

The complaint

Mr F complains about a Whole of Life policy provided by Wesleyan Assurance Society (“Wesleyan”). He is unhappy with Wesleyan’s communications about the policy – at the outset and subsequently – and the amount he has been charged for the cover the policy provided.

Background

Mr F opened a “Lifetime Account Plus” policy with Wesleyan in 2001. This was a reviewable Whole of Life policy, with Critical Illness Cover. The sum assured (payable on death or critical illness) was £30,000 and was written on a single life (Mr F’s), with a premium of £30 per month.

The policy was sold to Mr F by a Wesleyan representative. Around the time of the sale, Mr F was provided with a 40 page document which set out “*all the legal contracts you have with the Wesleyan*” in relation to the policy. This defined the policy terms and set out the service Wesleyan undertook to provide. A copy has been submitted to us by Wesleyan; and I will refer to it as “the policy document”.

The policy was reviewed in 2011, 2016 and 2021. It passed each of these reviews, meaning the premium remained £30 a month for the £30,000 cover.

Mr F cancelled the cover associated with the policy in 2022, and the cover lapsed in April 2022. Mr F continued to pay monthly premiums into the policy on an investment only basis for a period after this.

Wesleyan’s response to Mr F’s complaint

Mr F raised a number of points of complaint with Wesleyan. Some of these related to service issues, for which Wesleyan offered Mr F £300 compensation, which he accepted. The complaint referred to us is focussed on the ongoing cover charges, and Wesleyan’s communication of policy information. Insofar as Wesleyan’s response related to this, its key points were as follows:

- At the time of the advice, Mr F would have been supplied with the plan terms and conditions which explained how the plan worked and outlined the requirements and circumstances.
- It is only at the time of reviewing the plan that it is able to determine if there is a need to increase the premium to maintain the current level of cover.
- Correct information was provided to Mr F at the time of sale.
- This is primarily a critical illness plan, not an investment plan. The investment element is only there to support the critical illness cover. Therefore, it does not anticipate Mr F would receive the same level of growth compared to a plan which is primarily an investment product.

- The reviews are calculated by looking at the next five years' worth of projected charges and ensuring that the premium is sufficient to cover them. The charges increase each year as the policyholder ages. This is because the chance of a claim is higher and so a higher risk charge is applied.
- Mr F has received premium review letters that confirm the premium is still enough to fund the cost of the cover. It is not its practice to break down the associated costs at the time of review; it simply confirms that the cover is still affordable with the current premium.
- The figures are calculated in a process that is controlled by its actuarial function. All assumptions used in these reviews are scrutinised by the actuarial technical committee and external auditors to ensure that they are robust and appropriate.

Mr F's submissions to us

In Mr F's original letter to us, and during a conversation with the investigator initially allocated his complaint, he made the following points, in summary:

- His policy is critical illness cover and is a versatile flexible plan. He has been paying his £30 a month premium, Wesleyan have been taking a fee and management charge and a cover charge which was around £4.50 a month at the outset.
- He was told the cover charge would be reviewed after 10 years.
- Wesleyan had a duty to ensure the cover was as fair and economical as possible and should have been aware of his desire for such cover.
- There was a direct debit issue in 2022, following which he had extensive interaction with staff at Wesleyan, which led him to discover the cost of cover had increased to around £28 a month.
- He feels this charge is excessive, given his personal circumstances. He is a low risk and, in his view, the cost should have been no more than around £10 a month.
- He took the policy out for peace of mind and was single at the time. He got married in 2007 and did not really need it after then but wanted it just in case.
- Wesleyan has told him the investment element of the plan is just to support the life assurance element. This contradicts what the policy document said – it described the policy as “an investment plan for life” (Mr F also referred to other parts of the document in support of this point).
- The policy document said Wesleyan would tell him 2 months in advance if charges are going to increase but it has not done this.
- He is unhappy he has not been notified of the cover charges, as he has not been able to make an informed choice.
- He should have been given details of the charges increase once a year on the statement to make an informed choice. He intended to take the investment value with his pension lump sum.

- He could have reduced cover to zero in 2007/08 if he had known the cover charge. He has added a lump sum investment and the policy is entirely an investment vehicle now.
- Wesleyan has dodged his questions about who calculates the cover charge and what their qualifications are.

