

## The complaint

Mrs M complains on behalf of the M Trust about the way ReAssure Limited has administered a whole of life policy. She is unhappy that following a review the sum assured decreased dramatically and she wasn't aware extortionate amounts of increased premiums would be needed to maintain the cover.

## What happened

Mrs M was advised by a bank representative to take out a Skandia Life (now part of ReAssure) reviewable whole of life policy in late 1993. It started in January 1994 and provided Mrs M with life cover of £100,000 for a monthly cost of £20. The policy included an option to increase the cover each year by up to 10%, with a proportional increase to the premium. The policy was placed in a trust with Mrs M and Ms L as trustees.

Over the following years, the premiums and sum assured were increased after Mrs M accepted the increase option at some of the annual reviews (although not every year). By 2006 the premium was £33 and the sum assured was £164,327.74. ReAssure say no annual review outcomes were communicated between 2008 and 2017 as it didn't hold Mrs M's current address until it was updated in 2017.

In October 2017, a review of the policy was sent to Mrs M. This was issued by Old Mutual Wealth (having taken over from Skandia and now part of ReAssure) and stated "As we estimate that your current premium will provide your cover for the next six years you do not need to make any changes now and can keep your plan as it is." The letter did give warnings that the policy would only last for a limited number of years, and gave options to increase the premium or reduce the sum assured. It also says in bold type *'If you need the cover to last for a long time, it is likely to be more cost-effective to make a change now which could support your cover for longer, rather than make the minimum change every five years.'* There was also information given on the likely increases needed for the policy in order to maintain the level of cover. This showed significant increases would be needed over the next 25 years – with a figure for each five year point up to 2041, this showed an estimated premium of £947.10 at this date.

The policy was reviewed over the following years, and similar information was provided. Mrs M didn't make any changes to the policy after these communications.

In 2023 the policy failed a review. This letter stated:

*"Your policy is regularly reviewed to check if the amount you're paying is enough to support the cover you have in place. We've carried out your review for this year and found that:*

*Your cover is at risk – your policy will not support your valuable benefits going forward.*

*This means that if you don't take any action your cover will be reduced and will eventually end altogether.*

*Option 1 – to maintain the premium of £34.60 the cover will reduce to £88,445.*

*Option 2 – to maintain the cover of £172,314 the premium will increase to £74.15.  
Option 3 – to cancel the policy.”*

Option 1 was the default option if Mrs M didn't make a choice. The sum assured was reduced in line with option 1.

In February 2024, Mrs M raised concerns with ReAssure. She was concerned as the 2023 review letter was the first letter she had received that indicated the policy value is now only ever going to be in decline if she didn't increase the premiums. She was unhappy the premium could eventually be in excess of £500 a month. She was also unhappy as the benefit of the policy had fallen drastically.

ReAssure responded to the complaint. In summary it said:

- It accepted it didn't respond to a query raised by Mrs M in 2022 about the policy. It apologised for this and paid Mrs M £400 in compensation for the inconvenience caused.
- It confirmed that the policy still has a withdrawal option available.
- It explained how the review process worked for the policy, and said no errors have been made in reviewing the policy so, it would not be upholding this part of the complaint.

As Mrs M didn't agree with the response she asked this service to complete an independent review of her complaint.

One of our investigators looked into it but didn't think it should be upheld. In summary she said ReAssure had an obligation to ensure that its communications were fair, clear, and not misleading, in Mrs M's best interests and paid due regard to her information needs. It was noted that the costs of the policy had overtaken the premiums paid before the 2023 failed review. The investigator thought ReAssure should have made Mrs M aware of this "tipping point" shortly after this as it meant that going forward, the difference between the costs and premiums would be taken from the policy's underlying investment fund. This would potentially impact the long-term sustainability of the policy as the fund wouldn't potentially grow as quickly as it did in the past.

However, the investigator thought that even if ReAssure had made Mrs M aware that the costs had overtaken the premiums, she wouldn't have taken a different course of action such as surrendering the policy. She said this because:

- Mrs M said the policy was taken out for family protection and this would've always been required and be wanted.
- It is unlikely Mrs M would have taken an alternative policy if she was given clearer information sooner, as the options available to her would not likely meet her needs or provide value.
- As life cover remained important, it is unlikely the policy would have been surrendered even if ReAssure had provided clear, fair and not misleading information earlier. From the 2017 review onwards clear information was given about what was likely to happen to the premiums in the future. And despite being aware of this information Mrs M didn't take any action which reinforces that she wanted to maintain the policy.

Mrs M didn't accept the outcome and asked for an ombudsman to reach a decision. In summary she said:

- The decisions she made were based on the information provided at the time, so if that information was not clear, it didn't allow her to make informed decisions to make changes if she felt necessary.
- The information she saw indicated a healthy amount of investment in the policy at that time, and she did make changes to the original premium over the years. She did not know the indexation could have been stopped at any time.
- She did know what alternatives might have been available in the past, but she would have looked for a more affordable option that would be sustainable into old age.

