

The complaint

Mr M complains that Aviva Life and Pensions UK Limited (Aviva) treated him unfairly when he tried to reduce the premiums he was paying for his life and critical illness policy.

What happened

The background to this complaint is well known to all parties so I'll just give a broad overview here.

In 1996, Mr M took out an assurance policy that covered him for life and critical illness.

In April 2023, Mr M contacted Aviva as he wanted to reduce the monthly premium he was paying, from the current level of circa £318, to either £150 or £100. He wanted to know how much the benefits of the policy would reduce given the proposed lower monthly premiums.

In May 2023, Aviva sent Mr M quotes for the proposed alterations to the policy.

In July 2023, Mr M phoned Aviva as he had queries relating to the new quotations. He specifically wanted to understand why the fifty per cent reduction in premiums he was proposing resulted in a more than fifty percent reduction in the policy benefits.

Aviva wrote to Mr M later in July 2023 with an explanation of the quotes, but Mr M didn't feel this explanation sufficiently answered his queries.

Around this time Mr M was unfortunately suffering from serious ill health so it wasn't until late August 2023 that he could phone Aviva to ask for a more detailed response. Aviva told Mr M on the call that his concerns would be investigated, but it would need to send updated quotes as the previous ones sent were only valid for three months so had now expired.

In September 2023, Aviva sent Mr M the new quotations which again showed that the benefits on the policy would reduce by a larger proportion than the proposed reduction in monthly premiums.

Due to Mr M's ill-health, he couldn't call Aviva to raise his queries about the quotations until December 2023 and, after calling Aviva twice in that month, he received an answer to his queries on 29 December 2023. As Mr M wasn't satisfied with this answer, and after discussions with Aviva, he cancelled his direct debit and refused to pay the monthly premium due for December 2023 until he'd received what he felt was an adequate explanation. As a result of the missed premium payment, Aviva sent Mr M a letter on 5 Jan 2024 saying that the monthly premium for December hadn't been received and, if Mr M didn't pay this, then the unpaid premium conditions of the policy would be put into force which would put the policy into a "paid up" status.

Mr M's ill health unfortunately continued around this time resulting in hospital treatment, so he was unable to phone Aviva to discuss the letter of 5 January 2024 until he returned from hospital on 12 January 2024.

As a result of this call, Aviva sent Mr M a letter on the 18 January 2024 explaining the implications of the policy being in a paid-up status. And it sent Mr M a further letter on 22 January 2024 with updated alteration quotes which again showed the disproportionate reductions between proposed monthly premium and payable benefits.

As Mr M was concerned about the status of his policy, he phoned Aviva on 30 January 2024 to make a complaint. He said he'd never received a satisfactory explanation to his queries about the alteration quotes, and he also expressed his frustration that Aviva wouldn't follow up his phone calls with sending his required information by email. Aviva would only do so by post.

On 7 February 2024, Aviva wrote to Mr M explaining that as two monthly premiums had been missed, the policy was now in a "paid up" status. It also said that if Mr M wished to continue with the policy, he would need to send it a new direct debit mandate and pay the two missed premiums.

Aviva responded to Mr M's complaint he raised on 30 January 2024 on 14 February 2024.

It didn't uphold Mr M's complaint as it thought it had adequately answered Mr M's concerns. Aviva went on to tell Mr M that the unpaid premiums on the policy had been paid using the investment funds which formed how the policy operated.

Mr M wasn't happy with this response and called Aviva on 20 February 2024 to express his concerns and, out of frustration, asked Aviva to send him forms so he could cancel the policy and take whatever residual fund value existed.

On 4 March 2024, Mr M returned the alteration quotes he'd received from Aviva in January 2024 as he'd reflected on his decision to surrender the policy and wanted to maintain it given the length of time it had been in force.

Mr M called Aviva on 26 March 2023 to discuss his returned quotes as he'd not had a response. Aviva apologised he'd not received a response but explained that letters had been sent but clearly had not yet been received.

The Aviva call handler read the letters to Mr M, on the phone call, which explained that the policy had been reinstated. And because of this Aviva intended to collect the full existing premiums for December, January and February. Aviva went on to explain that before the alteration quotes Mr M had sent it could be actioned, the policy would first need to be reinstated, which explained the need to pay the missing premiums. And once the policy was up to date Aviva would then be able to action the alternative quote request.

Mr M said he had no intention of paying the higher missing premiums as he had wanted to pay a lower premium from December 2023 and raised a further complaint about how his request had been dealt with and to express his frustration that Aviva would only correspond by post and not use email.