Our investigator's view

Our investigator concluded the complaint should not be upheld. He said, in summary:

- He was satisfied the policy was taken out to provide critical illness cover.
- Wesleyan has informed Mr F when policy changes were required, and how the policy is performing. The policy has continued to grow in value over the years.
- It did not seem there had been a situation where it appeared the policy would not deliver on its original objectives, or that Wesleyan was not providing information to Mr F to allow him to make an informed decision.
- The policy has been managed in a way that has provided Mr F with a level of cover that met his needs, whilst maintaining an investment value.
- He understood Mr F was unhappy, as it has become more expensive to maintain the critical illness sum assured. But, in his view, this was not because of the policy being mismanaged or because Mr F was not given clear information.
- He had to consider that age is a relevant factor in the provision of life assurance. Cover charges will increase as someone gets older.
- Ultimately, the policy was reviewed in line with scheduled dates to see whether the benefit can be maintained for the rest of Mr F's life – which is what it was supposed to do.
- Wesleyan had not fallen short in its communication to Mr F throughout the life of the policy and he could not see that it had misled Mr F in any way as to how much cover costs, or that there may come a point where the policy is not going to meet its objectives.
- The recent increase in benefit cost was due to Wesleyan reviewing mortality rates and changing the underlying growth rate assumption – which it was entitled to do.

Mr F's response to our investigator's view

Mr F did not accept the investigator's view. His responses essentially repeated the submissions he had previously made to us, summarised above.

As Mr F did not accept the investigator's view, the complaint has been referred to me for decision.

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 have carefully considered the submissions Mr F has made to us. In my view, his key points, in summary, are as follows:

- He should have been given two months' notice of increases to the cover charge.
- He should have been told the amount of the cover charge in annual statements.
- The cover charge increases were excessive.
- The policy was misrepresented as an investment at the outset (or has subsequently been misrepresented as a protection only product).

I acknowledge Mr F has made additional points – and I have considered all he has said – but the above, in my view, is what I need to focus on to determine what is fair and reasonable in the circumstances of this complaint.

I know Mr F will be disappointed by this but, having considered everything, I have reached the same overall conclusions as the investigator. I have set out my findings on the key points below.

Cover charge

Two months' notice

In support of this point, Mr F refers to paragraph 8.2 of the policy document, which sits under Part L "*Account Charges*":

"Changes to any of the charges set out above or the introduction of new charges or the withdrawal of existing charges will be notified to the Policy Owner at least two months in advance of the charge."

Paragraph 5.1 (in chapter 5, "*Cover Charges*") in the same section includes the following:

"Where the account includes Critical Illness Cover, Critical Illness with Life Assurance Cover, Life Assurance Cover or Waiver of Contributions Cover, the Society will make a Cover Charge against the account..."

So, the cover charge is one of the charges to which paragraph 8.2 refers.

"Cover Charge" is a defined term within the document, as follows:

"Cover Charge means the charge determined by the Society for the cost of providing the Covers on an Account for a period of one month. The Cover Charge is based on the level of Cover being provided, the age, gender and whether or not a Life Assured is a smoker, including but not limited to any additional charges arising from Underwriting, together with statistical data in general use by the insurance industry for the purpose of measuring risk and claims experience."

Considering the above, in my view, Wesleyan was not required to inform Mr F two months in advance of any increase to the cover charge, as that was the implementation of an existing contractual term, not the introduction of a change. The policy document sets out that the cover charge will be determined by Wesleyan by reference to a number of variable factors. And I have seen no evidence to suggest the basis on which it was determined changed at

any point.

Paragraph 8.2 is, in my view, intended to deal with any changes to fixed charges (such as the bid-offer spread on the investment units, for example), or the introduction or removal of a service and its associated charge. Not the implementation of an existing contractual term.

I do not therefore think it would be fair and reasonable to say that, under the terms of the policy document Mr F has highlighted, Wesleyan was required to give at least two months' notice of any increases to the cover charge.

At this point I should also note that I have not seen any evidence to suggest Mr F was led to believe the cover charge was fixed until a policy review took place. The purpose of a review was to ascertain whether the monthly premiums being paid by Mr F were sufficient to sustain the policy, in the light of investment performance and the cover charge (alongside any other applicable charges); not to afford Wesleyan an opportunity to increase the cover cost which it did not otherwise have. And I am satisfied that was made clear in the policy document.

