DRN-4684362

The complaint

Mr and Mrs K complain they were mis-sold a reviewable whole of life policy by Countrywide Assured Plc. They say they have had the policy for 30 years and have recently been told either a dramatic increase in premiums or a dramatic drop in level of cover was required going forward. They are unhappy as this is not what they expected or were told was likely to happen when they purchased the policy.

What happened

In 1993, Mr and Mrs K were advised by a representative of Save and Prosper (now part of Countrywide) to take out a reviewable whole of life policy. It was a joint policy and would pay out on first death. The original monthly premiums were £67, and the sum assured was £75,000 – which was index-linked meaning the premium and cover would increase in line with the cost of living (inflation) each year.

Over the following years, the premium and sum assured increased in line with the indexation benefit. The policy was first reviewed in 1998. The outcome of this review provided several options for Mr and Mrs K to consider. They could increase the cover above the current level for an increased premium. They could maintain the cover and premium (with indexation) until the next review, or they could reduce the cover and guaranteed this for life with no premium increases (other than indexation). They selected to maintain the current premium and sum assured – with the indexation benefit continuing.

The next review was in 2003. By this point, after indexation, the cover had increased to £93,362 for a premium of £83.41 per month. At this review Mr and Mrs K were given the same options to the last review. They decided to continue with the policy and just maintain the premium and sum assured with indexation until the next review. The same options and decisions were taken at the reviews that took place in 2008, 2013 and 2018.

Due to the indexation benefit, by the 2023 review, the sum assured had increased to £147,809 for a monthly contribution of £132. This review provided the following three options for Mr and Mrs K to consider:

- Maintain Life Cover at £167,674.00 for a contribution of £393.24, until the next Review Date.
- Maintain contribution of £149.74 to provide Life Cover of £112,387.00, until the next Review Date.
- Maintain contribution of £132.00 to provide Life Cover of £31,627.00, guaranteed to apply until the first of the lives assured dies.

Following this Mr and Mrs K raised a complaint with Countrywide. They were unhappy that they were faced with significantly increasing their premiums or having the cover reduced – and said this prospect wasn't explained when they took out the policy.

As Countrywide didn't respond within the required timescales, Mr and Mrs K referred their complaint to this service for an independent review.

In June 2023, Countrywide provided a quote with the indexation benefit removed. This gave the following options for Mr and Mrs K to consider:

- To maintain the sum assured of £147,809 for a premium of £317.59, guaranteed until the next review.
- To reduce the sum assured to £99,072 to maintain the premium of £132.00, guaranteed until the next review.
- To reduce the sum assured to £31,627 to maintain the premium of £132.00, guaranteed for life.

After the complaint was with us (in July 2023), Countrywide sent its response to the complaint. It didn't uphold it. In summary it said:

- Prior to 2023, there had been no requirement to increase the premium at previous reviews apart from the increases due to inflation proofing. The 2023 review indicated a premium increase was necessary in order to maintain the selected sum assured of £167,674 for £393.24 until the next review. The figures in the review were checked and are correct.
- The reason for the premium increase being this significant was because the policy's reserves have been used up. The current charges are significantly higher than the premium of £132. The charges will continue to increase year on year as Mr and Mrs K grow older, therefore they were required to either reduce the sum assured to reduce the charges or increase the premium to meet the future charges.

One of our investigators looked into the complaint. She didn't think it should be upheld. In summary she said:

- She didn't find anything to suggest that this policy was unsuitable when it was recommended. There is evidence to show the policy terms explained the policy was reviewed, and that the premium would be reassessed in line with the clients' age and the possibility of premium increases to keep the same amount of assurance.
- The policy was reviewed every five years to confirm if the premium could continue to support the sum assured. The review documents from 1998, 2003, 2013, 2018 and 2023 gave the outcome of the reviews telling Mr and Mrs K what options they had to make changes to the policy.
- To meet its regulatory obligations, Countrywide had to ensure the review communications paid due regard to the information needs of its clients and communicated information to them in a way which is clear, fair, and not misleading; and have pay due regard to the interests of customers and treated them fairly.
- She did have concerns about the information provided to Mr and Mrs K at the reviews. She said Countrywide could've included a warning in its review communications as to what might happen in the future and provided the cost to illustrate what the level of premiums would likely be to sustain the cover for life. So, she did find a failing in the information provided.
- But despite this failing she didn't think better information would have led Mr and Mrs K to make a different decision about the policy (i.e. surrendered it at an earlier point). She said their main priority was to provide security for their family, so this would have always been required and wanted. Mrs K has also suffered health problems since 2017. So, given this if they had surrendered the policy, they would have found it difficult to find alternative cover for a premium they were happy to pay in 2018.

