

The complaint

Mr A complains about a reviewable whole of life (RWOL) policy he holds with ReAssure Limited. He's unhappy with the outcome of a policy review held in 2023 and the level of support he received from ReAssure after the review.

What happened

Mr A has held the policy since the 1990s and it initially provided a sum assured of £80,000 for monthly premiums of £63.52. It was reviewable and also subject to indexation up until 2012, so by the time of the 2023 review, it was providing a sum assured of £135,070 for monthly premiums of £444.50.

ReAssure wrote to Mr A in 2023 and said that the policy had failed the review. In order to maintain the sum assured, the premiums would have to increase to £557.38. If the premiums weren't increased, then the sum assured would fall to £114,000.

Mr A contacted ReAssure and queried why the changes were required and on what basis they were calculated. He also noted that he hadn't been given enough time to seek independent advice before making his decision. He subsequently complained to ReAssure about the outcome of the review, but his complaint wasn't upheld.

ReAssure wrote to him explaining, in summary, that his policy had been taken out on a maximum cover basis. This meant that at each review it was likely that the policy would require substantial changes.

Mr A didn't accept their findings and asked for our help with the matter. He said that he was unhappy with the review and the lack of support from ReAssure. He thought that ReAssure's response hadn't covered the two key questions he'd asked around why such a large increase was required and the late receipt of the review letter. He noted that they hadn't provided any explanation around why the level of cover remained close to the maximum level or how they determined the maximum level.

He was concerned that the original level of cover was to be increased in line with the Retail Price Index (RPI), but the premiums had substantially increased over this level while the sum assured was substantially below that level. He explained that he now faced the threat that the premiums would continue to escalate year on year while the actual level of cover reduced, and this was causing him extreme stress.

The complaint was considered by one of our investigators who thought it should be partially upheld. He was of the opinion that ReAssure hadn't addressed Mr A's service-related concerns so they should pay him £200 in compensation for the distress and inconvenience they'd caused him. However, he didn't think that ReAssure had acted unfairly when they'd reviewed the policy and proposed the changes that they did, given the reviewable nature of the policy. He thought that they had previously provided Mr A with clear, fair and not misleading information about his policy and had given him an indication of what was likely to happen to the policy in the future.

Mr A didn't agree with the investigator's findings and made the following points, in summary:

- He didn't have any idea of how much the policy's premiums would potentially escalate by in the future, so he'd surrendered it and taken out an alternative policy.
- He didn't agree that the historic documentation he'd received had given any indication of the scale of potential future changes to the policy.
- ReAssure continued to provide him with poor service during the surrender process as they refused to send the surrender paperwork by email, instead choosing to send it in the post which took over two weeks to reach him. This meant that the surrender value had fallen, and he also had to pay another month's premium of £557.38. This wasn't the level of service he'd expected when he'd taken out the policy through another firm who'd subsequently sold the book of policies to ReAssure.
- The escalation in premiums was nothing like what he'd been led to believe when he'd taken out the policy, which highlighted the poor practices of ReAssure.

The investigator noted the points Mr A had raised but wasn't persuaded to change his opinion. He also explained that if Mr A was unhappy with any issues other than what he'd originally raised with ReAssure, then he'd need to make a separate complaint to them.

Mr A disagreed and explained that the points he'd raised were a continuation of the points he'd raised in his original submission. He reiterated that his main issue had been with the unprofessional manner in which ReAssure managed the handling of the reviews.

The investigator wasn't persuaded to change his opinion, so the complaint has been passed to me to review.

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.

Having done so, I agree with the investigator's opinion that this complaint should be upheld in part and I will now explain why.

I will firstly address the issues relating to the outcome of the 2023 review. In making my decision I've considered if ReAssure met their regulatory obligations and I've set out below what I consider to be the relevant standards I've taken into account when making my decision:

- 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).

I've considered the points Mr A has raised about the outcome of the review, especially the size of the potential changes compared to changes based on RPI indexation. It may be helpful if I reiterate how RWOL policies broadly work in practice. The cost of providing cover isn't fixed and instead increases over time as the lives assured get older. At the outset, when charges are relatively low, the difference between the premiums being paid and the charges

results in an investment pot being built up.

Over time, businesses will undertake reviews to ensure that the policy can continue to provide the chosen level of cover. This process is separate from indexation reviews which look to increase a policy's sum assured each year in line with a specific index such as the RPI. The purpose of an indexation review is to ensure that the level of cover isn't reduced in real terms by inflation.

When a business performs a policy review, they will look at a number of different factors such as the size of the investment pot, current mortality rates and investment performance. If they decide the policy isn't sustainable at its current premium, the consumer will usually be offered the option of reducing the sum assured or increasing the premium. These changes aren't capped or linked to an index so they can be significant, as was the case in the 2023 review. Having undertaken the review, ReAssure's assumptions were that the policy was unsustainable on its existing terms, and a higher level of premium was needed to maintain the policy's sum assured.

