

The complaint

Mr and Mrs S are unhappy that the surrender value of their Personal Protection Account (PPA) had reduced to £0 by the 2024 review, which they say they were unaware could happen.

What happened

Mr and Mrs S took out a PPA, which is a Reviewable Whole of Life (RWOL) policy with Countrywide Assured Plc (Countrywide) in June 1994. It was an indexed linked joint life policy. Mr and Mrs S said they took out the policy to provide protection for their young family.

I have been provided with a copy of the standard conditions of the policy. This sets out at point 3. Policy Reviews:

- (a) For the purposes of this policy:-
- (i) the term "Policy Anniversary" means an anniversary of the Commencement Date; and
 - (ii) a Review Date occurs on every fifth Policy Anniversary falling before the Life Assured has attained the age of eighty years and, after the last such Review Date, occurs on every Policy Anniversary.

The policy was reviewed regularly, I've been provided with some of the review documentation:

- March 2004 the RWOL failed its review, Mr and Mrs S were given the option to:
 - a) Maintain the sum assured of £44,605 for an increase in premium to £53.33 until the next review date.
 - b) Maintain the premium of £51.88 for a sum assured of £23,123 guaranteed until the first life assured's death.
- March 2014 the RWOL failed its review, Mr and Mrs S chose option a of the options given by Countrywide:
 - a) Maintain the sum assured of £53,592 for an increase in premium to £64.08 until the next review date.
 - b) Maintain the premium of £62.41 to provide a sum assured of £21,040 guaranteed until the first life assured's death.
- March 2019 the RWOL failed its review, Mr and Mrs S chose option b of the following options:
 - a) Maintain the sum assured of £61,551 for a monthly premium of £110.01 until the next review date.
 - b) Maintain the contribution of £71.58 per month to provide a sum assured of £53,606 until the next review date.
 - c) Maintain a contribution of £70.31 to provide a sum assured of £16,761 guaranteed until the first of the life assured's death.
- In April 2019 Mrs S retired so they carried out a review of their finances and asked for a surrender value for the RWOL. They didn't go ahead with the surrender of the policy.
- In 2024 the RWOL failed its review, the options provided to Mr and Mrs S were:

- a) Maintain the sum assured of £54,788 for a monthly premium of £323.04 until the next review date.
- b) Maintain the monthly premium of £75.20 to provide a sum assured of £11,892 until the next review date.
- c) Maintain a monthly premium of £75.20 to provide a sum assured of £7,793 guaranteed until the first life assured's death.

I understand that Mr and Mrs S surrendered the policy following the 2024 review. They were expecting to receive some funds in the form of a surrender value. However, the RWOL had no surrender value. They referred a complaint to Countrywide.

Countrywide provided their final response letter in September 2024, they partially upheld Mr and Mrs S' complaint. Countrywide said that the policy had been reviewed in line with the terms and conditions of the policy, which was correct. But they hadn't provided Mr and Mrs S with good customer service after the review. By way of an apology Countrywide compensated Mr and Mrs S £100.

Unhappy with the outcome of their complaint Mr and Mrs S referred their complaint to this service. In summary they said that the increase in premium was unaffordable and unreasonable. And they had been expecting to receive a surrender value – they didn't know that the RWOL premiums had been supplemented with the funds which had been built up.

An Investigator reviewed Mr and Mrs S' complaint, they upheld it. In summary the Investigator said that Countrywide should have provided Mr and Mrs S with more information about the future of the RWOL within 12 months of reaching its tipping point in the policy year 2012-2013 and at each review. The Investigator said that had Mr and Mrs S been provided with this information when they reviewed their finances in March 2019 they would most likely have decided to surrender the policy. The Investigator asked Countrywide to pay Mr and Mrs S the surrender value as of 2019 and increase their compensation award to £300.

Countrywide agreed with the Investigator's suggestions, but Mr and Mrs S didn't. They said that the compensation amount wasn't enough due to the trust they had put in Countrywide. They asked for an Ombudsman to review the complaint.

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.

Having done so I'm upholding Mr and Mrs S' complaint, 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).

The key complaint points Mr and Mrs S have made is that the 2024 premium increase was substantial and they were not aware that the surrender value could reduce to £0.

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. This is what has happened to Mr and Mrs S' policy.

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 2013. During the policy year 2012-2013 the total cost of the policy was £774.48 and the total premiums paid were £726.48, leaving a shortfall. Which means that at some point during 2012-2013 the policy 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 Countrywide to have provided Mr and Mrs S with the above information within 12 months of this point, in order for them to make an informed decision about what they wanted to do with the policy.

