

The complaint

Mr D complains on behalf of the D Trust about the way Zurich Assurance Ltd has administered a whole of life policy. He is unhappy that following a review the sum assured decreased dramatically and he wasn't aware of the policy reviews being carried out.

What happened

Mr D and Ms L were advised by a representative of Allied Dunbar (now part of Zurich) to take out an Adaptable Life Plan (a type of reviewable whole of life policy) in August 2002. The policy was taken out in Ms L's name and would pay out on her death. It started in March 2003 and provided Ms L with life cover of £300,612 for a monthly cost of £100, which was paid for by Mr D. The policy included an indexation benefit meaning the premium and cover broadly increased in line with inflation. The policy was placed in a trust with Ms L, Mr D, and family members Mr N and Mr E as trustees.

Over the following years, the premiums and sum assured were increased in line with the indexation included with the policy. In 2013, the first policy review was carried out. This resulted in changes being required, and the cover decreased from £399,766 to £361,873 (£368,025 once indexation applied). The next review was in 2018, and this "passed" meaning no adjustments were required.

In 2019, a partial surrender of £20,000 was taken from the policy.

The next review was in 2023, and again changes were required as the current premium couldn't maintain the cover being provided. As a result, the cover decreased from £443,430 to £218,936 (£232,291 after the indexation was applied).

After this, Mr D raised a complaint. He raised concerns about the original recommendation to take out the policy and the impact of the reviews reducing the cover.

Zurich responded to the complaint. In summary it said:

- The documentation provided at the time of sale explained that the plan would be subject to reviews and would have explained the impact of them.
- When plans are reviewed, fund performance is a factor, and recent world stock markets have been particularly volatile. This has impacted on the level of cover that could be provided for the premiums paid. But this doesn't make the advice to start the policy inappropriate.
- The partial surrender of £20,000 that was taken from the plans value in 2019, not only reduced the fund value, it also impacted the subsequent review outcome, by removing units that would not have benefited from their future growth.
- The first failed review was in 2013, and it would have written out at this time to the policyholder, but it did not hold a current address for Ms L, so was unable to send out a letter informing her of the outcome. But it did write to her in January 2023 to explain this review was "not as expected" and giving her the options to increase the payments or accept a reduction in cover. As it didn't receive a response to the letter, the cover was reduced. The reduction of cover was in line with the terms and

conditions of the plan, which was fully explained in the documentation provided at the time of sale.

As Mr D wasn't satisfied with this response he referred the complaint to this service. The complaint was split in two, one to deal with the sale of the policy and one to deal with the administration of the policy.

One of our investigators issued an assessment on the complaint about the administration of the policy. She didn't think it should be upheld. In summary she said:

- The terms and conditions and schedule for the policy show this is a reviewable whole of life policy and would be subject to regular reviews. So, she was satisfied the policy is reviewable.
- Reviews were conducted in 2013 and 2018, but these weren't communicated as Zurich didn't have an address for Ms L. Although Mr D is unhappy the reviews weren't sent to him, as he wasn't the policyholder, Zurich wasn't obliged to send any correspondence to him.
- Between the reviews in 2018 and 2023, Zurich carried out an assessment of mortality rates. The result of its assessment was that it needed to increase the cost of providing life cover, which had an impact on the premiums at the 2023 review.
- Looking at how the policy has performed over the years; it built up a reasonable cash value until 2019 when a partial surrender was taken. The partial surrender of £20,000 in July 2019 which was more or less the fund value of the policy, had a significant impact on the outcome of the next review Zurich carried out in 2023. The value of the policy and the sum assured reduced following the partial surrender and this would have been taken into account with future review calculations.
- Zurich hasn't misled as to how much cover costs, or that there may come a point where the policy isn't going to meet its objectives. The recent reduction in sum assured being complained about was primarily down to the effect of the partial surrender and that Zurich reviewed mortality rates and investment performance – which it is entitled to do.

Mr D didn't accept the investigator's findings and asked for an ombudsman to reach a decision on the complaint. In summary he said:

Zurich openly admit to not sending reviews in 2013 and 2018 and made no effort to contact him or the other trustees of which they had full details. This cannot be deemed as treating customers fairly as it has an obligation to ensure that the stakeholders of the policy are fully informed of any reviews that affect the financial outcome taken with them and especially given that the sum assured decreased at the 2013 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.

At the outset, I think it would be helpful to confirm what I'm considering in this decision, as Mr D has raised other complaints with Zurich about this policy. As part of this complaint, I'm considering the administration of the policy only, and the mis-selling has been dealt with separately under a different complaint.

So, my considerations will only focus on the administration of the policy, specifically the reviews carried out and the reduction in the sum assured that Mr D has raised concerns about.