Mr and Mrs K didn't accept the assessment, and requested an ombudsman reaches a decision on the complaint. They provided further submissions for me to consider. In summary they said:

- Save and Prosper did not disclose enough information and therefore mis-sold the product, this only became apparent in 2023 when the premiums were increased exorbitantly. The product booklet does indicate that the premiums are dependent on performance, but no information was given on the charges or how the funds would be administered. From the information they were given, their expectation was that the premiums will roughly go up in line with inflation.
- They see the policy as very complicated and an opaque product. And the cost of the product is unfair as the current value is very low compared to the premiums they've paid over 30 years.
- The policy was of poor value right from the beginning, and had they realised this earlier they would have surrendered the policy many years ago, saving the premiums paid over at least for part of the period.
- When they took out the policy, they didn't agree to pay the minimum premium, but instead chose to pay a higher premium as this was what was recommended by Save and Prosper. They never agreed to switch to a minimum premium option.

Our investigators completed further investigation into the points raised – and provided further explanation to support the findings. In summary they said:

- While Mr and Mrs K feel the charges are unfair, very little of the premium was being invested as the majority of the premium went towards the life cover. So, the whole premium wouldn't have been added to the investment pot throughout the life of the policy. Once the cost of cover exceeded the premium then this would eat into the investment pot eroding the value.
- Countrywide has confirmed *"the charges will increase as the policyholders grow older due to the increased risk of mortality. The only times this would not affect the policyholders would be if they purchased a term assurance, or a policy on the basic level. The basic level of cover is one where assumed growth is low, so there would not need to be any premium increases. The maximum level of cover is one where assumed growth is very high, so likely needs premium increases at each review. This policy started as a standard level, which can fall anywhere in between".*
- The 2011 statement does provide information on how the funds would be managed. And from 2006 Countrywide said fund reports were available on request. While Mr and Mrs K say they weren't alerted to the performance of the fund, Countrywide did make this information easily obtainable and didn't try to withhold information.
- In response to the points about the policy starting on a standard basis and moving to maximum basis, Countrywide confirmed the policy was started with a premium on a standard basis but these policies do not include a standard option during reviews, only maximum basis. So over time the policy has tended towards maximum reviews and is now on the maximum basis.
- It referred to the 1993 policy document, to point out there is a section which explains how premiums are calculated for the standard level. It said standard premiums were based on an assumption that the fund will grow by 8% each year, and provided it does, the premium will stay at the same level and will be sufficient to maintain the cover. But where this rate of growth isn't achieved, you may have to choose between paying more for the same amount of cover or reducing it. So for this policy, as the growth has not met the 8% requirement for so many years the standard and maximum basis became indistinguishable.
- In June 2023, Countrywide provided a quote which removed the indexation benefit. The investigator asked it to provide a quote if the indexation had been removed at the previous review. Countrywide did provide figures but explained that the policy would still have failed the 2023 review even if indexation had been removed at an earlier point. The investigator asked Mr and Mrs K whether they wanted to look at reconstructing the policy to remove the indexation from 2018 – and look at the

options of paying a higher premium or reducing the sum assured. But they said they would never have bought the policy in the first place if there was even a slight chance of premiums going up in an uncontrollable fashion – and they would prefer to surrender the policy than continue. So the investigator didn't pursue the possibility of a policy reconstruction further as Mr and Mrs K indicated they weren't looking to continue with it.

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.

Sale of the policy

Firstly, I've considered Mr and Mrs K's complaint points about the mis-sale of the policy as this appears, from their responses to the investigators, to be at the crux of the complaint.

The policy was taken out following advice they received from a representative of Save and Prosper (who Countrywide are now responsible for).

There is limited evidence from the time of sale, but I have reviewed the documents available including the financial analysis document that recorded Mr and Mrs K's needs and circumstances as well as the recommendation made. I've reviewed the application form and original product document. I've also considered the points Mr and Mrs K have made about their recollections of the advice given.

Firstly, I've looked at whether the policy was suitable at the time it was sold. The documentation available records that Mr and Mrs K were seeking life cover to provide a benefit should one of them die to allow them to maintain their lifestyle. They were both in employment, but they do not appear to have any existing cover or savings at the time. A reviewable whole of life product was recommended to meet the needs identified – with indexation included so the cover increased in line with inflation. The reason given for the recommendation was that protection was needed to cover them financially in the event of either of their deaths. There is a diagram drawn by the advisor setting out the different types of premiums, basic, standard and maximum basis. Mr and Mrs K's recollections support there was discussion about this. The standard premium was selected, and they say they understood this to be the middle premium option (of the three available) and by selecting this it would mean that the premiums would only go up in line with inflation.

