

The complaint

Mr and Mrs B are unhappy, in summary, as they don't think that ReAssure Limited ('ReAssure') has correctly administered their reviewable Whole of Life policy that they hold with it.

What happened

I've outlined what I think are the key events involved in Mr and Mrs B's complaint below.

It isn't in dispute that Mr and Mrs B took out a reviewable Whole of Life policy in 1986 for a monthly premium of £26.47 and a sum assured of £30,000. This was on a maximum cover basis, where the sum assured was guaranteed for ten years until the first review, after which they'd take place every five years until Mr or Mrs B turned 70, which one of them did in 2022. Barclays Life Assurance Company Limited provided the policy, although ReAssure is now responsible for this complaint so I will refer to it throughout.

The first review took place in 1996. The review letter said that investment returns achieved to date meant Mr and Mrs B didn't need to take any action, although values fluctuate and future investment returns might be higher or lower than those assumed. And at reviews it would inform them of their plans progress and help make any adjustments needed in light of the economic environment at the time. Mr and Mrs B's existing premium and sum assured were maintained.

The 2001 review letter was one page long, Mr and Mrs B were told they need to take no action and their existing premium and sum assured were again maintained.

The 2006 review letter said the current sum assured couldn't be maintained by Mr and Mrs B's premium. It explained that reviews are undertaken periodically to determine whether the level of cover provided can be sustained by the premiums and, if not, to notify them of alternatives. It said that in calculating the premium needed to sustain the cover, assumptions are made about future investment growth and that future charges will be in line with those currently made. And that to the extent that these assumptions are not borne out in practice, cover or premiums may need to be adjusted at each future review date.

Mr and Mrs B were given two options. Option 1 was to maintain the £30,000 sum assured but for a premium of £36.67. They were told, amongst other things, that based on current future assumptions, that increased premium would be sufficient to maintain the current level of cover *for the lifetime* of the policy. However, this premium may need to rise again at future reviews if the assumptions about future investment growth and charges aren't borne out. Option 2 was to maintain the current £26.47 premium but for a reduced sum assured of £26,566. And Mrs and Mrs B chose option 1, to increase their premium to £36.67.

The 2011, 2016 and 2021 review letters all gave similar, if not the same, information to the 2006 letter as set out above, with the same options to either maintain the sum assured but for an increased premium – Mr and Mrs B were given the same information in respect of this option as in the 2006 letter in relation to this increased premium being sufficient to maintain the current level of cover for the policy lifetime – or maintain the existing premium for a

reduced sum assured. And at each of these reviews, Mr and Mrs B chose to take up the option to increase their premium to the amount set out. To be specific, they increased their premium to around £51 in 2011, £65 in 2016 and £66 in 2021 to maintain the £30,000 sum assured.

The 2023 review letter, dated 22 June 2023, set out different information. This said in bold writing at the top that Mr and Mrs B's cover was at risk and the policy wouldn't support the cover going forwards. They were told their premium wasn't enough to pay for this cover, so some changes were needed if they wanted the policy to continue. A 'Keeping your whole-of-life policy on track' leaflet was seemingly enclosed, although I don't appear to have been provided with a copy. And Mr and Mrs B were told, amongst other things, that in the review ReAssure had made a number of assumptions about future investment growth and the charges that will be taken from their policy, that these cannot be guaranteed, and if they don't happen, it is possible that their cover or premiums may need to be adjusted at each future review date.

The letter gave Mr and Mrs B three main options. Option 1 (the default option if ReAssure didn't hear from them by 27 July 2023) was to maintain the current premium of just over £66 but for a reduced sum assured of just over £19,000. Option 2 was to maintain the £30,000 sum assured but for a premium of just over £172. Option 3 was to cancel their policy and receive the surrender value of just over £11,600.

I understand a review reminder was sent to Mr and Mrs B on 24 July 2023. The same day Mr and Mrs B complained to ReAssure that, amongst other things, they hadn't received the 2023 review letter until that day. And I understand Option 1 has since been applied.

In August 2023, ReAssure sent Mr and Mrs B its final response letter not upholding their complaint. And, in November 2023, Mr and Mrs B referred their complaint to our Service.

Our Investigator confirmed Mr and Mrs B's complaint is, in summary, that they were only left with three days to reply to the 2023 review letter, which wasn't long enough. And that they felt it was unfair that the premium could be so significantly increased or the sum assured reduced by so much.

