

The complaint

Mr H complains about the way Phoenix Life CA Limited has communicated with him about his whole of life policy following a system migration. He is also unhappy that the indexation benefit has been removed from his policy.

What happened

In 1991, Mr H took out a reviewable whole of life policy with Confederation Life (which then became Sun Life and is now part of Phoenix), with an initial sum assured of £100,000. The policy included an indexation benefit meaning the sum assured and premium increased with inflation. In April 2003, the indexation benefit was removed from the policy.

In April 2016, Mr H took a partial surrender from the policy of £3,000.

The policy was reviewed on several occasions and failed its first review in 2018.

In late 2022, a representative on Mr H's behalf raised a complaint with Phoenix – this covered several issues including the sale of the policy, lack of indexation, and problems providing communications about the policy to his financial adviser.

Phoenix said it would be responding separately regarding the mis-sale complaint. It responded to the complaint about the indexation and communication with the adviser. In summary it said:

- It sent a letter in April 2003 asking Mr H for confirmation he wanted to continue with the indexation of the premium and sum assured. As it did not hear anything back from Mr H, the indexation was removed and the premium and sum assured were fixed at this time.
- It recently moved all its clients onto a single IT system, but unfortunately, it has experienced some unforeseen technical issues which have impacted how it responded to queries. These issues have also impacted the plan reviews, and it wasn't able to generate Mr H's 2022 review. The system calculated a new sum assured and reduced it to £14,671.42 without a plan review being issued. Due to this error, and as it didn't issue Mr H with his plan review on time, it said it would honour the higher amount sum assured of £29,797.00 from the 2021 plan review in the event of a claim, and this would continue until Mr H receives a plan review and is given his options.
- Unfortunately, another aspect of the system change was all letters produced prior to the system change, when migrated to the new system had the letter date overwritten, so historic letters provided recently are showing the wrong date.
- It's sorry for the trouble and upset the system errors have caused Mr H. It offered him £150 in compensation for the poor service he has received.

This didn't resolve the complaint, so it was referred to this service for an independent review.

One of our investigators looked into the complaint. He found the offer made by Phoenix was fair and didn't require it to do anything further in respect of this complaint. In summary he said:

- Phoenix clearly made errors in its administration of Mr H's policy. It failed to communicate the outcome of the 2022 review and gave him confusing information in some letters with wrong dates. During this period though, if a claim had been made, it said it would have paid out the 2021 review sum assured, as opposed to the lower amount from the 2022 review it failed to communicate. Whilst errors were made, Mr H benefited from a higher level of cover for the premiums he was paying.
- Regarding the question of why the policy wasn't indexed, a letter sent in 2003 confirmed it had been increasing with indexation for the prior 10 years. As the policy was now 10 years old, Phoenix informed Mr H this was coming to an end and asked him to confirm if he wanted to change this. The letter stated if it didn't hear from him then the indexation would cease. As Mr H didn't respond the indexation ended.
- There was a delay (about six weeks) in sending policy information to the requested recipient, Mr H's financial adviser, after the initial request in September 2022. This delay is an example of poor service, but it didn't affect the performance of the policy. Whilst Mr H had employed the service of his adviser for several years, it wasn't until 2022 that Phoenix was asked to send correspondence to the adviser.
- Phoenix has made a fair offer of £150 for the trouble and upset caused by its administration errors. This offer is a fair reflection of any confusion caused by some of the dates being wrong and the delays in writing to Mr H's adviser. The errors didn't impact on the performance of the policy though or affect any potential claim Mr H could've made.

Mr H's representatives responded and asked for an ombudsman to reach a decision on the complaint. In summary they said:

- The information sent to Mr H was unreliable and inaccurate and yet Phoenix expects him to base his decisions as what to do with the policy on this.
- Correct information has not been received by Mr H about the latest review, so he can't make decisions on the management of the policy. Although Phoenix has said it would honour the higher sum assured if Mr H died, it makes little difference as this is still not as much cover as he would have had on a straightforward term policy for a guaranteed premium and benefit that would last for the longest term available at the time.
- The poor communication complaints and the mis-selling complaints cannot be considered in isolation. The mis-sale of the policy was bad in the first place, but this was then compounded by the subsequent inaccurate, error strewn communication.

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.

At the outset, I think it would be helpful to confirm what I'm considering in this decision, as Mr H has raised other complaints with Phoenix about his policy. As part of this complaint, I'm considering the:

- Concerns about the indexation benefit being removed from the policy.
- Impact of the system migration issue on communications - including Phoenix not sending the 2022 review letter.

