

The complaint

Mr V is unhappy with the administration of his Reviewable Whole of Life (RWOL) policy.

What happened

Mr V was advised to take out a RWOL policy – the Barclays Lifestages policy, with Barclays when he was arranging a mortgage. The policy commenced on 14 January 1994 with a sum assured of £35,382 for a monthly premium of £27.37 on a maximum basis. ReAssure are now responsible for the administration of Mr V's policy and so I will refer only to them throughout this decision.

I have been provided with a copy of the policy document. This sets out the terms and conditions of the 'Barclays Lifestages' policy. Under F.21 "POLICY REVIEWS" it states that reviews will be carried out on the policy at each "Review Date", where an actuary will check if the value of the units at the bid price and future premiums are sufficient to support the costs of the policy including the life assurance cover and policy fees. Review Dates are set out as being the 10th anniversary of the commencement date of the policy and every 5th anniversary after that. After the life assured has reached the age of 70, reviews may take place annually. Where it is deemed that the costs of the policy can't be supported then either the premium will be increased to an amount determined by the actuary, or if the policyholder instructs ReAssure within a month, the sum assured may be reduced to the extent determined by the actuary:

*"(c). . . .
(ii) if the Policyholder so instructs the Company within one month of that Review Date, the Sum Assured shall be reduced, with effect from the Review Date to the extent determined by the Actuary as being appropriate and the premium shall remain at the level ruling prior to the review."*

I have been provided with review outcome letters from 2009, 2014 and annually from 2017 – 2024.

On 17 November 2008 ReAssure wrote to Mr V to provide him with the outcome of their review ahead of the January 2004 review date. This document explained that the policy had failed its review. Mr V was provided with the current level of cover £24,144 and monthly premium of £27.37 and offered four options:

- Increase the premium by as little as possible – to maintain the level of cover the premium would need to be increased to £38.88. It was set out that this would maintain the level of cover to the next review.
- Reduce the cover by as little as possible – reduce the sum assured to £18,200. This sum assured could be maintained at the current level of premium until the next review date.

Under the first two options the review set out:

“Selecting option A or B will make it certain that you will need to make further changes to your policy in future. If you want a greater degree of certainty over either the future premium amount or amount of cover you should consider the following options.”

The remaining options were set out as:

- Increase the premium so that the cover is likely to be sustainable throughout life – the monthly premium would need to increase to £78.26.
- Reduce the cover to an amount that is likely to be sustainable throughout life – the lump sum would be reduced to £9,400.

I understand the premium increased to maintain the sum assured to the next review date. Other reviews:

- 2014, the policy failed its review. Mr V chose to reduce the sum assured to £18,800 and maintain the premium level.
- 2017, the policy failed its review Mr V reduced the sum assured to £16,000.
- 2018, the policy failed its review. The premium was increased to £40.35 to maintain the sum assured until the next review date.
- 2019, the policy failed its review Mr V's sum assured was reduced to £14,800.
- 2020, the policy failed its review and Mr V's premiums increased to £42.76 to maintain the sum assured.
- 2021, the policy passed its review and there were no changes made to it.
- 2022, the policy passed its review and there were no changes made to it.
- 2023, the policy failed its review. It appears the premium was increased to £46.46 to maintain the sum assured.
- 2024, the policy failed its review. The premium was increased to £60.80 to maintain the sum assured.

Mr V called ReAssure on 9 January 2024 he told them he did not want the premium to be increased. In addition, Mr V raised a complaint about the outcome of the review. He said in summary he was being forced to surrender his policy, and it had been mis-sold to him.

ReAssure provided Mr V with a response to his mis-sale complaint, they said it had been raised out of time.

Much later ReAssure provided Mr V with a final response for the administration of his policy. They partially upheld his complaint, in recognition of delaying providing Mr V with a copy of his documents and delays in responding to Mr V at times, they awarded £250 compensation. However, they said that they had acted within the policy terms and conditions when carrying out the reviews. And Mr V had been too late to let them know that he didn't want his premium to increase following the 2024 review outcome.