Having reviewed the details of the policy that was sold, I think the recommendation does meet the need identified as it was set up to provide a lump sum on first death. It also provided an indexation option, which allowed for the cover to be increased (if required) to keep up with inflation should their circumstances require. I note Mr and Mrs K had children not long after the sale and also took on a mortgage. So, the ability for the cover to keep pace with inflation looks suitable.

As mentioned above, the premium was set at the standard basis at the outset. While this wasn't the cheapest way of providing cover initially, I haven't seen anything to suggest the policy was unaffordable. It does appear from the income detailed in the sales documents, that the premium was at a level that Mr and Mrs K could afford to meet on an ongoing basis. I also haven't anything to suggest that including the indexation benefit was unsuitable for them based on future increases in premium.

Having considered the available evidence, I'm satisfied the policy was a suitable recommendation to meet Mr and Mrs K's needs and aims at the time.

Mr and Mrs K have raised concerns about the information that was given to them during the sale. They are particularly concerned that they weren't made aware of the possibility of significant increases in the premium level in the future. They have also raised points about the lack of information about how the charges were explained and the impact of this had on the cover.

There is some evidence to suggest that this information was provided as part of the advice process. I note the policy document explains how the policy worked including information about the indexation (cost of living) benefit, reviews, the type of cover basis for the premium and how investment performance affects premiums.

In respect of the policy reviews, the document confirms these would occur every five years (and then annually after the age of 75). It also explains how premiums are calculated for standard cover. Within this it states, when deciding the cost an assumption is made that the fund the policy is invested in will grow by 8% per year and that provided it does the premium will stay at the same level, and will be sufficient to maintain the cover throughout your life. But it gives a warning that if the funds earn less than 8% you may have to choose between paying more for the same amount of cover and reducing the cover. There is also information about the alternative maximum cover, which explains the initial premium will be lower but the need for changes in the future is greater.

The policy document provides information on how the inflation proofing works by confirming this benefit will automatically increase in line with inflation on each policy anniversary, and each review you can decide whether to continue with this benefit or not. It says that premiums will normally increase when the cover increases. There is information about the type of policy – a 'with profits' policy. This goes on to explain how bonuses are applied and the overall working of the fund. It also confirms the type of assets the fund is invested in.

I recognise Mr and Mrs K's concerns about the size of the increase in premium that was highlighted in the 2023 review. I also acknowledge that they don't recall the 8% growth risk being mentioned during the sales meeting. And they were under the impression by taking standard basis premium, the cover would be maintained and there was no mention that there was serious risk of escalating premiums.

But having reviewed the available evidence, I haven't found mis-leading information was provided about the possibility of future increases in the premium, as part of a review. There was information provided about how the performance of the policy may impact the need for changes. And while Mr and Mrs K did select a standard basis policy, I haven't seen there was a guarantee given there would be no future changes in premiums. Ultimately, the relative performance of the policy has dictated the need for premium increases, and this has been amplified by the outcome of the 2023. But I don't find this means the policy was misrepresented or misleading information was provided.

Overall, I haven't found reason to say the policy was mis-sold when it was first recommended.

Administration of the policy

I've gone on to consider how the policy has been administered – including the reviews that have taken place.

In making this decision, I've taken into account the following standards:

- 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).

With these standards in mind, I think that Countrywide ought to have provided Mr and Mrs K with clear, fair and not misleading information about the policy. What I've drawn from the guidance is that its communications should have included key details about the policy such as its performance, the value of its underlying fund and any fees and charges that had been applied. And it should have provided this information within a reasonable time frame.

This policy was scheduled for its first review, five years after it started, in 1998, and then regularly every five years going forward until the last review in 2023. I've reviewed the information that was provided in the first review carried out in 1998. This set out the review outcome was that the current premium was still sufficient to support the current sum assured – which included the annual indexation increase for the policy. It did provide Mr and Mrs K with an option to reduce the cover from £86,520 to provide a guaranteed level of cover of £47,011 for whole of life. Mr and Mrs K didn't take up this option – and continued with the policy without changes. It also asked Mr and Mrs K to confirm if they wanted to continue with indexation, which they indicated they did.

Countrywide has provided details of the reviews carried out in 2003, 2013 and 2018. These all indicated no changes were required - and similar options were communicated to Mr and Mrs K around having the option to reduce the cover to guarantee what was paid out for the whole of life. After these reviews no changes were made, other than the indexation continuing each year that led to inflationary increases in the premium and level of cover.