On 3 April 2024, Aviva wrote to Mr M acknowledging his complaint and then continued to send Mr M correspondence throughout the month relating to the unpaid premiums.

On 23 April 2024, Mr M called Aviva to express his frustration and delays with the response to his complaint. During this call Aviva explained to Mr M that the alteration quotes Mr M had sent it in March 2024 hadn't been processed as premiums remained unpaid on the policy. Mr M expressed his frustration and requested policy surrender forms be sent to him.

On 8 May 2024, Aviva responded to Mr M's complaint of 3 April 2024 explaining it used post rather than email to correspond with its customers as it felt this was the most secure method of correspondence. But it made no mention of Mr M's other concerns he'd raised.

In response to this letter, Mr M called Aviva on 15 May 2024 to raise a further complaint as he felt his concerns hadn't been addressed.

On 10 June 2024, Mr M called Aviva to see if a solution could be found to maintain the policy on the lower monthly premium. Aviva told Mr M that the policy was still in a paid-up status, and monthly premiums had been deducted from the policy's investment fund. Because no additional premiums had been made since 30 November 2023, the investment fund was nearly exhausted, and the policy would lapse by the end of June 2024.

Mr M requested a call from Aviva senior management to discuss the matter. The call request was acknowledged by Aviva's call handler but as he didn't receive the call Mr M brought his complaint to this Service.

Our Investigator considered all the evidence available and didn't think Aviva had acted fairly.

He thought that while Aviva were within its rights to deduct the monthly premiums from the policy investment fund – and cancel the policy when no further investment funds were available – it had given Mr M incorrect and contradictory information which would have caused Mr M considerable distress and inconvenience.

Our investigator thought Aviva should pay Mr M £400 in compensation for the errors it had made.

Mr M wasn't satisfied with this opinion, so the complaint has been brought to me for a final 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 reviewed the evidence it's clear that this has been a prolonged dispute between Mr M and Aviva involving many telephone calls and written correspondence. I've looked carefully at the written evidence and listened to all the telephone calls made available, but I intend to focus my findings on what I think are the core issues.

This means I might not refer to all the evidence available, or points made by either party. I mean no discourtesy by doing this but my role here is to decide what I think is a fair and reasonable resolution to what I believe to be the crux of the complaint.

I've first considered if Aviva was within its rights to use the policy investment funds to pay the monthly premiums when Mr M cancelled his direct debit. I think it was and I'll explain why.

Section 6 of the terms and conditions of Mr M's policy cover the implications of non-payment of monthly premiums.

These terms clearly explain that monthly premiums must be paid punctually and if they are not then the policy will become "fully paid" (paid-up). It goes on to explain that if this happens, the sum assured on the policy will remain unchanged and the monthly premiums

needed to cover this sum assured will be taken from the investment fund that might have accumulated on the policy. And if the investment fund is reduced to a level where it can't sustain any further monthly payments, then the policy will lapse.

This is what happened in the circumstances of this complaint and, as Aviva correctly applied the terms and conditions of the policy, I can't reasonably say it did anything wrong when it used the investment funds to pay the monthly premiums and then lapse the policy when no further funds were available.

I've next considered if Aviva did anything wrong by not amending the monthly premiums and sum assured on the policy when Mr M requested it by returning the alteration quote forms in March 2024. Again, having considered the terms and conditions of the policy I don't think it did.

Section 7 of the terms and conditions contains details of the conditions relating to a reduction in the policy sum assured (and associated reduction in premiums). One of the conditions is that this can only happen if all monthly premiums due before the policy alteration date have been paid.

In this complaint, Mr M didn't want to make the missing premiums which I accept. But, while I understand his motive, this point of principle doesn't mean Aviva did anything wrong by applying the strict interpretation of the terms and conditions and refusing to alter the policy until all missing monthly premiums had been made.

In summary, having considered the terms and conditions of Mr M's policy, I don't think I can reasonably say Aviva did anything wrong by applying these when Mr M didn't pay his monthly premiums when he was unhappy with the delay in getting what he felt was a satisfactory answer to his queries, about the quotations he received when he wished to reduce his monthly premium and sum assured.

I'm aware that given the passage of time since the policy was taken out that Mr M might not have been fully aware of these terms and conditions, but the fact remains they form the contractual agreement of the assurance policy and so I can't say Aviva did anything wrong when it applied them.

But while I don't think Aviva did anything wrong with its execution of the policy, I do think it made a number of errors in its communication with Mr M which will have undoubtedly caused him significant confusion, distress and inconvenience.

