

The complaint

Mr P, Ms A, Mr P2 and Mrs P (the trustees) complain on behalf of the P Trust (the trust), that ReAssure Life Limited (ReAssure) unfairly administered a reviewable whole of life (RWOL) policy.

What happened

In 1989 Mr and Mrs P, advised by another firm, took out a RWOL policy with an initial sum assured of £100,000 in return for a monthly premium of £15. The policy was placed in trust with Mr and Mrs P as trustees, later adding Ms A and Mr P2 as trustees.

The policy provider has changed over time and was more recently taken over by ReAssure. As ReAssure is responsible for anything done or not done in relation to this policy, for ease I'll refer to ReAssure when referring to those prior firms.

The policy was arranged with an optional feature allowing the trust the option to annually increase the premium and sum assured. It was also reviewable, meaning that the benefits were only guaranteed for the first ten years, after which ReAssure would regularly review it to assess whether changes may be needed to the premium or sum assured to sustain it for longer than it would be otherwise projected to last.

Outside of those reviews the premium and sum assured changed regularly overtime when the trust accepted those indexation increases. In March 2023 ReAssure had written to the trustees following a review of the policy to inform them the policy cover had reduced from £176,536 to £66,614, for the same premium of £87.70.

Having received that, the trustees thought to complain about how ReAssure had administered their policy. In summary, they said:

- ReAssure had been unfairly reducing the level of cover since 2011.
- The review carried out in December 2021 had given them the impression both the level of cover and premium were now fixed.
- No clear reason had been given for the recent significant fall in the level of cover in 2023.

- They suspected the changes to their policy were due to the policy basis changing without explanation, or due to errors in ReAssure's actuarial calculations.
- Reviews took place annually rather than at five year intervals they expected.

ReAssure issued a number of final responses in the course of the complaint. In those it, in summary, said:

- Shortly into the policy life the trustees significantly increased the level of cover, which had the effect of converting it to a maximum basis.
- The reductions in the sum assured were due to the result of policy reviews as and when those happened.
- It made a mistake in December 2021 saying the policy would incur no further changes, but that it had written to the trustees shortly afterwards to correct that.
- It said there had been issues with the values in the 2023 indexation letter, which it had corrected a month later.

For the issues involving the two issues around the letters in 2021 and 2023, it offered £300 as an apology. It later, following referral to our service, increased that by another £150, to reflect the distress and inconvenience caused by the changes to their policy, to a total of £450. The trustees declined both parts of the offer.

As the trustees remained dissatisfied with the outcome of their complaint, they asked our service to look into what happened. One of our Investigators looked into the matter but didn't see ReAssure needed to do anything more than it had already offered.

In his view ReAssure didn't prior to the 2017 review provided the trustees with the information it needed to when it reviewed the policy. However, because the trustees made no elections to make any changes to the policy when ReAssure provided sufficiently clear information from the 2017 review, he didn't think they would've done anything different had clearer information been provided in those earlier views. For the matters relating to the service provided, he was satisfied the £450 offer ReAssure had already made was fair.

The trustees responded to disagree with the outcome reached, in particular saying they didn't think the fund had been fairly managed. Our Investigator explained he was satisfied the fund had been properly managed and any concerns over fund selection was outside of its involvement in administering this policy.

The trustees remained of the view that it was unclear why the sum assured had fallen so much since inception and was projected to fall further. They thought this indicated that ReAssure had failed in its duties in administering this policy.

As an agreement wasn't reached the 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.

The type of policy the trust had was a RWOL policy. These typically work by using the premium to pay for life cover with the excess, if any, being paid into an investment fund. Over time as the cost of the life cover increases, which it does with age of those assured under it, less of the premium is invested and more spent to maintain the life cover. The aim of this arrangement is that over time the investment element grows sufficiently to offset the higher costs of life cover in the future. The policy is then reviewed at regular intervals to evaluate whether the value of the investment fund, future premiums to be paid and the anticipated future cost of life cover would allow the policy to continue on the current terms. If that assessment is that it can't, then the review would "fail", with options being set out to sustain the policy for longer. Those typically being an increase in the premium paid, the sum assured being reduced, surrendering the policy, or taking no action and letting the policy lapse once it can no longer sustain itself.

