

The complaint

Mr J complains that Zurich Assurance Ltd have significantly increased the cost of the life cover in his Adaptable Pension Plan.

What happened

Mr J has a personal pension term assurance plan with a provider that has now been acquired by Zurich. The plan provides life cover until Mr J reaches the age of 75 and the premiums are reviewable. When he received a review of his plan in October 2023, Mr J complained to Zurich that, in order to maintain his level of life cover, his premiums would need to significantly increase. In their final response to the complaint, Zurich said they didn't think they had done anything wrong. They offered Mr J the opportunity to maintain his existing (pre-review) premium and reduce the life cover the plan provided.

Mr J brought the complaint to the Financial Ombudsman Service and one of our Investigators looked into things. During the investigation Zurich said their offer to reduce the premium and reduce the life cover provided the plan was still available. Zurich also offered to refund any surplus premiums Mr J had paid since 1 December 2023 plus interest at 8% simple. The Investigator thought this was a fair and reasonable offer to resolve the complaint.

Mr J asked that an Ombudsman decides the complaint and it has been passed to me to consider.

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.

I understand Mr J will be disappointed, but for very much the same reasons as our Investigator I've decided that Zurich's offer to reset the monthly premium to the level it was prior to the October 2023 review, reduce the life cover provided and to refund any surplus premiums Mr J paid is a fair and reasonable one to settle the complaint. I will now explain why, and address what I consider to be the relevant comments provided by Mr J.

The crux of Mr J's complaint is that Zurich didn't make him aware the reviews would change from five yearly to annually, that he thought the plan could be changed to a pension plan and that the premiums had increased significantly without the option to reduce the life cover at the October 2023 review. Mr J has also commented that he thinks the plan was mis-sold. He previously brought a complaint about this issue to the Financial Ombudsman Service in 2009. Although an Ombudsman did not consider the case, it was closed when our Investigator thought the plan hadn't been mis-sold. I cannot consider this aspect of Mr J's complaint as Zurich have not consented and because the issue has previously been considered by our service.

The terms and conditions of Mr J's plan explain the premium is not fixed and that a review would take place every five years. The exception to this is during the last four years of the plan, when reviews will take place annually. I would refer Mr J to the terms and conditions he would have received at the time the plan started, specifically section 10.2.1 and 10.2.2. I'm satisfied Zurich provided Mr J with plan reviews every five years until December 2021. They issued a review in 2023 because Mr J's plan only had four years to run. I note Mr J's comment that Zurich have provided a further review in 2024. In this regard, I'm persuaded Zurich continue to issue reviews in line with the plan terms and conditions.

There's nothing in the terms and conditions of the plan that suggest it could be converted into a pension plan. Instead, the terms and conditions make it reasonably clear the plan had no surrender value and was provided for life cover purposes only. The plan makes use of pension rules to enable Mr J to claim tax relief on his premiums. I'm satisfied it was intended to provide life cover and not pension provision.

Mr J believes that after the October 2023 review, the premium he needed to pay to maintain the life cover the plan now provided increased unfairly. In considering this part of the complaint, I've taken into account the level of life cover the plan has provided and the premiums Mr J has paid since the plan started. Whilst I don't consider it necessary to go through every single change in life cover, there's no dispute that sometimes there were negative reviews and sometimes there were positive reviews. A negative review – like the review in October 2023 – occurred when the underlying investment performance and mortality charges were such that a premium increase was required to maintain the life cover the plan provided. A positive review was when the underlying investment performance and mortality rates resulted in Zurich assessing that they could increase the life cover provided by the plan without a premium increase. The policy was never intended to only allow for positive reviews; the outcome of each review is solely dependent on various economic factors and current and projected mortality rates along with projected investment returns. Taking this into account, I'm persuaded Zurich dealt with the reviews in accordance with the terms and conditions, and that they did nothing significantly wrong in this regard.

The October 2023 review letter told Mr J that a premium increase is required to maintain the level of life cover the plan now provided. Whilst Zurich didn't provide any alternative figures for Mr J to consider if he wanted to keep the premium the same and reduce the life cover, the letter did tell him that he could call Zurich if he wanted to discuss any other options. When he received the review, Mr J called Zurich to say he was unhappy that his premium had increased significantly. Zurich have provided a call note from the time recording their agent offered to obtain a quote for the level of life cover the plan could provide if Mr J wanted to keep the premium the same. Mr J asked Zurich to deal with this as a complaint.

The Financial Conduct Authority (FCA) regulates Zurich. The FCA expects firms such as Zurich to provide information regarding a regulated product – such as the plan Mr H has – that is clear, fair, and not misleading. In this case, Zurich provided reviews in line with the terms and conditions of the plan, and they have explained why the premiums, or in some cases the sum assured, need to be changed. It seems to me that these reviews were issued in good time to allow Mr J to consider the changes before the changes took effect and allowed time for Mr J to discuss other options with Zurich.

Zurich's offer to provide Mr J with a quote for an alternative level of life cover, made when he spoke with them in mid-October 2023, was a fair and reasonable offer. Zurich dealt with this issue again in their final response to the complaint and said, *"As confirmed your payment level can remain at £33.47 gross a month but the life cover would need to reduce to £93,221. Please let us know if you wish to reduce the cover, if we don't hear from you will continue your plan at the new payment level."* Zurich have said that this offer is still open for acceptance.

I'm satisfied Zurich has already made a fair and reasonable offer to Mr J to settle the complaint. Mr J should contact Zurich directly if he now wishes to accept this.

My final decision

For the above reasons, I don't think Zurich Assurance Ltd needs to do anything to settle the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 10 June 2025.

Paul Lawton
Ombudsman