In April 2023, Mr M requested, and received, quotes to alter his monthly premium and sum assured as he wished to pay a reduced monthly premium. Aviva sent these to Mr M in May 2023, and Mr M queried these in July 2023 as he wished to understand why a fifty per cent reduction in his proposed monthly premium resulted in a greater than fifty percent reduction in sum assured.

Aviva replied with an explanation in July 2023, but Mr M wasn't satisfied and so contacted Aviva in August 2023 for a more detailed response. As the quotes were only valid for three months it was necessary for Aviva to issue updated quotes which it did in September 2023.

These quotes showed a similar profile to the previous ones issued but it wasn't until December 2023 that Mr M was well enough to contact Aviva to again raise his queries.

Mr M spoke to Aviva on 15 December 2023 and was clear that he wanted to reduce his premiums and sum assured but wasn't willing to until he received what he felt was an

adequate explanation of the amended quotes. The Aviva call handler said she'd raise Mr M's concerns but then proceeded to provide Mr M with incorrect information.

Mr M asked the call handler if he could freeze his monthly premium payments until his queries were satisfactorily dealt with. The Aviva call handler told Mr M that while she couldn't cancel the direct debit herself, Mr M could cancel the direct debit himself and then later reinstate it and that, importantly, this wouldn't affect the policy status.

Given this assurance, and because he still wasn't satisfied with Aviva's response to his queries he received from it on 29 December 2023, Mr M cancelled the direct debit and didn't make the December payment.

The missed premium payment generated a letter from Aviva notifying Mr M of the missed premium implications in January 2024, which, given this wasn't what he'd been told in December, caused him anxiety and confusion. And this at a time when Mr M was again unfortunately suffering serious health issues.

As he was understandably concerned by this letter, Mr M called Aviva on 12 January 2024.

He repeated his position that he was unwilling to make any further premium payments until he'd received a satisfactory response to his queries about the new quotes and he wanted to know what would happen to his policy if he took this position.

The Aviva call handler then told Mr M that the policy would stay in force if he missed two monthly premiums but would lapse if he missed thirteen premiums, and that he may need to submit a health declaration if he missed three consecutive payments.

Mr M asked for written clarification that the policy would remain in force if he missed three monthly premiums. The Aviva call handler agreed to do this, although it would need to be sent by post as Aviva didn't correspond with its customers by email. He also agreed to send Mr M further updated alteration quotes as the previous ones had now expired.

From listening to this call it's clear Mr M was given incorrect information about the status of his policy and the implications of his refusal to make monthly premium payments. And this differed from the incorrect information he was given in his call with Aviva in December 2023. This undoubtedly will have led him to make decisions about making premium payments in December 2023 and January 2024 which were incorrect and put the status of his policy in jeopardy.

Aviva wrote to Mr M on 18 January 2024 in response to Mr M's request for confirmation that the policy would remain in force if he missed three premium payments as he requested on his call of 12 January 2024. This letter didn't directly clarify the incorrect information Mr M had been told on his last phone call, but it did explain the implications of the policy becoming paid-up. And, importantly, stated that the option to reduce the monthly premium and sum assured is not available once a policy does become paid-up.

Mr M appears to have received this letter on 30 January 2024 and rang Aviva on that day to fully understand what the position was as he remained unsure.

On this call Aviva corrected the mis-information Mr M had been given about the impact of not paying his monthly premiums. The Aviva call handler correctly explained that if two payments were missed then the policy would become paid-up, and premiums would be deducted from the investment fund within the policy. And to avoid this all missed payments needed to be repaid.

Mr M explained he was trying to reduce the premium and hadn't received adequate answers and was unwilling to pay premiums until he did. He also said he hadn't received the updated quotes he'd asked for on 12 January 2024. The Aviva call handler told Mr M the quotes had been sent to him on 22 January 2024 and verbally read what they were. Mr M appeared to be satisfied with the figures explained to him.

The Aviva call handler explained to Mr M that it would be expected that all missing premiums would be made before the amended quotes were actioned. Mr M stated that he would not be doing this as he had wanted this in place in December 2023 and didn't want to pay the existing premiums for the two months when he wanted to pay the reduced amount, and would have been if Aviva had provided him with satisfactory answers to his queries.