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 Zurich ought to have provided the policyholders with 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.

Firstly, I'm satisfied that Zurich has managed the policy within the relevant terms. It was always subject to reviews, and these have been carried out at the intervals set out in the original policy schedule and terms and conditions.

This policy was scheduled for its first review, ten years after it started, in 2013, and then regularly every five years until the last review in 2023. Zurich has explained that it did carry out reviews in 2013 and 2018. The sum assured was reduced after the 2013 review, and no changes were required in 2018, but it didn't communicate anything at either time. It has explained as Ms L was the policyholder, life assured and settlor of the trust the policy was held within, its requirements were to provide the review updates to her. But it says that as it didn't hold a current address for her (and previous correspondence had been returned as gone away from the address it held), it was unable to send any review letters.

Mr D has argued that the review letters should have been sent to him as a trustee, but he didn't receive any information, so he has been treated unfairly.

Zurich's position is that the ultimate control over the policy is with Ms L as the life assured and first trustee and whilst the other trustees would be required to sign to agree major policy changes (i.e. partial withdrawals, surrenders etc), this doesn't include policy reviews. And it says the onus is on the policyholder to keep their address details up to date. So the fact it was unable to send the review letters isn't its fault. It says it would provide information to the trustees, such as Mr D, when requested, but doesn't agree it was required to send him any review letters.

I have considered this point. In my view Zurich hasn't acted unreasonably in its approach to only send the reviews to the policyholder / settlor of the trust. While I understand Mr D thinks that as an additional trustee he should have been included in communications, where Zurich didn't have Ms L's address, the fact it didn't send him review letters doesn't lead me to conclude it has done something wrong. I acknowledge it could have contacted the other trustees, but I accept it is the policyholder's responsibility to keep their contact details up to date, so the business can communicate with them.

Zurich next reviewed the policy in 2023. At this time, it did have an updated address for Ms L, and it send her the review outcome letter. I've reviewed the information that was provided. This set out the review outcome was that the current premium wasn't sufficient to support the current sum assured, so there was a need for a change in the policy (outside of indexation). At this review it explained the cost of providing cover was higher than it expected. It provided details of the lower level of cover it could offer for the current premium (including the indexation increase) – which was cover of £232,291 for a premium of £274.87 each month. It also gave an option to keep the increase on the cover from indexation – but

this increased the premium further (from the existing premium of £253.75 to £640.24 per month for cover of £470,479). As no response was received the default option to reduce the cover to £232,291 was carried out.

Zurich has provided further information about the cost of providing the life cover compared to the premiums that were being paid into it. It has confirmed at no point did the cost of providing the cover exceed the premiums. This means the policy didn't reach the point where it would have been reasonable for Zurich to communicate the impact of charges exceeding the cost of the cover.

I acknowledge Ms L didn't receive a communication about review outcomes until 2023, and this letter could've arguably have provided more information, in line with the standards above. For example, setting out information about the costs of the policy and how those costs were increasing. But, at the same time, I'm not persuaded that this information would've made a difference, as Zurich was reviewing the policy for life and was already setting the premium on that basis. Since the premiums being paid were consistently able to cover both the costs of the policy as well as an investment in the fund, it isn't likely that this information would've suggested anything different was needed.

But there is another significant factor that impacted the reason why this policy required changes at the 2023 review. This is the impact of the £20,000 withdrawal that was taken from the policy value in 2019. At the point of this withdrawal the policy had built up, in my view, a significant value, whilst at the same time the premiums were more than covering the cost of providing the cover. By taking out all of the value that had built up in the policy, it increased the likelihood of changes being needed at the next review.

I've seen evidence that Zurich explained this to Mr D at the time the withdrawal was taken. A letter was sent to Mr D in January 2019 ahead of the withdrawal. Within this letter it is explained the immediate effect of a withdrawal is to reduce the sum assured by a like for like amount. But it also warned the sum assured may need to be reduce further at the next review as a result of the partial surrender.

Zurich isn't responsible for the decision to withdraw funds from the value built up in the policy in 2019. So I don't find it at fault for the impact this had on the policy going forward, and specifically the impact it had at the 2023 review. Mr D was given information before he took the withdrawal that this could lead a future reduction in cover. So, I'm satisfied Zurich did give him sufficient information to understand that the withdrawal could lead to further reduction in the sum assured, and this is what happened at the 2023 review.

For the reasons provided, I haven't found Zurich is at fault here. I understand this will come as a great disappointment to Mr D (and the other trustees), but I haven't found that Zurich needs to do anything to put things right.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D, Ms L, Mr D and Mr D to accept or reject my decision before 14 November 2025.

Daniel Little
Ombudsman