

## The complaint

Mr and Mrs B complain about how Liverpool Victoria Financial Services Limited (LV) administered their reviewable whole-of-life policy (RWOL).

## What happened

Mr and Mrs B took out a joint RWOL policy in May 2001 which provided them with life cover of £250,000 and critical illness cover of £100,000, along with some other benefits, for a monthly premium of £97.51. Indexation applied to the policy which meant those values could increase to keep pace with inflation. It had no investment element and so held no surrender value with the entire premium going towards paying for the cost of cover. Mr and Mrs B recall taking out this policy to provide financial protection for each other in case of one's passing or critical illness to provide financial provision due to them owning and running a business and also wanted to be able to leave a debt-free estate.

They don't dispute the increases related to indexation but were concerned when LV wrote to them in March 2021 to explain their monthly premium would need to increase from £193.60 to £419.24 to maintain the levels of cover under the policy. They felt this increase was unaffordable for them, which was only reinforced when LV provided an estimate that the monthly premium would need to increase to £908.96 at the next review in 2026. In response to their premium needing to increase in this way they decided to cancel the policy.

Mr and Mrs B complained to LV saying they felt their policy had been mis-sold to them. In their view LV hadn't told them the policy premiums could change in this way, and they wouldn't have entered into this arrangement had they known. They also explained they intended to keep the policy for life but with the future increases LV wanted to apply to their policy it was now unaffordable for them.

LV considered what Mr and Mrs B said but didn't think their complaint should be upheld. It said it didn't sell the policy, another regulated firm did, so wasn't responsible for how it was sold to them. It agreed that it was responsible for administering the reviewable mechanics of the policy but that it had done so in line with the terms and conditions of the policy. That being premium reviews would take place on the 10<sup>th</sup> year of the policy and every 5 years afterwards to review the premium required to maintain the levels of cover. As the cost of providing life cover increases with age, it said that meant a higher premium was needed to maintain their policy. LV accepted some of these reviews hadn't taken place as they should've but by missing or delaying some of these it had saved Mr and Mrs B nearly £5,000 by implementing those increases late.

Dissatisfied with LV's response to their complaint Mr and Mrs B referred it to our service. One of our Investigators reviewed the matter but didn't think the complaint should be upheld. He explained this was because he thought the policy had been administered in line with how the available documentation said it would be. He had concerns about the clarity of LV's communication about the extent of future premium changes during the reviews that took place. But even so, had that information been clearer he thought Mr and Mrs B still had a need for cover and even if they were to cancel their LV policy, similar cover elsewhere likely would've come at a similar price. Given that and as Mr and Mrs B had benefited from LV

missing and delaying some reviews, he wasn't recommending LV compensate Mr and Mrs B.

Disagreeing with the outcome our Investigator reached, Mr and Mrs B reiterated that they'd lost the opportunity to attempt to source a new long term life policy at a more competitive cost and asked him to reconsider.

But as he wasn't minded to change his opinion and an agreement couldn't be reached, Mr and Mrs B'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.

As has already been explained to Mr and Mrs B, LV didn't sell this policy to them and so it isn't responsible how it was sold. I can't then comment on how it was sold or whether the commissions involved influenced the type of policy sold which they've included in their complaint.

I've reviewed the documentation available about Mr and Mrs B's policy. The policy schedule at the time it commenced says next to the premium cost, "Reviewable – see condition 21". A copy of this condition has been provided by both parties, which says:

*"The premium is guaranteed for the first ten years of the policy. We will carry out an age-related review of your premium, after ten years and every five years after that..."*

The Key Features document for the policy has also been provided, which restates the above on the first page under "Risk Factors", with some additional detail that the premium will be reviewed based on premium rates and Mr and Mrs B's age at the time.

I understand Mr and Mrs B recall being told this policy would work differently. But given the above LV had in my view provided them with clear, fair and not misleading information about how this policy would operate. Which included that premiums were fixed for the first 10 years and could change after that and when those changes could be made.