The Aviva call handler agreed to raise a complaint and noted Mr M's comments. She explained that the processing team would be expecting Mr M to make the missed premium payments and were likely to not action the revised lower premiums until these missed payments had been made. The Aviva call handler also explained that if the second premium payment for January 2024 was missed then the policy would become paid-up. She went on to say the customer services team might decide on discretion but that wasn't something she could guarantee – and she repeated that the policy would become paid-up. Mr M then stated that he had no intention of making the higher payments for December and January and if Aviva insisted on this then he would surrender his policy.

Aviva sent Mr M a further letter on 7 February 2024 confirming that due to the non-payment of premiums the policy had now become paid-up. And on 14 February 2024, Aviva issued its response to Mr M's complaint. It didn't uphold his complaint and said it didn't think it had done anything wrong as it had issued alteration quotes on Mr M's request and responded to his queries in July 2023. It went on to say it had sent further alteration quotes in September 2023 and responded to Mr M's further queries in December 2023. It then sent further alteration quotes in January 2024. Aviva went on to explain the policy was now in a paid-up status and explained the implications of that. Finally, it said it had met expected timescales and said it was sorry that Mr M wasn't aware of how his policy would operate when in a paid-up status.

In response to this letter Mr M called Aviva on 20 February 2024 to ask what he needed to do to get the policy back up and running. He said he was willing to return the alteration quotes to amend his policy but wanted reassurance that the missing premiums wouldn't be taken. The Aviva call handler explained that before the policy could be reinstated the missing premiums would be expected to be paid. Mr M was clear that this wasn't acceptable and asked to be sent forms to surrender his policy, which Aviva did.

On 4 March Mr M reflected on his decision to surrender his policy and returned the latest updated forms and a completed direct debit form. He hadn't had a response from Aviva so called them on 26 March 2024 to find out what was happening. Aviva explained on this call that the policy had been reinstated, and the lower premiums would be in force from 1 March 2024, but that for this to be completed, it would need to collect the missing premiums which were now three months' worth.

Mr M was very clear he had no intention of paying the missing premiums and again informed Aviva he intended to surrender the policy.

Mr M then made further attempts to persuade Aviva to show discretion given what he felt was a serious communication error on its part. But Aviva didn't agree and continued to explain that the reduced premium couldn't be actioned until all previous missed premiums had been paid. The policy finally lapsed in July 2024 as the investment funds used to support the policy had exhausted.

Having carefully considered the chain of events which led to Mr M's policy lapsing I think there is a clear period where Aviva was at fault.

Although Aviva had responded to Mr M's queries about the alteration quotes he'd received, he remained unhappy and expressed this to Aviva during telephone calls in December 2023 and January 2024. Because of his frustration, and his insistence that he didn't want to pay a higher premium, he informed Aviva that he intended to cancel payments until his queries had been what he felt were correctly answered. In response, Aviva clearly gave Mr M conflicting and incorrect information. As a result, he took action to cancel his payments, with the reassurance of Aviva, without knowingly putting the status of his policy in jeopardy.

It wasn't until his telephone call with Aviva of the 30 January 2024 that Mr M was made fully aware of the status of his policy and the need for him to make the missing premium payments to bring the policy fully up to date and be able to lower his monthly premium.

From this point on I think Mr M was aware of the status of the policy and the implications of the "paid up" status. It's clear that Mr M was adamant he would not be paying the missing payments and so, as Aviva continued to adhere to the strict interpretation of the policy, an impasse resulted, and the policy eventually lapsed with no residual benefit to Mr M.

By refusing to similarly abide by the terms and conditions of the account I think Mr M has some responsibility for the policy lapsing. I fully respect the strength of feeling he held, and I also understand his desire to maintain the policy given the probable cost of replacement assurance, but I can't reasonably say Aviva did anything wrong in its execution of the policy after the status was made clear to Mr M.

I should address the core background to this complaint, and the reason for Mr M deciding to cancel the premium payments, which is the queries he had around the alteration quotes.

From the evidence I've seen Mr M queried the original quotes issued and wasn't satisfied with Aviva's response, so he made further queries. Aviva responded to Mr M's queries in July 2023 and December 2023 in writing.

I've not seen any of the responses Aviva sent to Mr M in the evidence made available to me so I'm unable to comment further on Mr M's dissatisfaction with them. That said, I'm minded that an assurance company is free to take whatever risk and underwriting approach it chooses, and this approach may change from time to time, and, further, that I don't think it's obliged to detail its' underwriting criteria. I think Aviva were obliged to provide Mr M with alteration quotes and it did on three occasions and it responded to Mr M's queries about these quotes. So, I'm satisfied it met its obligations. It's clear that Mr M wanted to fully understand how these quotations had been calculated before accepting them, but this was a choice he made rather than an error made by Aviva. And further, from the evidence I've seen, Aviva responded to his queries within around three weeks of his request, and I think this is an acceptable timescale.

