

The complaint

Mr T complains that Zurich Assurance Ltd unfairly increased the monthly premium on his pension term policy.

What happened

In 1995, a financial adviser recommended a pension term policy to Mr T. The policy was with a business that has now been acquired by Zurich, and they have taken on responsibility for its administration. After a review in 2024 Zurich told Mr T that in order to maintain the current level of life cover, his monthly premium would increase.

Mr T complained to Zurich that the increase in premium was unfair. Zurich didn't uphold the complaint. They said the monthly premium and the level of life cover weren't fixed and were subject to regular reviews. Zurich offered Mr T the option to continue paying the existing premium and reduce the life cover.

Mr T brought the complaint to the Financial Ombudsman Service and one of our Investigators looked into things. Our Investigator didn't think that Zurich had done anything wrong. Mr T 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 that Mr T will be disappointed but for very much the same reasons as our Investigator, I've decided Zurich didn't do anything significantly wrong and I will explain why later in my decision. But I first want to clarify why I can't consider Mr T's comments that the policy was mis-sold in my decision.

Zurich confirms the policy was recommended and sold by an independent financial adviser in 1995. So, although Mr T believes the policy was mis-sold, Zurich didn't recommend or sell the policy and are not responsible for the advice given at the time. If Mr T feels the policy was mis-sold, then he should contact the independent financial adviser who recommended it to him. I understand these details have already been provided to Mr T.

Mr T says he didn't receive the terms and conditions of the Zurich policy at the time of the sale and that he hasn't signed them to agree he accepts them. However, Mr T doesn't dispute he's been paying the monthly premiums for the last 30-years and that he's been receiving regular reviews. I think it's reasonable for me to decide Mr T has, by doing this, accepted the terms and conditions of the policy.

Regardless of this, I can consider whether the information Zurich provided Mr T about the policy was unfair or misleading. The Financial Conduct Authority (FCA), who regulate Zurich, set out what policy information they would expect a business to provide a consumer. This is contained within the FCA conduct of business sourcebook (COBS). Specifically, COBS 4.2

states the information a business provides to its consumers should be fair, clear, and not misleading.

The illustration Mr T provided explained the policy had life cover of £250,000 and the monthly premium was £19.97. This was a gross premium and because the policy was written under pension rules at the time, Mr T could claim tax relief on the premium. The policy has a 31-year term and is due to end in April 2026. The illustration confirms there is no cash-in value at any time.

Mr T says he has always understood the premiums would be level for the full 31-year term of the policy. I can't say what Mr T's independent financial adviser told him at the time of the sale. But Section 10 of the terms and conditions of the Zurich pension term policy, which he would more likely than not have been provided with, deal with the life assurance provided. They make it clear that the level of life cover provided, and the monthly premium can be reviewed. They also explain when reviews will take place and Mr T confirms he's been receiving these reviews on a regular basis. Zurich explain that monthly premiums are set taking into account mortality deductions and the mortality deduction is the cost of providing the life cover based on Mr T's age at a review date. This is decided by their actuary and includes an allowance for their costs and profits. Taking this into account, I'm satisfied the information Zurich provided makes it clear both the life cover and the premium were subject to regular reviews. The information isn't mis-leading and reasonably explains what Mr T could expect in this regard.

Mr T says that at every review until 2024, Zurich have not changed the monthly premium but instead increased the life cover. The terms and conditions explain – in section 10.10.1 - that there are contribution reviews. And, that if after mortality deductions the monthly premium is not enough to maintain the life cover, Zurich has the right to increase it. The same section explains that at a review, if the monthly premium could pay for more life cover Zurich can increase the life cover. I've considered Mr T's view, but I'm satisfied that Zurich didn't treat Mr T unfairly when they increased the level of life cover at earlier reviews. It's clear that Zurich are able to do this, and I've decided they did nothing wrong in this regard.

Mr T is frustrated that he's never been asked to increase his premium before now. He now believes Zurich should not have increased his life cover at the earlier reviews. However, I've not seen anything to suggest Mr T asked for the cover to be reduced when Zurich increased it. And he has been receiving the benefit of the increased life cover for some time now. As I've already decided, Zurich didn't do anything wrong when they did this and it seems more likely than not Mr T accepted the additional life cover the policy would provide. Regardless of this, I've seen that in their final response to this complaint, Zurich offered to reduce the premium Mr T pays to £19.97 and reduce the life cover by £92,713. They said this would ensure the policy stays on track to maintain a zero-fund value when it reaches the end of its term.

As I've decided Zurich haven't done anything wrong, I won't be asking them to do anything else, but if Mr T now wants to take up Zurich he should contact them.

My final decision

For the reasons above, I've decided Zurich Assurance Ltd haven't done anything significantly wrong and I won't be asking them to do anything else.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 9 July 2025.

Paul Lawton
Ombudsman