While Mr and Mrs B's complaint was initially upheld by one of our Investigator's, an Investigator ultimately said they weren't asking ReAssure to do anything. They said ReAssure ought reasonably to have known since around 2011 that significant changes would likely be needed to the premiums or level of cover as Mr and Mrs B got older, as the cost of cover had started to outweigh the premiums paid. And that while most of ReAssure's reviews set out a premium designed to cover the policy for life, its correspondence didn't meet regulatory obligations and standards of good practice. But the Investigator said that, even if ReAssure had provided all the information it should have, on balance, they weren't persuaded Mr and Mrs B would have done anything differently.

Mr and Mrs B didn't agree and asked for an Ombudsman to consider their complaint. They said, in summary, that we've made assumptions about what they would or wouldn't have done had ReAssure communicated better with them. They said they acted in good faith and increased their premiums, as they understand that sometimes things need to go up in value and because the policy is part of their children's inheritance. But that they would have cashed it in if they'd known the premium would go up by the significant amount that it did. And while the premium hasn't yet gone up again, this seems likely and their investment is disappearing.

Because no agreement could be reached the case has been passed to me for a decision.

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, while I understand Mr and Mrs B will be disappointed, I'm not asking ReAssure to do anything for the following reasons, which are largely the same as those given by our Investigator.

In deciding this complaint I've taken into account the law, any relevant regulatory rules including the principles and good industry practice at the time.

While I've carefully considered the entirety of the submissions the parties have provided, my decision focuses on what I consider to be the central issues. The purpose of my decision isn't to comment on every point or question made, rather it's to set out my decision and reasons for reaching it.

Relevant considerations

In reaching my conclusions, I've considered, amongst other things:

- The FCA's Principles for Businesses, in particular Principle 6 and Principle 7 (PRIN).
- 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).

What is the fair and reasonable outcome in the circumstances of this complaint

Mr and Mrs B's policy is a reviewable whole of life policy. I can see that the applicable policy terms from when the policy was taken out set out that, after the first ten years, the policy is reviewed every five years by the provider to establish if the benefits can be maintained review without the need to increase premiums. And if these can't be then ReAssure can reduce the benefit amount to such level as it considers can be maintained until the next review. So ReAssure is entitled to review the policy and its benefits.

But it might be helpful to explain more about how reviewable Whole of Life policies generally work in practice. The key feature of this type of policy is that part of the premiums paid throughout the years was to be invested to pay for the increasing costs of life cover later in life. This is because for these types of policies, there's an increased likelihood of increasing life cover costs as the policyholder gets older. While Mr and Mrs B are unhappy with the effect of these increasing costs on the value of the policy, these are simply an inevitable consequence of the policy becoming more expensive as the policyholder gets older. This is very typical for these types of policies. It is also what allows these policies to be more affordable at the outset.

In the early years, when life cover costs are low, part of the premiums are invested to build up a fund that can be used to help pay for the increasing life cover costs in later years. At this stage, the premiums can meet the costs of the cover on their own. However, if the premiums remain at the same level, there inevitably comes a point where the life cover costs will exceed the monthly premium and units in the investment fund need to be sold to meet the shortfall, reducing the investment fund value over time – unless the fund's growth outpaces the rise in cover costs.

Eventually, regular increases in the cost of life cover will outpace the growth in the fund, so that as units in the fund continue to be sold, it will reach a point when the firm concludes that the premiums being paid and the fund value are no longer enough to pay for the costs of cover. To maintain the policy with its existing life cover, the premiums (if they are still at the level they were when the policy began) will need to increase suddenly and substantially and will continue to increase each year as the consumers get older and the life cover costs increase accordingly, unless the sum assured has been substantially reduced. This is what has happened to Mr and Mrs B's policy.

At this point, there can be several poor outcomes for the consumer. It's possible that the investment fund will be almost completely depleted, leaving little surrender value. Any increase in premiums is likely to be very expensive and potentially unaffordable at a time when the consumer may be retired or close to retirement and have limited means to meet significant increases in costs. Alternatively, if the level of life cover has reduced substantially, the policy may no longer meet the consumer's objectives or ceases to be a cost-effective proposition.

The impact of the sudden and significant changes to the premium or level of life cover that occur at the point the policy fails a review, can be mitigated by adjusting the terms of the cover earlier in the life of the policy. If, for instance, a consumer elects to increase premiums some years *before* the policy is likely to fail a review, this will have a smoothing effect over time, so that the policy is less likely to fail a review and the sudden and dramatic premium increases down the track can be avoided.