The level of changes required were impacted by the policy being on a maximum cover basis. Reviewable whole of life policies usually have three types of cover:

- Maximum cover – Provides the highest level of life cover for the chosen premium. But this will normally mean that most of the premium will go towards paying for the life cover. Only a relatively small portion of the premium will be left over to be invested. Although the premium will normally provide more cover at the outset, it is more likely to fail a policy review than a standard or minimum cover policy.
- Standard cover - More of the premium will be invested than with maximum cover. Therefore, it will normally provide less cover for the same amount of premium at the outset, it is more likely to pass its reviews for longer.
- Minimum cover - This will have the highest premium at the outset for the amount of life cover provided. Most of the premium will be invested with the remainder used to fund the life cover element. As more of the premium is being invested and building up a larger fund, it is less likely to fail a review.

Having considered the terms of Mr A's policy, I haven't seen anything to suggest that it wasn't reviewable or that there was a limit set on any potential changes. In summary, they say that the premiums would be set a level determined by ReAssure's actuary which would support the costs of the policy until the next review date. Therefore, I don't think that ReAssure treated Mr A unfairly when they reviewed the policy and proposed the changes that they did.

I've also considered if ReAssure met their regulatory requirements, taking into account the standards I've quoted above. In summary, they had a requirement to provide Mr A with clear, fair and not misleading information about the policy in order to enable him to make an informed decision about the policy.

Their communications should have included key details about the policy such as its performance, the value of its underlying fund and any fees, charges that had been applied and any options that could be taken to mitigate poor outcomes in the future. They should have provided this information within a reasonable time frame, and at the very latest, at the point where the costs of the policy overtook the premiums being paid.

Having considered the communications sent to Mr A, I haven't seen that this level of information was provided, although I note that the costs of his policy never overtook the

premiums being paid.

The communications I've seen, such as annual statements and review letters, didn't give an indication of the policy's charges or a projection of how long the policy would support the sum assured. However, ReAssure have been providing Mr A with some information and a variety of options in their review letters.

For example, the review letters from 2009, 2014 and 2019 explained that changes were required at that time and further changes would be required in the future. Mr A could opt to reduce the premiums or sum assured by as little as possible, but it would then be certain that further changes would be needed in the future. However, he could make the changes detailed below which were likely to sustain the policy throughout life:

- The 2009 review said that an increase in premiums from £149.44 to £367.26 or a reduction in sum assured from £119,567 to £52,100 would be sufficient to maintain the policy for life.
- The 2014 review said that an increase in premiums from £241.27 to £522.65 or a reduction in sum assured from £135,070 to £68,900 would be sufficient to maintain the policy for life.
- The 2019 review said that an increase in premiums from £325.51 to £645.14 or a reduction in sum assured from £135,070 to £78,200 would be sufficient to maintain the policy for life.

Having considered the level of information that ReAssure provided to Mr A, I think they gave him enough information to indicate the level of changes that might be required in the future – which were significant.

Mr A didn't take any action after receiving this information, so I don't think that he would have taken a different course of action even if he had received information about the specific level of charges or a projection of how long the policy was expected to last on its current terms.

Therefore, having considered everything, I don't think ReAssure need to do anything else to resolve this aspect of Mr A's complaint. I appreciate this will come as a disappointment to Mr A, but I hope he can understand the reasons why I've come to this conclusion.

I've then considered the concerns Mr A as raised in relation to the service he's received from ReAssure. I am only looking into the concerns he raised in his original complaint to ReAssure. I appreciate he has further concerns about how he was treated when he tried to surrender the policy. But ReAssure must have the opportunity to firstly consider the issues and provide their final response before we can consider them. So, it's up to Mr A to raise any subsequent issues with ReAssure. If he remains unhappy after they issue their final response, we can then consider a new complaint.

Going back to the concerns Mr A raised when he first brought his complaint to this service, I haven't seen that ReAssure addressed the points he'd raised. In their final response of 30 November 2023, they said that they'd issued their review letter two months prior to the policy's anniversary date of 16 December. However, I don't think this is true as Mr A provided evidence to show that it hadn't been sent until 9 November 2023.

Mr A has also told us he was promised an extension until 1 December 2023 to respond to the review letter and was told he'd receive a letter confirming this, but it was never sent. He also raised concerns around why he was unable to speak to someone to discuss his

complaint, but this wasn't addressed by ReAssure.

Taking everything into account, I think he has been caused distress and inconvenience by ReAssure's actions. As ReAssure haven't disputed the investigator's findings or offered any comments relating to the level of service they provided to Mr A, I'm satisfied that £200 compensation is fair and reasonable in the circumstances.

So, in summary, I don't think ReAssure treated Mr A unfairly when they reviewed his policy and proposed the changes that they did. But I think that their level of service prior to the December 2023 review caused Mr A distress and inconvenience, and they need to pay him £200 compensation.

My final decision

For the reasons I've given above, I uphold this complaint. ReAssure Limited need to pay him £200 compensation in order to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 6 January 2026.

Marc Purnell
Ombudsman