

The complaint

Mr P and Mrs P complain the monthly premium and sum assured in their whole of life Adaptable Life Plan with Zurich Assurance Ltd didn't increase at the same rate, and that the plan was mis-sold.

What happened

In 1994, Mr P and Mrs P met with a representative of a company that has since been acquired by Zurich. At the meeting, the representative and Mr P and Mrs P agreed there was a need for £80,000 life cover on a whole of life basis. The cover was on a joint life first death basis, there was waiver of contribution on Mr P and the policy included annual indexation of the sum assured.

Mr P and Mrs P complained to Zurich that the increase in the premiums and the sum assured hadn't increased at the same rate and that the method of indexation hadn't been provided to them at the time of the sale. They believe the plan was mis-sold. Zurich didn't uphold the complaint.

Mr P and Mrs P brought the complaint to the Financial Ombudsman Service and one of our Investigators looked into things. Our Investigator thought Zurich had made it reasonably clear that it was the sum assured that increased in line with the average earnings index (AEI) and that there was nothing to suggest the representative had indicated the premiums would also increase by the AEI. Mr P and Mrs P asked that an Ombudsman decides the complaint and it has been passed to me to consider.

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 understand Mr P and Mrs P will be disappointed, but for very much the same reasons as our Investigator, I've decided Zurich have not done anything wrong. I will now explain why.

When considering whether a policy was mis-sold I first of all need to establish if there was a need for the policy and whether the policy was suitable to meet Mr P and Mrs P's needs at the time of the sale. In this case, the review document Zurich and Mr P and Mrs P completed persuades me they had a need for life cover as they had two children who were dependent on them. The review document also records that although Mr P and Mrs P had existing life and critical illness cover in place to protect a mortgage, they felt a further £80,000 life cover, which would keep up with inflation, would be suitable to meet their need for additional family protection should one of them pass. Mr P and Mrs P weren't looking to provide additional life cover for a specific period, for example when their children left school or university. So, I'm persuaded it wasn't unreasonable for Zurich to recommend a whole of life plan and that the policy wasn't mis-sold.

There have been a number of events during the lifetime of the plan. Mr P made a successful claim under the waiver of contribution benefit, and Mr P and Mrs P have also requested

increases in the sum assured in addition to the increase in line with the AEI. I'm persuaded that these are not related to the crux of the complaint and have had no significant impact on the decision I have made. The crux of the complaint remains that Mr P and Mrs P believe they were told the increase in the sum assured and the premiums would be linear. In this regard, I've considered their recollections from the time of the sale. I've also considered the application form they signed, and the documentation Zurich provided to them at the time of the sale.

I can't say what was discussed at the meeting in 1994 as I wasn't there. However, the review document records that the sum assured (the cover) was to keep pace with inflation. And, the application form, signed by Mr P and Mrs P, records that that sum assured was to increase by the AEI. The policy schedule that was issued shortly after the sale also records that, *"The Indexation of Sum Assured Benefit applies in line with the AEI."* In addition to the policy schedule, Zurich provided Mr P and Mrs P with the policy provisions. This document said, in respect of the index percentage; *"{this} means the indexation of Sum Assured Percentage shown on the Schedule as applying to the Plan. Where the Schedule indicates that the Indexation Percentage is the annual percentage increase in the AEI, the Indexation Percentage will be the increase in the index for the relevant 12 month period."*

I'm persuaded that the documentation provided at the time of the sale and the additional documents provided shortly after, make it reasonably clear that there was no linear increase in the premiums Mr P and Mrs P were to pay. I've decided to give more weight to these documents as they are from the time of the sale and are more likely to reflect what Mr P and Mrs P were told about the indexation element of the plan. Regardless of Mr P and Mrs P's strong view that they were told the premiums would increase in line with the AEI, I consider it more likely than not that Zurich made it reasonably clear at the time of the sale that it was only the sum assured that increased in line with the AEI – and not the premiums. Of course, that's not to say the premiums wouldn't increase if the sum assured increased. The amount of life cover was increasing, Mr P and Mrs P were getting older, and the cost of purchasing this additional life cover reflected this.

I've seen a number of review documents that Zurich sent to Mr P and Mrs P since the start of the plan. The content of the review letters persuade me that Zurich has been increasing the sum assured in line with the AEI, which is how the plan was intended to work. At no point have I seen that Zurich mentioned the premium would be linked to the AEI.

It seems more likely than not that Mr P and Mrs P misunderstood how the plan indexation works, and that is unfortunate. But, for the reasons I've provided above, I'm not persuaded the plan was mis-sold. And the information Zurich provided at the time of the sale made it clear that it was the sum assured that was linked to the AEI, and not the premiums.

My final decision

For the reasons provided above, I've decided that Zurich Assurance Ltd haven't done anything significantly wrong.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P and Mrs P to accept or reject my decision before 26 March 2025.

Paul Lawton
Ombudsman