It follows then that LV wouldn't be acting unfairly by reviewing the premium it was charging Mr and Mrs B once that initial 10 year period had passed.

But to apply that fairly, LV would've needed to present information about the policy to Mr and Mrs B 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 Mr and Mrs B's circumstances, their policy was due to be reviewed in 2011, 2016 and 2021. Of these reviews only the 2021 was on time, with the 2011 review taking place in 2013 and the 2016 review not happening at all.

I've seen copies of the review letters sent in March 2013, which said the premium needed to increase to £163.74, and March 2021 which showed an increased premium of £419.34. Importantly in my view these letters only inform Mr and Mrs B that their premium will be increasing to maintain the level of cover, and not what that might mean in the future other than the new premium is only guaranteed for the next 12 months. There was no information

about what the policy might need in the future to sustain itself, either the premium required or what the sum assured could fall to. This would be important information to Mr and Mrs B in them making an informed decision about what to do with their policy.

I think there was an imbalance of knowledge between LV and Mr and Mrs B around how significant the changes would likely be in the future to sustain this policy. Given LV's position in the market and information from its own customer base for these policies, I think it would be reasonable to say LV ought to have known the likely extent of increases that might be needed in the future, to either the sums assured or the premiums that would need to be charged, and that these would soon become significant. The policy Mr and Mrs B had, unlike other RWOL policies, didn't contain an investment element which can, depending on the performance of that investment, offset the higher costs of the cover in the future. LV then would've been aware that Mr and Mrs B would need to meet the foreseeable increasing life costs fully from their premium, and unless one or both of them passed away prematurely those costs were likely going to significantly increase with age, as they later did.

I think it's likely then, given what I've said above, that LV ought to have reasonably known a significant change to the premium or sum assured would be needed in the future. With that in mind in order to meet its obligations LV, in my view, ought to have from the first review in 2011 given warning or communication to Mr and Mrs B about the likely extent of changes being needed to sustain the policy to allow them to decide whether to continue with the cover, change it or to look at alternative cover.

I've considered what likely would've happened had Mr and Mrs B been provided with such a warning in 2011. As I've said above their policy had no surrender value and so the only real options available to Mr and Mrs B were to either continue with the premium and reduce the sum assured, pay the increased premium, or cancel the policy. As I think those are the likely options available to Mr and Mrs B at the time, I need to then consider which I think to most likely to have happened had LV given sufficient warning about the future prospects of the policy to Mr and Mrs B.

In my opinion Mr and Mrs B's need for such cover still remained, their business and / or family needs. Because of that I don't think it's likely they would've gone without cover given their reasons for taking it out. If they decided to cancel the policy they already had with LV, I think it's likely they wouldn't have been able to avoid the same issue, that the cost of life and critical illness cover increases with age. To get a policy that provides what their expectations of their LV policy would do would come at a much higher cost. If they were to get a replacement policy on similar terms to meet their needs, I think it's likely that would've only been available at a similar price to what they were already paying, given the typical increases over time of this type of cover.

I understand why Mr and Mrs B feel they've been deprived of the opportunity to source alternative cover, but for the reasons given above I think it's unlikely they would've found cover at a much different price. Which I find to be particularly so here when taking into account LV undercharged them £4,981.20 by missing and delayed the reviews it did.

While LV didn't always provide the reviews it ought to have, I won't be asking LV to compensate them for those not going ahead as they should've. I say this because had those reviews gone ahead Mr and Mrs B would've paid more for their policy than they did.

I sympathise with the position Mr and Mrs B have found themselves in, but I have to be fair to both parties when reaching my decision. And for the reasons given above I'm not persuaded LV needs to compensate them.

**My final decision**

I don't uphold Mr and Mrs B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs B to accept or reject my decision before 5 November 2025.

Ken Roberts  
**Ombudsman**