This gives the consumer the chance to set premiums at a more affordable and sustainable level for a longer period – even for the rest of their lifetime. The new premiums will be higher than they were at the outset, but not as high as they would otherwise need to become at the point the policy fails its review.

Alternatively, at that earlier point, a consumer who is faced with significant increases in premiums or decreases in the level of life cover down the track might decide the policy itself is no longer cost effective, or that it is failing to meet its objectives, and elect to surrender the policy. In other cases, a consumer might decide that it is worth maintaining the policy on its existing terms right up to the point that the policy fails a review.

The opportunity for a consumer to make these decisions is a key event in the life of the policy. Given the impact of increasing life cover costs on the investment fund, and in time on the premiums (or sum assured), consumers have important decisions to make about whether to retain the policy, increase the premiums and / or decrease the sum assured during the life of the policy. Those decisions become more difficult the longer the consumer pays into the policy and the options available for mitigating poor outcomes start to diminish. So it is in the consumer's interest to make key decisions at an early stage in the policy's life cycle, and to do so in an informed way, firms need to provide consumers with clear, fair and not misleading information.

Increasing life cover charges and the reviews of Mr and Mrs B's policy

Looking at the available evidence, I can see that by policy year starting 2007, the annual cost of Mr and Mrs B's policy was £341.95. And this would have otherwise been higher than their annual premium of £317.64 (or £26.47 monthly) that they were paying, if they hadn't increased this to £36.67 (or £440.47 annually) in the way they did because of the 2006 review which required them to make such a change.

However, by policy year 2010/2011, despite Mrs and Mrs B having increased their premium in 2006 as above, the annual cost of the policy at £454.42 now exceeded their premium. So, by policy year 2010/2011, the policy reached an important tipping point. And, following this, the policy cost continued to consistently rise, again overtaking Mr and Mrs B's premiums at times, even after they increased these at reviews. That is, until their sum assured reduced following the 2023 review.

So, based on the available evidence, I think policy year 2010/2011 was therefore a key point in the product's life cycle and for Mr and Mrs B's interests and information needs. By that point the policy was costing more than the premiums paid.

What should ReAssure have told Mr and Mrs B?

Taking into account the regulatory obligations I have set out above (PRIN) and what I consider to be standards of good industry practice at the time (including the regulator's views as expressed in FG16/8), and in any event what I consider to have been fair and reasonable in the circumstances, I'm satisfied that ReAssure should have taken steps to ensure it communicated information to enable Mr and Mrs B to evaluate the impact of the increasing life cover costs on their policy and the options available to them in a clear, fair and not misleading way. This needed to include the risks, costs and benefits associated with those options, as well as giving her clear timelines for the making of decisions where applicable.

In my view, this is something that ReAssure needed to do within 12 months of the tipping point being reached – and as I've said, I think it's likely this point occurred by the time of the 2011 review. By giving Mr and Mrs B clear information about how much the policy was costing and allowing them to compare those costs with the premiums they were paying, ReAssure would've been acting consistently with the guidance at FG 16/8 that firms provide *"regular communications"* with customers – and to ensure that, in their communications, that *"firms [include] sufficient and clearly explained details regarding the performance of the product, its value and the impact of fees and charges"*. Such communications also needed to specifically set out the *"value of any premiums paid in over that period"*, and *"charges incurred over the period in monetary figures"*, including *"major components and the charge to the customer for benefits such as life cover and guarantees"*.

What information did ReAssure give Mr and Mrs B

As the policy was reviewed in 2011, which was around the time the tipping point had been reached, then either within the review letter itself or within a reasonable timescale afterwards, ReAssure had an opportunity to provide Mr and Mrs B with clear information to enable them to consider their options and make a timely decision. Particularly given that, with each year that passed, life cover costs would likely continue to increase, making any potential mitigating steps more costly than these otherwise would be over time.

The 2011, 2016 and 2021 reviews became focused on making the policy last for life, rather than just to the next review, given the letters said that based on current future assumptions the increased premium set out would be sufficient maintain the current level of cover for the lifetime of the policy. As set out above, these explained that reviews are undertaken periodically to determine whether the level of cover provided can be sustained by the premiums and, if not, to notify them of alternatives. ReAssure said that in calculating the premium needed to sustain the cover, assumptions are made about future investment growth and that future charges will be in line with those currently made. Though that of course couldn't be guaranteed, as the review relies on assumptions about future events. And the letters did explain that to the extent that these assumptions are not borne out in practice, cover or premiums may need to be adjusted at each future review date.

