies remain separate legal entities that can be reviewed and surrendered individually, as before, so affording Mr and Mrs M the same level of flexibility they previously enjoyed prior to the move to ReAssure.

### **Putting things right**

Mr and Mrs M should, if they choose to, be able to continue with the five amalgamated policies in the position they'd be if the latter three hadn't been reviewed in 2020. In practical terms, I understand this means them paying £219.84 per month for the original sum assured of £460,781 going forward. They will not be required to pay any backdated premiums.

They should also be afforded the flexibility to surrender one or more individual policy should they choose to do so, or make any other relevant adjustments, reflecting the circumstances of the policies pre-amalgamation.

I think it's worth highlighting that the cover will be subject to further reviews quite soon, from 2025 onwards, and those reviews are likely to have a significant impact on the level of cover/level of premiums required. It is by the nature of this type of insurance product that the lower the premiums paid initially, the greater the impact later. In this respect Mr and Mrs M may wish to seek independent financial advice on how best to proceed.

Reassure must also pay £400 for the distress and inconvenience caused to Mr and Mrs M by the matter. I appreciate they feel this amount should be much higher as things have taken

so long to resolve. But I am conscious that the information about the ongoing flexibility, the impact of the individual reviews and the individual surrender values was provided to them relatively early on the process.

### **My final decision**

For the reasons given, my final decision is that I uphold the complaint and direct ReAssure Limited to pay compensation to Mr and Mrs M and accommodate their requirements in accordance with what I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr M to accept or reject my decision before 11 October 2024.

James Harris  
**Ombudsman**