A copy of the policy document from when this policy was taken out in 1989 hasn't been provided. But given the passage of time since it isn't unreasonable ReAssure hasn't been able to provide that. Based on the point of sale document that is available, ReAssure's description of the policy, and how it was actually administered, I'm satisfied it would likely have been set out from the outset the policy was reviewable. Meaning that the premium or sum assured could change in the future.

It follows then I don't think ReAssure would be acting unfairly by carrying out policy reviews given I've not seen the terms failed to disclose it worked in such a manner. But to apply any changes from the reviews fairly, ReAssure would've needed to present information about the policy and the suggested changes to the trustees 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 potentially significant changes needed to be made to the policy.

ReAssure has said, as is typical of these policies, that the sum assured and premium were only guaranteed at the initial levels (as adjusted by indexation options) for the first 10 years. After that, the policy would be reviewed at regular intervals to assess whether the premiums being paid and the value of the investment pot would be sufficient to sustain the sum assured in the future.

ReAssure's explanation of this policy was that it was reviewed annually. The review letters I've seen before 2009 only refer to the indexation changes, for 2009 and 2010 that same information is given but with a notice that accepting the increase would allow the policy to further for a specified number of years. The 2011 review was the first I've seen for this policy that didn't say the sum assured will increase with a premium change as it had before. Instead, it differed by explaining either the premium needed to increase or the sum assured reduced to continue the policy for another five years. And that the policy would lapse earlier than this without any changes.

The reviews follow this pattern until 2017 when ReAssure gave that same information but with the addition of forecasts showing how much the premium could increase over the next 20 years, giving both the value and the percentage increase review to review over that period. Information is also given about the current premium, sum assured, the cost of cover, and both the plan and surrender values of the policy.

In my view the reviews prior to 2017 failed to meet ReAssure's obligations to provide the trustees with clear, fair and not misleading information about the future prospects of the policy. I say this because it was only looking to whether the policy could provide cover for the next five years and importantly didn't provide the trustees with an indication of the sort of change that might be required, and that this change would likely be significant as the lives assured became older – as the cost of providing life cover increases with age. Given ReAssure provided that information from 2017 onwards, I'm satisfied from the 2017 review onwards, it had met those requirements.

Given the reviews before 2017 didn't provide the clear, fair and not misleading information that I think it ought to have, I've thought about whether ReAssure ought to have known prior to the 2017 review that the policy would require significant changes and to have communicated that to the trustees. In my view, the evidence provided around the costs of the policy and premiums being paid demonstrate it's likely the policy reached its "tipping point", the moment the costs of the life cover exceeded the premiums paid, in 2009 when the cost of providing the life cover exceeded the premium paid in that year – £913.50 in charges against £869.64 in premiums.

Around the 2010 review then was an important moment in the policy as this is when ReAssure would've known the difference between the premium and costs of life cover would now likely be paid from the investment element of the policy. This would be important information for the trustees to be able to make an informed decision at the earliest opportunity about what changes, if any, to make to the policy. As I mentioned above until 2017 absent from ReAssure's review letters were critical information about the cost of life cover or the potential future increases in life cost or premium and was only assessing policy sustainability for the next five years. It follows I don't think then ReAssure provided the trustees with the information it needed to in the 2010 review to allow them to make an informed choice about what action to take.

In my view, given ReAssure's position in the market and its experience at this time of these policies, it would've been reasonably aware that the trustees would've needed to make significant changes to the policy in the future. There was then an imbalance of knowledge between ReAssure and the trustees, and around the time of the 2010 review I think ReAssure ought to have corrected that imbalance by providing clear warning to them about the extent of the changes that would likely be needed.

I've considered then what the trustees would've likely done had ReAssure presented clearer information and warning to them about the future prospects of the policy. In doing so I've thought about factors such as why they took out the policy and what action they took when ReAssure did later provide clear, fair and not misleading information about the policy's prospects from 2017.

