

The complaint

The trustees of the L Trust, represented by Mr L, complain about a reviewable whole of life (RWOL) policy the trust holds with Phoenix Life CA Limited. They're unhappy with the outcome of a policy review held in 2021. For ease of reading I will mainly refer to Mrs L.

What happened

Mrs L and her late husband took out the RWOL policy in the early 1990s. It initially provided cover of £220,798 for an annual premium of £1,468.02. It was reviewable and passed all the reviews until the 2021 review. The outcome of the 2021 review was that in order to maintain the sum assured, the premiums needed to increase to £5,512.03. Alternatively, if the premiums didn't increase, the sum assured would fall to £158,702.

Mrs L complained to Phoenix about the outcome of the review and the high level of charges that had been applied to the policy. Phoenix looked into her concerns but didn't uphold the complaint. Mrs L didn't accept their findings and asked for our help with the matter.

The complaint was considered by one of our investigators. During her investigation, it had come to light that Phoenix had incorrectly applied charges to the policy in 2021. Instead of being applied annually, they had been applied monthly. Phoenix apologised for their error and explained that the issue had now been rectified and the amount that had been overcharged had been refunded into the policy.

The investigator thought the complaint should be partially upheld. She thought that Phoenix's historic communications to Mrs L about the policy hadn't met the standards set by the regulator as they hadn't provided all the information required, such as the costs of the policy or the changes it might require in the future, to enable Mrs L to make an informed decision about the policy.

However, she didn't think Mrs L would have taken a different course of action even if she'd been provided with all the information Phoenix should have given her. The investigator thought that at the time when Phoenix should have provided Mrs L with more information about the policy, it would have been unlikely that she'd have found an alternative policy for an affordable premium. So, it was likely she would've kept the policy.

But the investigator thought that Mrs L had been caused distress and inconvenience by Phoenix's error in incorrectly applying charges to the policy. She thought that they should pay Mrs L £150 in compensation in order to put things right.

Phoenix accepted her findings but Mr L, on Mrs L's behalf, didn't agree and made the following points, in summary:

- Phoenix hadn't provided any justification for the large increase in premium required to maintain the sum assured following the 2021 review.
- They'd taken over a year to resolve the complaint.

- They had taken 12 times more premiums than they should have done.
- The process to allow him to represent Mrs L on the complaint had been onerous.
- Within a few weeks of his father's passing, they'd written to Mrs L and reminded her that she could walk away from the policy. This was a move calculated to encourage financial harm.

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 think this complaint should be upheld in part and I will now explain why. I would firstly like to say that I was sorry to hear that Mrs L's husband had passed away and I would like to extend my condolences to Mrs L and her family.

Going back to the complaint, I will firstly address the issues relating to the 2021 review. Phoenix have provided further information which shows that, due to an enhanced allocation rate, the costs of the policy didn't exceed the premiums being paid until after the 2021 review. They haven't provided the policy's costs for 2022, 2023 and 2024, so it is difficult to determine exactly when the costs exceeded the premiums being paid. They've also said that the 2021 review was calculated incorrectly and the sum assured shouldn't have been reduced, but this error was put right in 2024.

They've also provided the outcome of the 2025 review which shows that the policy will require significant changes. In order to maintain the sum assured of £220,798 for life, then the premiums need to increase to £5,802.40. If the premiums aren't increased, then the sum assured will reduce to £156,007.

I haven't considered any issues relating to the outcome of the 2025 review in this complaint. If Mrs L wishes to complain about the outcome of this review, then she should firstly raise her concerns with Phoenix. If she is then unhappy with their response, then she can refer her concerns to this service.

I've considered if Phoenix met their regulatory obligations and I've set out below what I consider to be the relevant standards I've taken into account when making my decision:

- 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).

It may be helpful if I explain how RWOL policies broadly work in practice. The cost of providing cover isn't fixed and instead increases over time as the lives assured get older. At the outset, when charges are relatively low, the difference between the premiums being paid and the charges results in an investment pot being built up.

Over time, businesses will undertake reviews to ensure that the policy can continue to

provide the chosen level of cover. They will look at a number of different factors such as the size of the investment pot, current mortality rates and investment performance. If they decide the policy isn't sustainable at its current premium, the consumer will usually be offered the option of reducing the sum assured or increasing the premium.

