DRN-4560718

The complaint

Mr M complains, through his representative Mr N, about a reviewable whole of life policy he holds with Zurich Assurance Ltd. He thinks he was mis-sold the policy and is unhappy that the premiums have increased significantly over time

What happened

Mr M was advised to take out the policy in 1995 as he was seeking cover for family protection if he were to pass away or suffer a critical illness. The policy provided a sum assured of £6,600 for monthly premiums of £30. It was reviewable and also subject to annual indexation.

Mr N complained to Zurich in 2022 as he believed Mr M had been mis-sold the policy. Zurich looked into his concerns but didn't uphold the complaint. This was because they thought the policy had been suitable for Mr M's circumstances at the time.

Mr N didn't accept their findings and asked for our help. He made the point that a term assurance policy would have been more suitable and noted that the policy had been set up on a maximum investment basis which was at odds with a family protection solution. He also raised concerns about the affordability of the policy as the monthly premiums had increased to £147 over the lifetime of the policy.

The complaint was considered by one of our investigators who didn't think it should be upheld. She was of the opinion that the policy hadn't been mis-sold as it broadly met his needs for cover at the time. She also didn't think that increases to the policy's premiums over time meant that Zurich had treated Mr M unfairly as, with the exception of the 2022 review, they all related to the policy's annual indexation option.

Mr N didn't accept the investigator's findings and made the following points, in summary:

- The investigator appeared to have solely based her decision on the sales documents and had given little consideration to Mr M's actual circumstances and what would have been reasonable for him.

- Given how policies were sold during that period, he'd question whether the recommendation was really tailored to the needs recorded or if the need recorded was made to fit the policy.

- RWOL policies attracted a larger commission payment than the simple term policy which would have been a more suitable recommendation and didn't appear to have been considered.

- The sum assured of £6,000 wouldn't have provided much protection for Mr M's family. And there wouldn't have been a need for any cover once his children weren't financially dependent.

- Mr M didn't have a need for a policy whose costs would continue to increase over

time.

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.

In doing so, I have taken into account relevant law and regulations; regulators rules, guidance and standards; codes of practice; and where appropriate, what I consider to have been good industry practice at the relevant time.

Mr N has raised questions about the weight that the investigator placed on the point of sale documentation. He also thinks that not enough consideration has been given to Mr M's actual circumstances at the time. I'd like to reassure him that I've carefully considered all the available evidence including the submissions he's made, not just what was recorded at the time of the sale. That being said, I must give some weight to the contemporaneous evidence. And I must also take into account the fact that the policy was sold 30 years ago and memories might fade over time.

It's not in dispute that at the time of the sale, Mr M was in his late forties and married with seven dependents. He had an outstanding endowment mortgage and an endowment policy in place. The reason given for the recommendation was that he wanted some protection in the event of a critical illness and additional life cover to protect his family. This doesn't seem unreasonable, given that he had seven dependents I think it would have been prudent to seek some cover to protect his family in case he passed away or was diagnosed with a critical illness.

I note Mr N's points that a term assurance policy would have been more suitable, but I don't think that was necessarily the case here. I think that Mr M would have had an ongoing need for protection, the policy didn't just provide cover for his children, it also provided cover for his wife. So, I think the fact that the policy was for life and not just a specific term doesn't mean that it was unsuitable for Mr M's circumstances or that it was recommended because of the commission it would generate.

I also appreciate that £6,000 was a relatively small amount of cover. But this appears to have been driven by the amount Mr M wanted to spend as opposed to a requirement for a specific level of cover. The fact find document shows that while he had a disposable income of around £600, he only wanted to pay £30 for a policy at that time. Taking this into account, I don't think the level of cover means that the policy was unsuitable for Mr M's circumstances.

I've also considered the concerns Mr N raised about the majority of the premiums being invested instead of being used to provide cover. And that the policy was costing more and more to run each year. Having reviewed the available evidence, I don't think the fact that the majority of the premiums were being invested means that the policy was unsuitable. I think that the impact of this was that the policy would have the potential to accrue more of an underlying fund than if the premiums were being solely used to provide cover. This fund could be used to offset the costs of the policy in the future if they ever exceeded the premiums being paid. Or it could be withdrawn as cash if the policy was no longer needed, this is why Mr M received a cash sum when he decided to surrender the policy in 2022.

It is true that the premiums kept increasing each year. From what I've seen, the reason for

this was the policy's annual indexation option. The purpose of this option was to ensure that the benefits kept pace with inflation over time. Given that Mr M had sufficient disposable income, I don't think this option meant that the recommendation to take out the policy was unsuitable. It's also important to remember that the indexation was optional and could have been stopped at any time.

I appreciate Mr N's point that Mr M wasn't financially astute, but I think that yearly statements and indexation letters he received from Zurich provided information about the indexation option. The statements reiterated that the indexation was optional and also invited Mr M to contact Zurich if he had any questions. So, I think if Mr M had any concerns that the premiums were increasing each year and becoming unaffordable, he could've contacted Zurich and arranged to cancel the indexation option.

I also haven't seen anything to suggest that Zurich have incorrectly administered the policy. Its costs have never exceeded the premiums being paid and from what I've seen, Zurich's reviews were focused on ensuring that the policy would last for the rest of Mr M's life.

So, having considered everything, I don't think that Mr M was mis-sold the policy or that Zurich have incorrectly administered it. It has continued to provide Mr M with cover over the years and while the premiums have increased, this was due to indexation which was optional and could have been cancelled at any time. Therefore, I won't be asking Zurich to do anything to resolve 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 Mr M to accept or reject my decision before 17 October 2025.

Marc Purnell
Ombudsman