- Concerns about policy information not being sent to his financial adviser by Phoenix, only to Mr H.

I'm not considering anything to do with the sale of the policy in this decision. A complaint about this has already been dealt with by this service, and a decision was issued by another ombudsman.

I'm also not considering the complaint about information provided as part of the historical policy reviews and whether this was sufficiently clear to allow Mr H to make decisions about the future of the policy. This is a complaint that is being investigated separately.

Indexation

Firstly, I've considered the complaint about the removal of indexation from the policy. Phoenix has provided evidence that Mr H was sent a letter in April 2003 which explained this benefit needed him to re-elect for after the 10-year anniversary of the policy. It gave Mr H a deadline to provide this confirmation. I haven't seen any evidence to indicate Mr H did respond to this letter. A warning was given that this benefit would cease if no response was received. Based on the evidence I've seen, I haven't found that Phoenix acted unfairly by removing this benefit from the policy in 2003.

System migration issue

In respect of the system migration issues impacting the communications on Mr H's policy from around 2022, Phoenix has admitted failings. It has apologised that this caused problems with not sending letters and errors in backdated letters. The most significant impact of this issue was that Mr H didn't receive his 2022 review letter, so wasn't provided with the information he should have been.

While Mr H didn't receive his review letter in March 2022 as he should have, Phoenix said its system updated to indicate a failed review. It is apparent that Mr H only became aware the sum assured had reduced as a result of the inquiries his adviser made in late 2022 on his behalf about the policy. This is what prompted the complaint. And in the complaint response issued in January 2023, Phoenix confirmed the migration issues were the cause of the review letter not being generated. It explained the system has calculated a new (reduced) sum assured without a plan review being issued.

So clearly there is a failing here by Phoenix to communicate on the 2022 plan review. But I acknowledge that it agreed to honour the existing (higher) sum assured that was set out in the March 2021 review. It said it would be continuing to honour this until it was able to resolve the system issues. So, while Mr H didn't get the review information at the date it was due, he had some awareness of the potential for further reductions in the sum assured from late 2022. I understand the system issues remained unresolved throughout 2023 and 2024. This meant the sum assured remained at the 2021 review level. No further review letters were sent, and in June 2024 Mr H stopped paying the premiums, and the policy lapsed in August 2024.

I find the system issues have had an emotional impact on Mr H. Although he has had a representative dealing with Phoenix for him, I accept that this didn't completely shield him from the impact of not knowing what was going on with his policy. Phoenix has also acknowledged that it has caused him some upset - and paid compensation to recognise this. I agree a compensation payment is reasonable here - and will comment on this later. But I've also taken into account that despite not communicating the review letter when it should have done, Phoenix did keep the sum assured at the 2021 letter (despite the policy value not being sufficient to pay for this) and said it would honour this higher amount if a claim was

made until it did provide a review communication. Mr H's representatives say honouring the cover is a red herring as Mr H should have had a different type of policy with greater cover. But I've already explained, I'm not considering the original sale of the cover and whether this was suitable for Mr H as part of this complaint.

Communication with Mr H's advisor

Phoenix has provided copies of the policy communications it has sent to Mr H. These letters have been sent to Mr H's address – and the letters I've seen include the policy reviews sent.

Mr H's representative (his financial adviser) has questioned why it wasn't sent information about the policy. The evidence I've seen indicates that the adviser contacted Phoenix in 2022 for information about the policy. I can see that these queries were responded to, and information was sent (albeit with some delay). This ultimately did lead to a complaint being raised. Mr H's current adviser wasn't involved in the sale of the policy originally, so it wouldn't have been included in regular communications from the outset. I'm satisfied that Mr H was sent information (e.g. the review letters up to 2021) that he was able to share with his current adviser as part of any review it was carrying out for him (once a service agreement was in place). So based on the evidence presented, I haven't found Phoenix has done something wrong in this respect.

In conclusion, there have been failings in how Phoenix communicated with Mr H, particularly around the impact of the system migration issues. Phoenix has made Mr H an offer of compensation of £150 (which I understand has already been paid). In all of the circumstances of the complaint issues I've considered in this decision, I think this is a fair and reasonable offer to recognise the impact of the failings described. For this reason, I don't think it needs to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 6 November 2025.

Daniel Little
Ombudsman