This is what leads to any changes proposed at a policy review. If Phoenix undertakes the review and their assumptions show that the policy is unsustainable on its existing terms, then a higher level of premium or reduction in sum assured will be needed to maintain the policy. But this shouldn't come as a surprise to the policyholders, taking into account the standards I've quoted above.

Firms need to ensure that they provide policyholders with clear, fair and not misleading information about their policies. Their communications should include key details about the policy such as its performance, the value of its underlying fund and any fees and charges that have been applied. I think this level of information needs to be provided to policyholders, at the very latest, within 12 months of the point where the costs of their policy start to exceed the premiums being paid.

From the evidence that has been provided, Phoenix have never fully met Mrs L's information needs, although I accept that due to their errors the costs of the policy never exceeded the premiums being paid until 2025. The review letters she received in the past only set out whether the policy had passed the review, and gave a projection of how long the policy was expected to support its benefits.

The letters didn't provide any information about the specific costs of the policy and how they were likely to increase in the future or the level of premium that might then be required to maintain the policy's sum assured. Because this level of information wasn't provided, I don't think Mrs L was put in an informed position about the policy or any possible steps she could take to mitigate future risks.

But this by itself isn't enough for me to uphold the complaint and award compensation. In order to uphold the complaint, I also need to be persuaded if more information had been provided, it would've prompted Mrs L to take a different course of action.

Having considered the available evidence, I don't think it would've done. I say this because it doesn't seem likely that she would've significantly increased her premiums in the past. This is because she didn't choose to increase her premiums after the erroneous 2021 review and chose to instead accept a reduction in the sum assured. This leads me to believe that she wouldn't have chosen to increase her premiums if she didn't have to, even if it meant that the policy might face a reduction in sum assured at some point in the future.

I agree with the investigator's opinion that the cost of a comparable non-reviewable policy with a similar sum assured wouldn't have been affordable. So, it seems more likely than not that Mrs L would have accepted the possibility that the policy's sum assured would reduce in the future as opposed to paying a much higher premium or surrendering the policy. Therefore, I don't think Phoenix need to do anything in regard to this aspect of the complaint.

I note the points Mr L has raised about the level of service he's received from Phoenix. I appreciate he isn't satisfied with the rationale behind why the increases were required. While I appreciate that the changes requested were due to an error on Phoenix's part, they were within their rights to review the policy and make changes and this was how the policy was designed to work.

I accept that he thinks the complaint took a long time to resolve and it took a while for Phoenix to confirm he had authority to represent Mrs L. I take his point around the length of

time it took to resolve the complaint, the issue with the overcharging wasn't resolved until November 2022 despite the complaint first being raised in November 2021.

I appreciate that he was unhappy with the difficulties he faced in being appointed as Mrs L's representative, but firms have a responsibility to ensure that they have robust procedures in place to ensure that anyone seeking to represent a consumer has the correct authority. So while it may have taken a few weeks for Phoenix to grant him authority, I don't think it was unreasonable for them to ensure that they were satisfied he had the right to do so.

Moving on to the other points he's raised, I don't think that Phoenix took 12 times the premiums that they were entitled to. Mrs L continued to pay the same level of premiums following the erroneous 2021 review so I can't see that the error led to higher premiums being paid. I appreciate that they also sent Mrs L a letter after her husband's passing which set out her options for the policy, but I don't think this was done with any malice or intent to cause harm. Instead, it was done to set out what she could do with the policy, so I don't think they've acted inappropriately in sending this letter.

But what is clear is that Phoenix have made several errors in the 2021 review. They incorrectly applied charges to the policy and also incorrectly reduced the sum assured when it wasn't necessary at the time. This led to the complaint that was raised and the significant amount of distress and inconvenience that was caused in trying to resolve the issues that came about. With this in mind, I don't think that £150 in compensation is sufficient. Taking everything into account, I think that £250 is fair compensation in the circumstances of this complaint.

Putting things right

Phoenix should pay Mrs L £250 in compensation for the distress and inconvenience caused by the errors they made in performing the 2021 review of her policy.

My final decision

For the reasons I've given above, I partially uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F, Mrs L and Mr L as trustees of the L trust to accept or reject my decision before 12 January 2026.

Marc Purnell
Ombudsman