### **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.

At the outset, I think it would be helpful to confirm what I'm considering in this decision, as Mrs M has raised other concerns about this policy. As part of this complaint, I'm considering the administration of the policy, specifically the reviews carried out and the reduction in the sum assured.

In making this decision, I've taken into account the following standards:

- 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).

With these standards in mind, I think that ReAssure ought to have provided clear, fair and not misleading information about the policy. What I've drawn from the guidance is that its communications should have included key details about the policy such as its performance, the value of its underlying fund and any fees and charges that had been applied. And it should have provided this information within a reasonable time frame.

This policy guaranteed the cover and premium for the first 10 years. It was then reviewed annually as part of the indexation benefit that was included, which meant the premium and cover did increase over time. But after the first 10 years it was possible for an increase to the premiums just to maintain the level of cover.

As mentioned, with this policy Mrs M did increase the premiums and cover on several occasions as part of the indexation. The limited number of review letters I've seen in the period up to 2017 only cover the changes relating to the indexation. I haven't seen that Mrs M was given any further information to help her understand the performance of the policy, the cost of providing the life cover or anything about the future expectations for the policy.

The 2017 review letter (which was also a combined annual statement), however provides much more detailed information. This informed Mrs M the current premium would only meet the costs of the cover for the next six years, and the premium would need to be increased after this time. It also set out some examples of what the premium might increase to if only the smallest increases were accepted. Using the current level of cover, it estimated the premium would need to increase to £128.12 in 2026, and all the way to £1,118.79 per month in 2046. While this didn't give Mrs M details about how the cost of the cover was increasing, I find it does give her a reasonable amount of information to understand the likely increases in premiums that would be needed in the future to maintain her cover for life.

Over the next few years similar information was provided to Mrs M in the reviews / annual statements ReAssure sent. Mrs M didn't take any action with the policy. While no changes were required immediately to maintain the cover, the information continued to indicate that significant premium increases were going to be needed in order to maintain the cover over the longer term. It was only in the December 2023 letter, did ReAssure inform Mrs M that her cover was at risk and the policy will not support the benefits, meaning that if she didn't take any action the cover will be reduced, and will eventually end altogether. Shortly after receiving a further communication to say the cover had reduced, Mrs M complained.

ReAssure has provided further information to this service about the cost of providing the life cover. It is apparent the cost of providing the cover had started to exceed the premiums that were being paid before the more detailed review letter was sent in 2017 – but Mrs M was not informed of this. So, I'm not satisfied I have evidence to show ReAssure did meet its obligations, particularly before 2017.

Despite the failings I've found, I don't think better information would have led Mrs M into taking different action. I'll explain why.

While Mrs M is now concerned the policy requires a drastic reduction in the sum assured, I need to consider things without the benefit of hindsight. It is difficult to say with certainty, but I'd need to be persuaded on balance it is likely Mrs M would have taken different action at an earlier point, if she was provided with clear information - for example information to explain the costs of providing the cover had reached the tipping point where they exceeded the premiums. But I don't think the available evidence supports she would likely have taken different action.

Mrs M took out the policy for family protection to provide for her children on her death. This desired aim has continued throughout the time she has held the policy. So I think it likely she would have wanted to continue with the cover as long as possible, at a premium she found to be affordable and was still providing her with at least the original level of cover.

The information Mrs M was given from 2017 onwards in the review letters gave her a strong indication of the highly likely requirement for future premium increases to maintain the policy, and the kind of level they would need to increase to if she didn't take any action. Despite this she continued with the policy at its existing level. This information was repeated in the following years communications, reinforcing the prospect of the policy needing future changes. But still Mrs M didn't take any action – either to surrender the policy or make changes to the premium or sum assured. It took till the point there was no choice, and an enforced change was needed, as was described in the December 2023 review letter. In my view, this suggests that even if Mrs M had been given clearer information before 2017, it is unlikely she would have made a different decision about the policy. I think the lack of action since 2017 is the strongest indicator of what Mrs M would likely have done at earlier reviews if she was given clearer information.

Overall, I think the evidence indicates that Mrs M wouldn't have made a different decision about the policy if she received better information sooner. It seems most likely she would have still continued with the policy as long as the cover remained at level that she still saw as valuable for the premium. It was at the point where the cover reduced considerably that she questioned the value of the policy and led her to complain.

So, despite having some concerns with how ReAssure has demonstrated how it met its obligations, I haven't found reason to say it needs to do anything further. This policy was always subject to review. So, while Mrs M is now unhappy about the reduction in cover, I don't think better information would have led her to make a different decision about the policy. This means I don't find ReAssure needs to do anything to put things right.

**My final decision**

For the reasons provided, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Ms L to accept or reject my decision before 11 December 2025.

Daniel Little  
**Ombudsman**