An Investigator considered if we had jurisdiction to consider Mr V's complaint points. They said that we had jurisdiction to consider the administration complaint Mr V had raised, but a complaint about the mis-sale of the policy had been brought out of time. Both parties agreed with the assessment. So, the Investigator went on to consider the merits of Mr V's administration complaint.

Mr V let this service know that he had taken out this policy when he applied for a mortgage. He explained that he had a new wife and so the cover would be good if they eventually had a family. They had a baby in 2002. Mr V explained that he thought the changes to the policy were likely to do with the change in the banking landscape over time, but realised that wasn't

the case later when he expected the figures to improve rather than the premiums to continue to increase or the sum assured decrease.

Mr V said he wanted to negotiate a reasonable surrender from the policy.

An Investigator provided an assessment, they didn't uphold Mr V's complaint. In summary they said that ReAssure ought to have provided Mr V with more information than they did from 2013. But, even if they had provided this information to Mr V they couldn't say Mr V would be in a different position than he now is. They suggested ReAssure award £300 compensation for the impact the 2024 review had caused.

Mr V didn't agree with the assessment, he expressed disappointment in the financial sector where he said business ethics had changed. He had signed a document based on what he was told about the policy. He added, in summary:

- A settlement was not offered in 2011 when the policy was transferred to ReAssure. Instead, he was given reassurances that he would be provided with the same level of service.
- He would like to come to a reasonable agreement with ReAssure to cancel the policy.
- Clarified that he decided to keep the policy in 2002 with the birth of his child. That was because his wife had given up work, and he had five years until retirement.
- Mr V retired early, in 2005, he paid off his mortgage and a loan he had, and so no longer needed the policy.
- Had he been provided with clear information about how the policy worked at any time after 2005 he would have cancelled it.
- The Investigator should have asked him what he would have done had he been provided with the information ReAssure were provided in 2016.
- ReAssure had increased his premiums in January 2024 when he had told them not to.

Mr V also explained that ReAssure had delayed his request to surrender the policy. As this is a new complaint point, I am not commenting on it within this decision.

I provided my preliminary thoughts about Mr V's complaint to both parties. In summary I said:

- I agree that ReAssure ought to have provided more information to Mr V within 12 months of the 2013 policy year.
- Mr V had a dependent child at the time which he had explained was the reason to retain cover in 2002 – that had not changed.
- ReAssure provided Mr V with options which set out what changes would be needed to make the policy sustainable for life. So, he was aware that changes could, and would, need to be made to the policy in the future.
- Had ReAssure provided the additional information I don't think Mr V would have done anything differently than he did at the time – which was to make small amendments to the policy at each review. I didn't agree the policy would have been surrendered earlier.
- I would not be asking ReAssure to increase their compensation offer from the £250 they had offered.
- Mr V had been paying an increased premium amount from January 2024 when he had asked ReAssure to reduce the sum assured. As such I would direct ReAssure to refund the difference.

ReAssure agreed with my preliminary findings. Mr V provided some additional comments, in summary:

- Mr V explained his personal circumstances as at 2013, in detail – which I thank him for.
- He had been told that he would receive the same service from ReAssure that he had enjoyed with Barclays, but that had not been his experience.
- He doesn't understand why I feel the £250 compensation awarded by ReAssure is fair and reasonable. Which is contradictory to what the Investigator had suggested within their assessment.
- An opinion on what Mr V would have done shouldn't negate the wrongdoing of ReAssure.

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 appreciate this will come as a disappointment to Mr V, but having done so I'm not upholding his complaint in full, I will go on to explain why below.

When considering what's fair and reasonable in the circumstances, I need to take account of relevant law and regulations, regulator's rules, guidance and standards, codes of practice and, where appropriate, what I consider to have been good industry practice at the relevant time. In reaching my conclusions, I've considered in particular:

- 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).