In my view this policy was important to the trustees, it appears to have been taken out to provide financial protection for their family and to provide a sum to pay towards any inheritance tax liability. I also note they agreed to the indexation amounts, indicating that they wanted the sum assured's buying power to aim to keep the buying power of the sum assured in line with inflation. I've also seen that the review letters from 2017 showed very significant changes would be required in the relatively near future, setting out the monthly premium potentially needing to increase from £87.70 to £405.23 by January 2022, before further significant increases expected to be required every five years. Similar information was repeated to the trustees in at least 2018, 2019 and 2020.

Having been provided with information that fairly showed the significant changes needed to sustain the policy from 2017, the trustees decided to take no action. In my view that suggests they didn't see value increasing the premium to the levels needed to sustain the policy, instead preferring to reduce the level of cover. Given the importance I think the trustees placed on having some cover but not at a cost beyond what they were already paying, and the fact they didn't accept any increases from the 2017 review onwards, I don't think it's likely they would've made a different decision but to increase the premium

I understand the trustees feel the suddenness of the changes the policy needed stem from mismanagement of some kind by ReAssure, including the fund itself. But I don't agree that's the case here. What the trustees have experienced is what typically happens in these policies in later years, when the growth from the investment element can no longer offset the cost of life cover which increases with age, and the rate of that increases also increases. They also had this policy on what's often termed a "maximum" basis, which means the policy works to provide a higher sum assured for a lower premium. As more of the premium is being spent on life cover, there is less to invest and that policy is then more likely to require change in the future.

Given the above I'm satisfied ReAssure was able to review the policy in the way it did, and while it didn't always provide the information it ought to have I'm not persuaded the trustee would've have acted other than to maintain the premium in line with indexation had clear information been provided. It follows I won't be directing ReAssure to take any action around how the policy was reviewed.

There is some dispute over on what basis this policy was provided on, largely because ReAssure told the trustees it was for a time managed on a "standard" basis – where there's more balance between the contribution of the premium between providing life cover and investment growth, so would usually be expected to last longer than "maximum" policies. I've reviewed all the documentation available, and I'm satisfied the policy was managed on this "maximum" basis. I say this because the monthly premium the application form says ReAssure would accept and provided the level of sum assured, £100,000, for that which I've seen indicate a "maximum" policy in other complaints I've decided.

The confusion around this appears to stem from an attempt to increase the level of cover in the early years of the policy, which might have changed the basis the policy ran on, and ReAssure misinterpreting a letter where the word "standard" was mentioned. But while that increase was initially accepted it was later declined due to a misrepresentation in the application. ReAssure accepted that was unintentional and reinstated the policy on the original terms, "maximum" basis, which I've not seen evidence ReAssure departed from when managing the policy. As far as the reference to "standard", I read that as meaning the normal terms and conditions applied to the policy, rather than an amended version required say due to underwriting requirements. Regardless, even if I were wrong on those points it doesn't change in my view this policy would likely have needed change in the future and that clear information about it before 2017 wouldn't likely have led the trustees to make a different decision to maintaining the premium for the sum assured that could provide.

Lastly on the service provided, ReAssure has already offered £450 to reflect being told the policy terms were fixed in 2021, incorrect details in the 2023 indexation letter, and for the upset the review changes caused.

I appreciate being told the premium and sum assured were now fixed in 2021 was a mistake and wasn't in fact the case would've been frustrating and upsetting. But just because ReAssure provided incorrect information that doesn't mean that the firm is bound to that. I note it corrected that information quickly, but it was avoidable and had impacted the trustees

by doing making the statement it did. In a similar manner the indexation issue was avoidable, caused concern and took some time to resolve, which again caused the trustees a degree of frustration and inconvenience.

On what's been said about the impact of the recent review outcomes to the trustee, given I haven't upheld that part of the complaint I won't make an award for the impact the changes to their policy had.

Having considered these matters, I'm satisfied the offer ReAssure already made fairly reflect the impact those matters had. My understanding is ReAssure's offer hasn't yet been paid where the trustees rejected it.

My final decision

ReAssure Life Limited has already made an offer to pay £450 to settle the complaint and I think this offer is fair in all the circumstances.

My decision is that ReAssure Life Limited should pay £450, if it hasn't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A, Mr P, Mr P and Mrs P as trustees of the P Trust to accept or reject my decision before 18 March 2026.

Ken Roberts

Ombudsman