DRN-5358382

## The complaint

The trustees of the K Trust, Mr K and Mrs S, represented by Mrs H, complain about ReAssure Limited. They're unhappy with the outcome of a policy review on a reviewable whole of life (RWOL) policy they hold.

## What happened

Mr K and his wife, the late Mrs K, took out four RWOL policies in 1990. Each policy was put in trust and their children were set up as additional trustees. This meant that there are different trustees for each of the four policies.

This complaint relates to the policy ending 476C where Mr K is the policyholder and trustee, and Mrs S is an additional trustee. It initially provided a sum assured of £14,942 for monthly premiums of £16.60. It was reviewable and the outcome of the 2024 review was that in order to maintain the policy's current sum assured of £ £12,249, the premiums needed to increase from £19.86 to £52.86. Alternatively, if the premium wasn't increased then the sum assured would fall to £8,625.

Mrs H complained to ReAssure about the outcome of the review. ReAssure looked into her concerns, but didn't uphold the complaint. In summary, they thought that they'd administered the policy and performed the review in line with its terms and conditions.

Mrs H didn't accept their findings and asked for our help with the matter. She expressed concerns with the outcome of the review and also that the surrender value of the policy was lower than the sum of premiums that had been paid.

The four complaints brought by the trust were considered by one of our investigators who initially thought they should be partially upheld. In summary, he thought that ReAssure's communications to Mr K regarding the policies had been insufficient. This was mainly because there hadn't been an explanation that the charges on the policies were higher than the premiums being paid, and the impact this would have in the future.

However, he thought that even if sufficient information had been provided, Mr K wouldn't have taken a different course of action such as surrendering the policy. He awarded compensation of £300 on each complaint for the distress that receiving the outcome of the review would have caused.

ReAssure broadly accepted his findings, but didn't think it was fair to award compensation for distress on each of the four complaints as they thought it all related to the same issue and one award would be fair compensation. The investigator agreed with ReAssure and revised his opinion.

However, Mrs H disagreed with his revised opinion. She noted that in addition to Mr K, there were different trustees on each of the four complaints. Therefore, it wasn't unreasonable that all the trustees should be compensated for the distress that they'd suffered. The investigator didn't agree, so the complaint has been passed to me to decide.

## 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 don't think this complaint should be upheld and I will now explain why.

I've firstly considered the points raised about the fact that the policy's surrender value is lower than the sum of the premiums paid in. I accept that Mrs H thinks that this means ReAssure has poorly managed the policy, but it's important to note that the policy's primary purpose was to provide cover, not to provide an investment return on the premiums paid in.

The policy was set up so that at the outset, when the life cover costs are low while the life assured is relatively young, any residual funds from the difference between the premiums and the charges are invested to build up a fund that can be used to help pay for life cover costs in later years which increase as the life assured gets older. This fund is what provides the policy's surrender value. And because the cost of cover is deducted from the premiums, it isn't likely that it would be higher than the sum of the premiums paid in, unless there has been exceptional investment performance.

Mr K has had the benefit of the policy's primary purpose - life cover - since he took it out, so I don't think it's fair to disregard this element and purely focus on the policy's current surrender value. Therefore, I don't think the fact that the surrender value is lower than the premiums paid means that ReAssure has been negligent.

I've then considered the issues related to the outcome of the 2024 review. 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 ReAssure ought to have provided Mr K with clear, fair and not misleading information about the policy. What I've drawn from the guidance is that their communications to him 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 they should have provided this information within a reasonable time frame and at the very latest, within 12 months of the point from time the costs of the policy overtook the premiums being paid in March 2015.

I haven't seen that this level of information was provided to Mr K. For example, the review letters he received in the past only set out whether or not the policy had passed the review. They also provided some context around how ReAssure were making their projections for the policy until the next review, and a warning that if their assumptions weren't borne out, then changes might be required in the future.

But crucially, they didn't provide any information about the specific costs of the policy and how they were likely to increase in the future or the level of premium that might then be required to maintain the policy's sum assured. Because this information wasn't provided, I don't think he was put in an informed position about the policy or any possible steps he could take to mitigate future risks.

Both parties have accepted the investigator's opinion that Mr K wouldn't have taken a different course of action if sufficient information had been provided. So I've considered if Mr K would've taken a different course of action if he'd been provided with sufficient information about the policy. Having done so, I don't think he would have. I say this because the need for the four policies he took out – providing a lump sum for his children to cover IHT, funeral costs and other expenses that may arise when he passes – still exists. I also note he hasn't surrendered any of the policies despite the changes proposed in the 2024 review which I think gives an indication as to what his likely actions would have been in the past.

The cost of the policy seems to be an important consideration to Mr K. I can see that he's chosen to reduce the sum assured at previous reviews instead of taking the option to increase his premiums to maintain the sum assured. In my opinion, it seems more likely than not that he'd have opted to keep the sum assured as high as he could for the lowest premium possible, rather than increase the premiums to maintain the sum assured. I also think that this means he wouldn't have surrendered the policy and taken out alternative cover. This is because in 2015, his age meant that the costs of a comparable, non-reviewable policy would have been much higher than what he was paying for this policy.

So, taking all this into account, I don't think it's likely that Mr K would have made any changes to the policy or surrendered it even if he'd been provided with sufficient information about the policy in 2015.

I've then gone on to consider if any further compensation is due for the distress caused by receiving the 2024 review outcome. The main point of contention is whether all the trustees should receive compensation or just Mr K. From what I've seen, Mr K as the policyholder was the person who put the policies in place, he was dealing with the administration of the policies and also paying the premiums. Therefore, I don't think it's unreasonable to suggest that he would've borne the majority of the impact caused by the outcome of the 2024 reviews. That isn't to say the other trustees weren't impacted, but I think any impact they suffered was less than the impact to Mr K.

It's important to note that the policies were reviewable, and the premiums weren't guaranteed to never change. For example, Mr K had to make changes to the policies in the past - this policy failed reviews in 2007, 2008 and 2009 which saw the premiums increase from £16.60 to £19.86 and the sum assured reduce from £14,942 to £12,242. Previous review letters, while not providing all the information they should've done after 2015, had set out that if ReAssure's assumptions about future investment growth and charges weren't borne out, then the sum assured or premiums would need to be adjusted in the future. In other words, all of the trustees, including Mr K, were aware that premiums could change following reviews.

I must also factor in my opinion that Mr K wouldn't have taken a different course of action if he'd been provided with sufficient information in 2015. This means that the policy would ultimately have ended up in the same position it is in today. So, while I appreciate that the trustees would have been surprised by the outcome of the 2024, I think that they would have been in a similar position if the information had been provided earlier as it should have been.

I think it's also important to note that the drastic changes in the 2024 review partially arose from a revision to ReAssure's assumptions about investment return from 8.5% to 2.5%. Therefore, it's likely that even if ReAssure had provided projections in the past about the changes that the policy might require in the future, they wouldn't have been able to predict the market conditions that led to the downgrade in fund performance projections and any changes they would have suggested may have been relatively small compared to the changes required in 2024.

Taking all this into account, I don't think any further compensation for the distress caused by receiving the outcome of the 2024 is warranted. I'm satisfied that the £300 compensation Mr K already received is fair and reasonable in the circumstances of this complaint.

## My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K and Mrs S as trustees of the K Trust to accept or reject my decision before 17 July 2025.

Marc Purnell
**Ombudsman**