In broad terms I consider it was incumbent on Countrywide to have provided the following information in a clear fair and not misleading way to enable Mr and Mrs S 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).
- A clear explanation that the 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).
- Estimates of what the policy might cost at the point when the policy was likely to cease to be sustainable on its existing terms to give information that would allow Mr and Mrs S to fully appreciate the risks and consequences of not taking any action.
- 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).
- A clear explanation of the options available to a consumer that were aimed at mitigating that outcome, together with the costs and benefits of each option (including increases in premium levels, decreases in the sum assured or surrender of the policy).

I've considered the correspondence Countrywide provided to Mr and Mrs S following the tipping point of the RWOL policy. In 2014, 2019 and 2024 Mr and Mrs S received failed review letters and were asked to select from several options. These documents provided the sum assured and premium amount payable. But they didn't provide any information about the surrender value, life cover costs or an explanation about how long the policy was likely to be sustainable for. In addition, Countrywide didn't explain the poor outcomes which Mr and Mrs S could face in the future with an indication of the levels by which the premiums may need to be increased, or the sum assured decreased by in order to maintain the policy.

Based on the above, I can't agree that Countrywide provided Mr and Mrs S with everything they needed to make an informed decision about the policy within 12 months of it reaching its tipping point in 2012-2013. Or at any of the reviews that followed.

What would Mr and Mrs S have done differently?

I've considered what, if anything, Mr and Mrs S C would have done differently if they'd been provided with clear and not misleading information about the policy. Had they been given clear information at the tipping point, the options open to them 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.

Mr and Mrs S have said that the policy was initially taken out to provide cover for their young family. They had decided to increase premiums at the early review points as they wanted to maintain the level of cover. Based on their testimony, and what they did do when offered an opportunity to reduce the sum assured which would be guaranteed for the life of the policy I don't think they would have taken any additional action in 2014 (within 12 months of the tipping point of the policy). I say that because they valued the benefits of the policy, wanted to maintain the sum assured and were provided with the option of securing a lower sum assured but didn't select that option at the 2014 review. So, I don't think they would have

reduced the sum assured. They explained they felt they had contributed a lot to the policy over the previous years so, on balance, I don't think it's likely they would have surrendered the policy at this point either. Instead, I think it's most likely they would have chosen to maintain the sum assured until the next review, as they had done at previous review points.

However, in April 2019 Mrs S retired from her role and Mr and Mrs S carried out a review of their finances. They should have been told what the future of the policy looked like by Countrywide. That, in order to maintain the sum assured, they'd need to increase the premiums they were paying significantly. Knowing that the monthly premiums would soon become unaffordable, and their circumstances had changed, I'm persuaded that it's most likely they would have surrendered the policy at this point.

I have considered if Mr and Mrs S may have taken cover elsewhere, but I don't think they would have done. Mr and Mrs S hadn't wanted to reduce the level of cover they had so they may have looked for a replacement policy but it's very likely the cost would have been substantially more than they were paying for this policy, and that wouldn't have been affordable. So, on balance I don't think they would have replaced this cover with another policy.

Compensation

Countrywide have offered £100 compensation for the service they provided to Mr and Mrs S. Mr and Mrs S were shocked when they received the 2024 review outcome and realised the policy had no surrender value, as their expectations about the future of the policy had not been managed by Countrywide. To compensate Mr and Mrs S for the impact the realisation of the future of their policy caused I will be directing Countrywide to pay a total of £300 compensation. I think that's a fair and reasonable compensatory amount for the distress and inconvenience caused to Mr and Mrs S.

Summary

Countrywide should have provided Mr and Mrs S with clear information about the future of their policy when it had reached its tipping point. Had they done so I think it's most likely that they would have surrendered the policy in April 2019 when they carried out a review of their finances following a change of circumstances. Countrywide offered £100 compensation for the distress and inconvenience they had caused, but, having considered the circumstances I think it fair and reasonable for Countrywide to increase this to £300.

Putting things right

My aim when awarding redress is to put Mr and Mrs S in as close to the position they would have been in had Countrywide acted fairly. Had Countrywide acted fairly, for the reasons set out above, in April 2019 the policy would have been surrendered. So, the surrender value would have been paid. And, Mr and Mrs S would not have continued to make the monthly premium payments.

Therefore, fair redress would be for Countrywide to pay the April 2019 surrender value, plus 8% per year simple interest from 30 April 2019 until the date of acceptance of this Final Decision.

Countrywide should also refund all premiums paid from April 2019 plus 8% simple interest from the date of each premium paid until the date of acceptance of this decision.

Should Countrywide take longer than 28 days to pay the above redress following receipt of the acceptance of this decision they should pay 8% simple interest per annum on the total

compensation calculation from 28 days following receipt of acceptance of this Final Decision to the date of settlement.

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

In addition, Countrywide should pay Mr and Mrs S a total of £300 compensation, if they have not already done so, in recognition of the poor customer service.

My final decision

I uphold Mr and Mrs S' complaint and direct Countrywide Assured Plc to pay redress as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Mrs S to accept or reject my decision before 1 January 2026.

Cassie Lauder
Ombudsman