

## The complaint

Mr and Mrs T complain about the way ReAssure Life Limited managed their reviewable whole of life policy. They complain about the magnitude of the changes required at the 2024 review, the low surrender value, the magnitude of the projected changes and the fact that they were never told about the possibility of these changes when the policy was sold to them.

## What happened

Mr and Mrs T took out their reviewable whole of life policy in 1999 – for a monthly premium of £35 and a sum assured of £110,000. The policy was index linked so it was set to increase and keep up with inflation. As the policy was reviewable, ReAssure looked at the benefits the policy was providing, the premium being paid, and any assumptions it had made (and whether they had been borne out) at regular intervals to determine whether any changes needed to be made.

In 2018 Mr and Mrs T were paying £66.23 per month for £188,135.66 worth of cover. ReAssure reviewed their plan and explained that the premium would maintain the cover for only one year. It gave them the option to increase their premium to £127.39 to maintain the cover for another 5 years (after which they would need increase the premium “significantly”), reduce the cover to £114,205 or make other changes.

The letter also set out some projections going forward, showing how much premiums were likely to be in the future for the same sum assured and setting out the basic facts of the policy, such as any charges and what was being paid in. This showed, for example, that charges of £1,361 had been deducted from the plan but only £682 had been paid in.

Mr and Mrs T didn't make any changes to the policy. This meant that in 2019, when it was reviewed again, ReAssure now required them to make a change as the benefits of the policy could no longer be sustained. At this point, they were required to either increase the premium to £158.45, or reduce the sum assured to £88,249. Mr and Mrs T initially complained about the options they were given and the reduction in sum assured they had to accept. However, they eventually agreed to reduce the sum assured in order to keep the premium the same. In 2024, the policy was reviewed again and Mr and Mrs T were again required to increase their premium or reduce the sum assured, so they complained.

ReAssure looked into their complaint but didn't think it had done anything wrong. In summary, it concluded that the policy had worked as intended. Mr and Mrs T didn't agree and referred their complaint to this service.

One of our investigators looked into their complaint, but didn't think it should be upheld. In summary, he concluded that ReAssure wasn't responsible for the sale of the policy. He agreed that ReAssure's communications over the years were not in line with the regulatory standards and were not fair, clear and not misleading.

However, he didn't think earlier communications would've prompted Mr and Mrs T to take any different action. He thought it was clear that the policy was important to them and so

they wouldn't have considered surrendering it. And in terms of whether they would've considered increasing their premiums, he didn't think there was sufficient evidence to conclude that was likely. He thought that Mr and Mrs T's actions following the 2018 review showed that they wouldn't have made any changes to the policy until they were required to.

Mr and Mrs T didn't agree with the investigator's assessment. They asked for an ombudsman to decide the matter, particularly in relation to whether they would've done anything differently had they had more information.

### **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'm sorry to disappoint Mr and Mrs T, but I don't have much to add to what the investigator has already told them.

The policy itself has worked the way it was intended. The cost of providing cover isn't fixed and instead increases over time as the lives assured get older. From the inception of the policy, the difference between the premiums being paid and the charges results in an investment pot being built up. The difference between the sum assured and the value of the pot is referred to as the sum at risk, and it is this figure that is used to calculate the charge for providing cover.

Over time, businesses will undertake reviews to ensure that a policy can continue to provide the chosen level of cover. They will look at a number of different factors such as the size of the investment pot, current mortality rates and investment performance. If they decide the policy isn't sustainable at its current premium, the consumer will usually be offered the option of reducing the sum assured or increasing the premium. This happened on Mr and Mrs T's policy.

In terms of the investigator's findings about ReAssure's communications, I have nothing further to add. I agree that over the years, the relevant standards required ReAssure to ensure that important communications about the policy were fair, clear and not misleading – including "sufficient and clearly explained details regarding the performance of the product, its value and the impact of fees and charges".

For a policy like the one Mr and Mrs T had, this should've included "the value at the previous communication date and the value of any premiums paid over that period" as well as the "charges incurred over the period in monetary figures" including "a breakdown of the major components and the charge to the customer for benefits such as life cover and guarantees" (FG 16/8 Fair treatment of long-standing customers in the life insurance sector). In my view, the review letter from 2018 clearly set out all the key information that Mr and Mrs T needed to make an informed decision about what to do with the policy.

I've seen the breakdown of the costs of cover versus the premiums being paid and I agree with the investigator that this happened in or around the 2013 policy year, so ReAssure had ample opportunities after to inform Mr and Mrs T about their policy and what would be needed to make it sustainable. I agree that the communications at that time didn't set out this information in way that would've allowed Mr and Mrs T to understand what was happening.

However, although I understand this will come as a disappointment to Mr and Mrs T, this isn't enough for me to uphold their complaint and award compensation. In order to uphold their complaint, I also need to be persuaded that more information, at an earlier date, would've prompted them to take action that would've avoided the situation they now find themselves in.

But, like the investigator, I've seen insufficient evidence to persuade me that this would've happened – and I agree that their reaction to both the 2018 and 2019 letters is key. In 2018 in particular, Mr and Mrs T were given stark information about their policy. They knew that it was only going to be sustainable for one more year and could see for themselves that the policy was costing around double what they were paying in premiums – so it would've been obvious that changes to the policy would be required in the very near future (and the letter said this clearly anyway).

They were given options to change the sum assured and the premium – but, since the policy could be sustained for one more year, they weren't *required* to make those changes if they didn't want to. So Mr and Mrs T did not make any changes to the policy, which meant the following year the policy failed the review and they needed to make even more significant changes to the policy.

Whilst I can understand why Mr and Mrs T may not have wanted to make changes in 2018, I think this shows that even if they had been notified in 2014 about the tipping point and the likely changes required in future, they still would not have wanted to substantially increase their premium unless they absolutely had to.

In my view, more comprehensive information would've alerted Mr and Mrs T to the likelihood of changes at a later date being required, much like the 2018 letter did, but it would not have prompted them to make any changes – because the letter would also have told them that the policy could still be sustained for a number of years. Given that the 2018 letter warned them that changes would be required in a years' time and that didn't cause them to do anything different, I think it's unlikely that an earlier letter would've made a difference.

I understand why Mr and Mrs T are so unhappy about the changes required to their policy – but part of the reason for this is that they've benefited from a significant amount of life cover for a lower premium for a number of years. Ultimately, one of the key reasons why they are now being required to increase their premiums by so much is because the cost of life cover has continued to increase. But I've seen no evidence to show the calculation of the cover charge was not a legitimate exercise of ReAssure's commercial judgment. ReAssure 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.

For these reasons, although I appreciate this will come as a disappointment to Mr and Mrs T, I'm not persuaded ReAssure's incomplete communications prior to 2018 caused them a loss – and so I don't award any compensation.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T and Mr T to accept or reject my decision before 9 January 2026.

Alessandro Pulzone

**Ombudsman**