Disclosure in statements

The annual statement sent to Mr F by Wesleyan in 2018, which provided updates on all the products he held with Wesleyan, includes the following, in relation to the policy:

“Costs and charges during the statement period

Product and fund management charges

Annual Management Charge (AMC) £23.44

Plan fees £24.00

Other charges

Waiver cover £14.63

Risk Charge £237.15

Total £299.22”

This detail was included in similar terms in subsequent annual statements. Prior to this, the statements gave an overall view of the performance of the policy but not a costs breakdown. Mr F feels the costs should have been detailed from the outset, and this has had an impact on him.

I am not persuaded that, in the particular circumstances of Mr F's complaint – considering the specific features of this particular policy, including the fact that the policy was in a clearly sustainable position, and in place to provide critical illness cover – it would be fair and reasonable to say Wesleyan was obliged to have provided a full breakdown of the costs in each statement issued following the outset. I say this bearing in mind the statements Mr F was being provided by Wesleyan also contained information about his pensions and other investments he held with it.

The cost of cover appears to have been disclosed at the outset and, in my view, Mr F was not led to believe it would not rise as he got older, or only rise at reviews. So, Wesleyan had communicated that there was a cost, and the available information implied it would rise over time, not that it was fixed. And Wesleyan undertook (paragraph 8.1 of Part L of the policy

document) to provide detail of the current level of charges on request at any time. So, in the circumstances, I do not think it would be fair and reasonable to say Wesleyan's efforts were insufficient at the time.

Wesleyan did begin to communicate the costs regularly once that information became more critical to the sustainability of the policy i.e. when Mr F was getting older. That, in the circumstances, was a reasonable step to take, in my view. And I do not share Mr F's view that the costs were "*slipped in*" to the annual statements; they were, in my view, clearly and prominently shown in the relevant part of the statement.

The breakdown of costs does not appear to have been a trigger for Mr F taking action, in any event. Or he simply did not look at it. I say this because he did not take any action until March 2022, when he says he became aware of the (by this time, higher) cost of cover. So, there is insufficient evidence to show the provision of this information at an earlier date would have had a material impact, in any event.

Amount of the cover charge

Wesleyan has set out, in general terms, how its actuaries calculate cover costs, and how this is overseen. I think that is a reasonable response, in the circumstances.

I appreciate Mr F has his own view of what a reasonable cover charge should be and finds the amount charged by Wesleyan to be excessive. But I have seen no evidence to show the calculation of the cover charge was not a legitimate exercise of Wesleyan's commercial judgment. Wesleyan was entitled to take a reasonable view of the risk the policy posed to it and, on a commercial basis, put a price on that risk. And it did so following a typical process, run by industry professionals, which were subject to oversight and regulation. If Mr F felt he could obtain equivalent cover for less, he was free to move to another provider, or to cease paying for the cover (as he ultimately did).

Investment product misrepresentation

In my view, based on what I have seen, the nature of the policy has been clearly described by Wesleyan to Mr F throughout.

The policy has been categorised as "*life and protection*" in the annual statements sent to Mr F, rather than "*savings and investments*", where his investment product appeared. And the policy document is clear that the policy is a protection product with an investment element; with the option to use more or less of the monthly premiums to fund the cover or the investment and (as Mr F later did) add a lump sum.

The structure of the policy appears to be consistent with many other products of this type, where premiums are split between the cover charge and an investment, meaning (usually) that the policy will have a cash-in value at any given time, unlike a pure protection policy. There is often the option on such policies to use the investment element to help fund cover charges when they increase as the policyholder gets older (which, in my view, is what Wesleyan's representative was alluding to when, from Mr F's recollection, he told Mr F the investment was there to support the life cover).

Ultimately, I am satisfied Mr F was made aware this was primarily a protection product. And, like the investigator, I have not seen any evidence to show it was not subsequently managed in a way which was consistent with that, or Wesleyan's communications were inconsistent with it.

I am therefore satisfied Wesleyan has done nothing significantly wrong. So, I will not be

asking it to do anything else.

My final decision

For the reasons given, I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 16 September 2025.

John Pattinson
Ombudsman