

The complaint

Mrs L and Mr L complain Aviva Life Services UK Limited made an error on their whole of life policy and say they would have made a different decision at the 2019 review had they had known of the error.

What happened

In a 2019 policy review, Aviva told Mrs L and Mr L they could increase the premium and maintain the level of cover or continue to pay the same monthly premium and reduce the level of life cover. They were also told the surrender value of the policy at the time. Mrs L and Mr L decided to reduce the life cover. In 2024, Aviva told Mrs L and Mr L they had made an error in how they had charged for the life cover on the policy. Mrs L and Mr L complained that the decision they made in 2019 would have been different. Aviva accepted they had taken too long to identify there was an error. They apologised and paid Mrs L and Mr L £750 as a gesture of goodwill.

Mrs L and Mr L brought the complaint to the Financial Ombudsman Service and one of our Investigators looked into things. Our Investigator thought that the payment Aviva made to resolve the complaint was a fair and reasonable one in the circumstances. Mrs L and Mr L 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.

Before I explain my decision, I think it would be useful for me to clarify what it is I can consider at this time.

Mrs L and Mr L previously complained to Aviva that the policy may have been mis-sold. I've seen that Aviva didn't uphold this complaint and provided an explanation why they thought the policy was suitable at the time. The final response letter provided referral rights to the Financial Ombudsman Service that explained Mrs L and Mr L had six-months from April 2016 to raise the complaint with our service. As this didn't happen, I'm not allowed to consider or comment on whether the policy may have been mis-sold. This is because it is now outside of the time limit referred to in Aviva's final response.

Taking into account the submissions of Mrs L and Mr L and Aviva I'm satisfied the policy was taken out in 1994 to provide family protection, to ensure the mortgage was repaid on death and to provide a lump sum on death to cover funeral expenses.

There's no dispute Aviva made an error when deducting the cost of life cover from the policy. The crux of this complaint is whether Aviva's error, and subsequent delay in identifying the error, had an impact on Mrs L and Mr L at the time of the 2019 policy review. I understand Mrs L and Mr L will be disappointed, but for very much the same reasons as our Investigator, I've decided that Aviva doesn't need to do anything else. I will now explain why.

When Aviva provided Mrs L and Mr L with a review letter in 2019, they explained that in order to retain the level of life cover their monthly premium would need to increase. The review letter also said that if they wanted to keep the same premium the life cover would reduce. And the same review letter provided a surrender value of about £670. Aviva said that because they didn't hear from Mrs L and Mr L, the life cover was reduced to about £16,000. Mrs L and Mr L complained they never received the review letter. Aviva provided a copy of the letter to Mrs L and Mr L and they continued to pay the same monthly premium. The life cover was amended to £16,000.

Aviva told Mrs L and Mr L in 2024 they had made an error in deducting the cost of life cover on the policy. At this time, Aviva told Mrs L and Mr L that they had added units to the value of £3,700 to the policy to reflect the impact their error had on the value of the policy. Mrs L and Mr L say that if Aviva had not made an error, they would have had a surrender value greater than £670 that could have been used to pay off some or all of their mortgage. Mrs L has told us that the outstanding mortgage balance in 2019 was £12,000 and says she would have used the amended surrender value – but for Aviva's error – to pay off some of the mortgage and save her paying monthly premiums for five more years. I acknowledge this is a choice Mrs L and Mr L could have made if Aviva had corrected the policy earlier than they did, but I have to consider whether, without the benefit of hindsight, they would have made such a decision.

It's important for me to consider Mrs L and Mr L didn't take out the policy simply for protecting their mortgage if either of them passed. The policy was taken out for several reasons; family and mortgage protection, and to provide a lump sum on death to cover funeral expenses. Mrs L and Mr L are frustrated they were not able to make a decision to pay off at least some of their mortgage in 2019 because of Aviva's error. Regardless of this, the outstanding mortgage balance in 2019 was £12,000. So, although Mrs L and Mr L may have decided to pay off some of the mortgage in 2019, if Aviva hadn't made an error, it's more likely than not they would still have needed life cover to pay off the balance if either of them had passed.

Mrs L and Mr L still had a need for life cover in 2019 and because of this, I think it's more likely than not they would have kept the policy in place. Indeed, in the review letter from 2019, Mrs L and Mr L were given the option to surrender the policy if they didn't need the life cover any longer, but they chose to pay the existing monthly premium to retain some cover. I acknowledge Mrs L and Mr L could have made a different choice if Aviva had corrected the policy earlier than they did and this has left them feeling frustrated. So, in this regard I'm satisfied Mrs L and Mr L were denied the opportunity making an informed decision in 2019 because of Aviva's error. But I'm persuaded Aviva's payment of £750 is a fair and reasonable remedy to reflect the loss of this opportunity and the frustration and inconvenience this caused them.

My final decision

For the reasons provided above, I've decided that the £750 payment Aviva Life Services UK Limited has already paid Mrs L and Mr L is fair and reasonable to resolve the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L and Mr L to accept or reject my decision before 15 April 2025.

Paul Lawton
Ombudsman