Mr V has said that he was waiting for a time when he had proof that ReAssure were not trustworthy to handle this policy on his behalf. He explained he would like to negotiate a fair surrender of his policy. He has also complained that ReAssure increased his premiums in January 2024 when he asked them not to.

My role in Mr V's complaint is to consider if ReAssure have done anything wrong. And then if they have not acted how they ought to have done, go on to consider the impact any identified error on ReAssure's part has had on Mr V.

What should ReAssure have done?

I think it's helpful to explain firstly how RWOL policies generally work in practice. The premiums paid cover the cost of life cover and any charges. Anything above that is invested to build up a fund. At the start, when the cost of life cover is lower, more of the premiums are invested. Generally, as time goes on the cost of the life cover increases as the policyholder gets older. Which means that it's likely there will come a time when the premiums paid no longer meet the costs of the life cover and charges on their own (the tipping point). The investment fund that has been built up is used to help pay the increasing cost of the life cover. However, there inevitably comes a point where the life cover costs exceed the premium and the investment fund is depleted. Unless the fund's growth outpaces the rise in the costs of the life cover.

Eventually the policy provider will conclude that the premiums being paid, and the fund value, are no longer able to support the level of cover. Therefore, to maintain the policy either the premiums being paid will need to increase, usually significantly, and are likely to continue to increase as the consumer gets older and the life cover cost continues to increase. Or the sum assured is reduced by a significant amount.

The opportunity for consumers to make decisions about key changes to the policy is a key event in the life of the policy. The decision becomes more difficult to make the longer the consumer pays into the policy and the options available to mitigate poor outcomes start to diminish. Information about a RWOL policy should be provided to consumers in a clear, fair and not misleading way. With information about the changes later down the line to the policy the consumer might decide on a number of actions:

- To adjust the terms of the policy earlier in its life. For example, by increasing premiums earlier, so more is paid over a longer time creating a smoothing effect. So, premiums will be higher than they were at the start of the policy, but not as high as they might otherwise have been at the point of a failed review.
- A consumer may decide that a policy is not worth maintaining at an earlier point and elect to surrender it.
- Or a consumer may decide that its worth maintaining the policy on its existing terms right up until the point the policy fails a review.

I've been provided with the annual breakdown of total premiums paid and total cost of the life cover. The policy was self-sufficient (the annual premiums covered the cost of the life cover and charges) until January 2013. During the 2013-2014 policy year the cost of cover was £482.26 and premiums paid were £466.56. Which means that at some point during the policy year it reached its 'tipping point'. The point where the premiums needed to be topped up by the fund for the sum assured to be supported. I would expect ReAssure to have provided Mr V with the above information within 12 months of this point, for him to make an informed decision about what he wanted to do with the policy.

In broad terms I consider it was incumbent on ReAssure to have provided the following information in a clear fair and not misleading way to enable Mr V to make an informed decision:

- A clear outline of the existing cover – including the sum assured and premiums.
 - The current surrender value.
 - The life cover costs (including administration charge) and an explanation that costs were no longer being met by premiums.
 - A clear explanation of how long the policy was likely to be sustainable on its existing terms (reasonable approximations would suffice).
 - A clear explanation of the poor outcomes a consumer might face at the point the policy became unsustainable on its existing terms. This should include a clear outline of the levels by which premiums would need to increase (or the sum assured would need to decrease) to maintain the policy at that point (reasonable approximations or illustrative examples would suffice).

I have considered the review outcome letter provided to Mr V in November 2013. This document outlines the current sum assured and premium. It sets out that the policy has failed its review and provides an explanation about what that means. The cash value of the policy is provided, and the impact of the cost of cover on the cash value is demonstrated over the following nine years. Under which it is noted:

“Although the projection shows the plan running out of value, action will have to be taken at an earlier review to increase the premium or reduce cover.”

A question-and-answer sheet was provided this explained why the policy is reviewed and what may happen in the future. One question was *“Will my premium need to be increased or the level of cover reduced at future reviews?”* this explains:

“ . . .