In summary, I don't think Aviva did anything wrong in its execution of the policy and the application of the terms and conditions relating to non-payment of monthly premiums which led to the policy lapsing. And, from the limited evidence available, I don't think Aviva did anything wrong when it provided Mr M with alteration quotes and answered his follow up queries in a manner it felt appropriate. I do however think Aviva provided very poor service which caused Mr M a significant amount of inconvenience, frustration and distress between December 2023 and late January 2024.

Putting things right

I now turn to what I think Aviva should do to put things right.

I've first considered if I think it's appropriate to consider the reinstatement of the policy.

Section 6 of the policy terms and conditions describes the circumstances which may lead to a lapsed policy being reinstated.

These terms and conditions explain that a reinstatement might be considered if it is within twelve months of the policy lapsing, that there has been no material change to the risk involved since the date of inception, and that payment is made of all overdue monthly premiums.

Given these terms, I don't think this proposed resolution is reasonable as, from the evidence, Mr M is unwilling to make the necessary back payments and, given his unfortunate health challenges, may well not be able to provide an acceptable updated risk profile. The necessary time limitation has also been exceeded. So, for me to decide reinstatement is appropriate I would need to have deemed Aviva to have made a very serious error, to the extent that these strict conditions should be over-ridden, and, while I think errors were made as I've explained above, I don't think they were of the severity that reinstatement is a reasonable resolution.

I've seen from the evidence that Mr M wanted Aviva to apologise for the errors it made. I think this is very appropriate and I'm pleased to see this has been already sent to Mr M.

So, I think this leaves an award that I think Aviva should pay to Mr M for the distress and inconvenience its errors caused him.

Our Investigator has suggested an amount of £400 and having considered this carefully I think this is appropriate.

The guidance from this Service says an award of £400 is appropriate where:

"the impact of a business's mistake has caused considerable distress, upset and worry – and/or significant inconvenience that needs a lot of effort to sort out. Typically, the impact lasts over many weeks or months..."

In this complaint the errors I think Aviva made were to incorrectly inform Mr M that he was able to stop making premium payments pending him receiving what he felt was a satisfactory answer to his queries regarding the alteration quotes. He was told different answers to his questions from different call handlers and Aviva sent letters to Mr M which contradicted what he had been told. It wasn't until late January 2024 that Mr M was fully aware of the status of his policy and what he should do to get things back on track.

The impact of these errors was Mr M will have been very confused, frustrated and anxious about his policy and he was put to the inconvenience of making lengthy telephone calls to try and sort things out. And all this at a time when Mr M was recovering from a serious operation.

I think this matches the profile of a *"business's mistakes causing considerable distress upset and worry that has caused significant inconvenience that needs a lot of effort to sort out"* so I think an award of £400 is appropriate.

I'm minded that a central thread through the evidence of this complaint is Mr M's frustration that Aviva would only communicate in writing by post rather than email. And he suggests that much of the issues behind this complaint could have been avoided if emails had been used. I can fully understand Mr M's point of view but it's not my role, or the role of this Service, to comment on the method of communication a business chooses to use when corresponding with its customers. My role is rather to consider if the content of correspondence and communication is timely, fair and reasonable which is what I've done in this decision. So, I make no further judgement or comment on this issue.

Finally, Mr M has made comments about Aviva's complaint handling. Complaint handling isn't a regulated activity so is outside of the jurisdiction of this Service, so I make no comment on these points.

In summary, I have much sympathy with Mr M and can appreciate his frustration and confusion especially during what was clearly a difficult and stressful time for him. From listening to the calls and reviewing the follow up letters sent to Mr M, it's clear that he was provided with conflicting and confusing guidance. I very much hope Aviva uses the circumstances of this complaint to reflect on the support and training it provides to its call handlers. That said, I am satisfied that Aviva did make Mr M fully aware of his position by late January 2024 and were, thereafter, within its rights to apply the terms and conditions of the policy with specific regard to the non-payment of premiums when Mr M was unwilling to pay all outstanding premiums.

My final decision

For the reasons detailed above I uphold this complaint.

If it hasn't already done so, Aviva Life and Pensions UK limited should pay Mr M £400 in total for the distress and inconvenience it caused him by its errors

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 6 February 2026.

Ben Castell
Ombudsman