But at the 2023 review, Countrywide communicated to Mr and Mrs K that they would need to increase the premium significantly to £393.24 to provide the new level of cover after indexation of £167,674. They were given the option to reduce the cover down to £112,687 for a premium of £149.74 until the next review date. And given a quote for a premium of £132 to provide life cover of £31,627 that would be guaranteed until the first of the lives assured dies. This review prompted the complaint.

Within the reviews before 2023, Countrywide did provide some indication of the amount of life cover that could be guaranteed if no changes to the premium were made. This was significantly lower than what the policy was providing at the time of each review. But I don't find it did give Mr and Mrs K all of the information they needed during these reviews, in line with the standards set out above. For example, whilst the reviews weren't misleading in telling Mr and Mrs K that no changes were required, they weren't clear because they didn't set out any of the key information about the costs of the policy or how those costs were increasing. I've not seen any statements which showed this information either and, without it, Mr and Mrs K were unable to see how the policy was performing and, importantly, how the costs of the policy were increasing. From the information provided to this service by Countrywide, as part of our investigation, it seems in around 2014 the costs of providing the life cover for the policy were starting to exceed the premiums being paid. This information should have been provided to Mr and Mrs K within 12 months of this tipping point being reached.

But, at the same time, I'm not persuaded that clearer information would've made a difference to Mr and Mrs K. I'll explain why. Mr and Mrs K have provided further information about their circumstances after they took out the policy. This includes that they had two children a few years after starting the policy. They also took on mortgage lending (which they later repaid). They have told us that Mrs K has suffered with health problems from 2017. I also note that they continued to accept the indexation benefit at the reviews, so that the cover was increasing. This all indicates to me that they valued the cover as it provided security for their family. Also, when considering the health issues Mrs K suffered with, if they had surrendered this cover at an earlier point, they would likely have found it difficult to find replacement cover for a similar or lesser cost. So, I haven't been persuaded it's likely Mr and Mrs K would have made any changes to the policy or surrendered it even if they had been provided with sufficient information earlier.

I have also considered the points Mr and Mrs K have raised about the basis of the cover being changed from standard to maximum basis without their knowledge. There has been some confusion around this issue, and the terminology used by Countrywide has in part caused this. As part of our investigation Countrywide has provided a full explanation. It has referred back to the original policy document and the information given here about the standard basis policy being set up on the assumption of 8% growth. It has clarified that there hasn't been a change to move the policy to a maximum basis, but because the policy hasn't achieved the 8% growth assumed per year this is why the standard and maximum basis became indistinguishable.

Having considered this point, I do have some concerns about reviews not providing premium calculations on a standard basis in line with how the original premium was set. I acknowledge Countrywide says it hasn't changed the policy, and rather it is now displaying characteristics usually associated with a maximum basis policy due to the less than expected underlying performance of the fund. In other words, the premium increases required are due to the relatively poor performance compared to the increasing cost of providing the cover. I'm also conscious if a standard basis had been used for calculating required premium increases to maintain cover at the reviews, this would have led to a requirement for greater premium increases where the policy was underperforming. The evidence available doesn't indicate Mr and Mrs K were prepared to make large increases to the premium (and I will comment below in more detail about consideration around reconstructing the policy). So, I don't find it likely Mr and Mrs K would have decided to make any changes if they had been given premium rates based on the standard basis at the reviews. So, despite my concerns, I haven't found this has led me to recommend Countrywide needs to do anything in this respect.

I note the investigator explored the possibility of a policy reconstruction with Countrywide. This was in response to a consideration that Mr and Mrs K may have decided to remove the indexation after the 2018 review if they had better information about the policy performance and the cost of life cover. Countrywide confirmed even with this reconstruction to remove the indexation increases in 2018, the policy would have still failed the 2023 review, and Mr and Mrs K would have needed to increase the premium to £212 per month to maintain cover, with potential for further increases at future reviews. But after discussing this matter with Mr and Mrs K, they informed the investigator they would prefer to surrender the policy than continue with it, and they said they do not want to continue with Countrywide in any form. So, I see no value in asking Countrywide to do anything further in respect of looking into a reconstruction.

Lastly, I note Mr and Mrs K are considering whether to surrender the policy. This isn't something we can help them with, but if they have yet to make a decision, they may want to take independent advice if they are unsure what to do.

I understand this will come as a great disappointment to Mr and Mrs K, but for the reasons provided, I haven't found that Countrywide needs to do anything to put things right.

My final decision

I don't uphold this complaint

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr and Mrs K to accept or reject my decision before 23 October 2025.

Daniel Little
Ombudsman