In particular, the figures quoted in options A and B on the accompanying letter anticipate your premium being increased (or cover reduced) at each review even if the assumptions made about the future prove to be correct. Consequently, if you decide to follow either of these options you should expect to have to change your policy again at the next level.”

The four options are provided and under option A and B it states the following:

“Selecting option A or B will make it certain that you will need to make further changes to your policy in the future. If you want to have a greater degree of certainty over either the future premium amount or amount of cover you should consider the following options.”

Option C explained that an increase to the premium to £96.58 per month would likely sustain the sum assured for life. And option D explained that if the sum assured was reduced to £11,500 the cover would likely be sustained for life at the current premium. So, I'm satisfied that ReAssure provided Mr V with options available to him to mitigate future poor outcomes (the sum assured reducing dramatically or the premiums increasing significantly) including the level at which the premiums would need to increase and sum assured decrease to make the policy sustainable for life. And it was explained that if a small amendment is made (option A and B) then the policy would only be sustainable until the next review.

Whilst the document demonstrates funds being deducted from the cash value of the policy, there is no clear information about how much in total providing the sum assured costs. This is information I would have expected ReAssure to provide to Mr V within 12 months of the policy reaching its tipping point.

Based on the above, I can't agree that ReAssure provided Mr V with everything he needed to make an informed decision about the policy within 12 months of it reaching its tipping point in the policy year 2013-2014. They ought to have provided him with the total cost of the life cover.

What would Mr V have done differently?

Mr V has expressed that an opinion about what would have happened had things been done correctly by ReAssure shouldn't be used to excuse them of that error.

I have found that ReAssure should have provided Mr V with some more information than they did within 12 months of the 2013-2014 policy year. Specifically, that they should have let Mr V know how much the policy cost. However, my role is not to punish a business for an error – rather it is to consider how the error has impacted Mr V. So, it is necessary for me to consider what would have happened in 2013-2014 had Mr V been provided with information about how much the sum assured was costing. To do so I have considered the information Mr V was provided with at the time, his circumstances as he has described and what he did choose to do. The options open to him would have been:

- Cash in the policy at the cash in value.
- Increase the premiums to maintain the level of the sum assured.
- Reduce the sum assured.

Within the review letter ReAssure provided to Mr V they let him know that the policy was not sustainable on the current terms – the premium was not supporting the cost of providing the sum assured. It explained that if Mr V chose option A or B then further changes would be needed to the policy, likely at the next review and all reviews that followed. And they gave Mr V options to mitigate those future changes with long term sustainability by providing him with information about how much the premiums would need to increase, or the sum assured decrease, for the policy to be sustainable for life. Mr V had this information but continued to maintain the policy, making small changes at each review by selecting option A or B. Until the 2024 review when Mr V became unhappy with the changes.

I must consider if Mr V would have decided to do something different had the review document contained the actual cost of the life cover. Mr V says he would have cancelled the policy, but I don't think he would have. Mr V was made aware that future changes to the policy were inevitable and he was offered the option to mitigate those changes – but he didn't take those options at the time. Instead, Mr V continued with the policy making small amendments at each review.

I appreciate Mr V has explained he did not need the cover at the time, but, he was able to surrender the policy at anytime if he no longer required the cover, which he didn't do. Based on the above, Mr V's testimony and what actions he did take, I can't conclude that given more information Mr V would have done anything differently than he did. As such, I'm not upholding this part of his complaint.

Mr V has said that had he known that ReAssure was withholding information from him he would have surrendered the policy. But, had Mr V been provided with the cost of cover at the time there would not have been any reason for Mr V to find that ReAssure were not trustworthy. So, this does not change my consideration of what Mr V would have done in 2013.

I appreciate Mr V is looking back now and feels frustrated that ReAssure have not done what they should have, his testimony persuades me of his loyalty to firms he understands to be trustworthy. Mr V is frustrated that his business was placed with a firm he now considers untrustworthy. He has now surrendered his policy for that reason. But, in 2013 he would not have had the same concerns, and I must consider what would have happened in 2013.

