

The complaint

Mr J complains about the sale and administration of a life policy he holds with Zurich Assurance Ltd.

What happened

After speaking with an Independent Financial Adviser (IFA) in 1998 Mr J took out a Lifestyle Plus Plan life policy. An Indexation Benefit was chosen as part of the policy.

In late 2021 Mr J complained to Zurich because the Indexation Benefit was causing the premiums to rise significantly and at a larger percentage than the increase in sum assured.

Zurich didn't uphold the complaint saying that since 2010 the annual increase in sum assured was linked to the Average Weekly Earnings (AWE) index and had previously been linked to a different index. However increases in premiums were linked to assumptions around things like life expectancy, claims experience and the performance of the investment element part of the policy. So increases in the sum assured and the premiums were not the same and could rise at different rates.

Remaining unhappy Mr J brought his complaint to our service where one of our Investigators looked into what happened. They thought the Indexation Benefit had been administered in line with the terms and conditions of the policy. They also explained that the policy was taken out after speaking with an IFA, so Zurich wasn't responsible for any advice or issues with the sale.

Mr J disagreed saying the nature of indexation wasn't explained to him when the policy was purchased, nor was it explained that the premiums would have to increase as he got older. Because of this Mr J says the policy was mis-sold.

As an agreement couldn't be reached the matter has come to me for a decision.

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.

Mr J has provided a lot of information about his complaint and it's clear to me how strongly he feels about what happened. I want to assure Mr J that I've read and considered everything that has been provided even if I don't mention it in detail. I've summarised what happened which reflects the informal nature of our service.

When dealing with our Investigator Mr J said neither the the nature of indexation rises, nor the issue that the premiums would have to increase as he gets older, were explained to him when he took out the policy.

In summary Mr J said *As far as I'm concerned, this policy has been mis-sold as the downsides of the indexation features were never explained to me properly when I took out the policy in 1998.*

This policy was taken out by Mr J after speaking with an IFA. When giving advice it is the responsibility of an IFA to ensure that any policy they recommend is suitable for a client. This includes explaining how a product works so a client understands what they are purchasing.

Neither Zurich, nor the predecessor business who administered the policy, were involved in the sale so aren't responsible for any advice that was given. Mr J says the policy wasn't fully explained, and that might be the case, but that is the responsibility of the IFA and not Zurich as the product provider. If Mr J is unhappy with the advice given that is a matter to take up with the IFA.

What Zurich are responsible for is the administration of the policy. Looking at the terms and conditions I'm satisfied they set out how the Indexation Benefit works, and that Zurich has administered the policy in line with those terms and conditions.

The increase in premiums and indexation of the sum assured are calculated in different ways which explains why they might rise at different rates.

The terms and conditions say the increase in sum assured is linked to an index, in this case it is currently the AWE. They also say the cost of contribution (premium) increases will depend on the amount of increase in cover as well as considerations such as sex, age, and if the policy holder smokes.

I think it's made sufficiently clear that the two aspects of the Indexation Benefit are calculated using different methods. This means they could rise at different rates.

Letters sent to Mr J during the life of the policy explained both of the increases on each occasion.

After carefully considering all of the available information I'm satisfied that Zurich has acted fairly and reasonably when administering the policy in line with the terms and the conditions. Zurich is not responsible for any advice given when taking out the policy.

My final decision

For the reasons I've explained above, my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 28 February 2025.

Warren Wilson
Ombudsman