However, ReAssure didn't disclose the level of life cover costs and charges or give any projections or comparisons based on assumptions, for Mr and Mrs B to know the impact of the change in premium and the impact of deductions to their policy.

The 2023 review letter seemingly changed back to a 'reviewing until the next review' basis. And it did provide a bit more information. Mr and Mrs B were told, for example, in capital letters and bold type at the top of the review letter that their cover was at risk – the policy wouldn't support the benefits going forwards. And that their premium wasn't enough to pay for this cover, so some changes were needed if they wanted the policy to continue. It also said, for example, that if assumptions don't happen then it is possible that their cover or premiums may need to be adjusted at each future review date.

But ReAssure didn't explain to Mr and Mrs B the policy charges, how these had changed or how they could make the policy sustainable for life in the way the above previous reviews had. And it therefore didn't give them an opportunity to understand how or why the previous assumptions it had made about the policy had not been borne out in practice.

In summary, I've not seen any correspondence – I've not seen the annual statements (if any) or any follow up 'confirmation of changes' letters that were sent to Mr and Mrs B – where ReAssure provided Mr and Mrs B with enough information about the cost of their life cover or a clear explanation that these were no longer being met by the premiums. Therefore, I think there was an imbalance of knowledge between them and ReAssure, which meant they couldn't make a fully informed decision about what steps they wanted or needed to take following the tipping point being reached.

What, if anything, would Mr and Mrs B have done differently?

Had Mr and Mrs B been given clear, fair and not misleading information, the options open to them at that point would have been to surrender the policy for the cash in value, increase the premiums to maintain the sum assured, reduce the sum assured or take no action.

On balance and for the reasons set out below, having considered all the submissions and information to decide what, if anything, I think would have likely happened if ReAssure had provided all the information it should have, I don't think it's likely that anything would have been done differently in the circumstances.

I've taken into account that Mr and Mrs B have said they acted in in good faith and increased their premiums, as they understand that sometimes things need to go up in value and because it's part of their children's inheritance. But that they'd have cashed it in if they'd known the premium would go up by the significant amount that it did.

However, it's important to remember that in the review letters from 2006 up to and including 2021, ReAssure was seemingly making assumptions based on the lifetime of the policy, and not just until the next review point. So, even if it had provided Mr and Mrs B with information in the way it should have about, for example, the cost of cover and explained whether or not this was now higher than the premiums being paid, there would also still have been an explanation that based on current assumptions – which could change in future – regarding costs and investment performance, the level of premium that it set out now needed to be paid was considered sufficient to sustain the policy for life. So that communication wouldn't have required Mr and Mrs B to make any other changes.

In contrast, as set out above, the changes set out as being required in the 2023 review letter were only guaranteed to support the policy until the next review. So the increased premium requested of just over £172 was not, therefore, an adjustment that would have meant the policy would be sustainable for life. That, I assume, would have required an even higher

increment in the monthly premium payable than this though. And given Mr and Mrs B's complaint that they weren't happy with such a significant increase to around £172, and that they didn't chose to pay this, I think it's unlikely they'd have paid even more than that if they'd been given more information at this review about how to make the policy sustainable for life, for example.

In addition, Mr and Mrs B have said that, as well as taking out the policy to safeguard their family and now grown children, it is to form part of their inheritance. And I note that Mr and Mrs B have kept the policy in place, also increasing the premium at times up to 2021, rather than surrendering it for its cash in value. That's despite being given some information to know that the premium might still need to rise again in future and that the sum assured could otherwise decrease, in the way it did in 2023. So I think the desire and need for the policy has remained.

So, even if ReAssure had provided Mr and Mrs B with all the information it should have in the way I've set out above, I'm not persuaded that they would likely have taken a different course of action. This means I'm not asking ReAssure to do anything.

For completeness, Mr and Mrs B have also said that they only received the 2023 review letter three days before the reply date, which only gave them a short time to consider their options. While I appreciate this would have been frustrating for them, I haven't seen anything to suggest ReAssure is responsible for their delayed receipt of this. And, in any event, I don't think Mr and Mrs B would be in a different position now if they'd received the 2023 review letter – and with the information it should have contained – any sooner. I say this for the reasons already set out above. And because they still had enough time to know they felt the premium requested was too significant an increase and to put in a complaint about that, for example.

In summary, for the reasons given above, I'm not asking ReAssure to do anything.

My final decision

For the reasons given, I'm not asking ReAssure Limited to do anything.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mrs B to accept or reject my decision before 6 October 2025.

Holly Jackson
Ombudsman