Service received

Mr V has been very disappointed with the service he has received from ReAssure. He says that he has not received the same service he had enjoyed previously with Barclays. The policy was initially taken out with Barclays, and it has been administered in line with those original terms and conditions.

ReAssure offered £250 compensation to Mr V by way of an apology for delays they accept in providing Mr V with his policy documents and dealing with his complaint. It is my role to consider if this offer is fair and reasonable. I have considered the impact the delays had on Mr V and I don't feel an increase to this offer is warranted – it is a fair and reasonable offer of compensation and so I'm not asking ReAssure to increase this amount.

Mr V has asked why this is contradictory to the Investigator's assessment. The Investigator issued their opinion of Mr V's complaint, and as no agreement could be made between the

parties it was passed to me for consideration. I have carried out a fresh, independent review of the complaint.

Part of the reasoning for a higher award was explained by the Investigator as being for the impact of receipt of the 2024 review outcome had on Mr V. I have considered this point but can't agree an increase in compensation is justified. As explained above each review letter explained to Mr V that an increase would be needed at future reviews and so I don't agree he would have been shocked to receive the 2024 review outcome.

Increase in premium following the 2024 review

The default option within the review outcome letter of November 2023 was for premiums to increase. ReAssure said that Mr V missed the deadline for asking them to reduce the sum assured instead. But I don't agree. The terms and conditions of Mr V's policy set out at F.21 POLICY REVIEWS:

“(c). . . .

(ii) if the Policyholder so instructs the Company within one month of that Review Date, the Sum Assured shall be reduced, with effect from the Review Date to the extent determined by the Actuary as being appropriate and the premium shall remain at the level ruling prior to the review.”

Mr V called on 9 January 2024 and instructed ReAssure to reduce the sum assured. This is within one month from the 'Review Date' as defined in the terms and conditions as the anniversary date of the commencement of the policy – in this case 14 January 2024. Mr V has now surrendered his policy. As such ReAssure should refund the difference in premium that Mr V should have paid from 14 January 2024 and what he did pay, to the date of surrender.

Summary

Mr V has a reviewable whole of life policy with ReAssure. The terms and conditions of the policy allow them to review it and make changes to the premium or sum assured. So, I can't say ReAssure have done anything wrong when they have carried out their reviews. However, ReAssure ought to have provided Mr V with information about the cost of the cover. I can't see that ReAssure provided him with his information.

Had Mr V received information about the cost of the cover I don't think he would have done anything differently than he did do – which was continue with it on a reviewable basis. I say that because he was aware that future changes would be needed to the premium or sum assured to make sure it was sustainable for life. And he was given the cost of the changes that were needed but he chose to continue with the policy by making small amendments. Mr V now feels let down by ReAssure looking back at their actions, but that would not have been the case at the time and so it doesn't change my assessment of what would most likely have happened in 2013.

ReAssure have awarded £250 to apologise for delays they caused when providing Mr V with his policy documents and in reviewing his complaint. I think this is fair and reasonable and so I'm not asking them to do any more. ReAssure have been receiving a higher premium than they should have from Mr V from January 2024 and so they should refund the difference.

Putting things right

I direct ReAssure to refund of the difference between the premiums Mr V paid and what he ought to have been paying (£46.46) from January 2024 to the date the policy was surrendered.

In addition, ReAssure should pay 8% simple interest per annum for each overpayment from the date it was paid to the date of my final decision. This is to recognise the time Mr V has been without those funds.

Should ReAssure take longer than 28 days to pay the above redress following my final decision they should pay 8% simple interest per annum on the total compensation calculation until settlement.

If ReAssure considers that it's required by HM Revenue & Customs to deduct income tax from interest paid, it should tell Mr V how much it's taken off. It should also give Mr V a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

I uphold Mr V's complaint and direct ReAssure Limited to pay compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 20 January 2026.

Cassie Lauder
Ombudsman