

The complaint

Mr and Mrs A complain about how Aviva Life & Pensions UK Limited have administered a reviewable whole of life policy they hold. They're unhappy with the outcome of the 2023 policy review which required significant changes to either the policy's sum assured or monthly premiums.

What happened

Mr and Mrs A's policy was reviewed in 2023, and the outcome was that in order to maintain the policy's sum assured of £51,245, the monthly premiums needed to increase from £57.04 to £128.20. If there was no increase in premiums, then the sum assured would reduce to £26,829. Mr and Mrs A were unable to increase their premiums, so the sum assured was reduced. However, they complained to Aviva about the outcome of the review.

Aviva partially upheld the complaint. They noted that they'd failed to review the policy in 2022 and offered £125 in compensation for that error. However, they went on to explain that the cost of providing life cover was higher than the premiums being paid and this was what had led to the changes required at the review. Mr and Mrs A didn't accept Aviva's findings relating to the outcome of the review and asked for our help with the matter.

The complaint was considered by one of our investigators who thought it should be upheld. In summary, they believed Aviva hadn't provided Mr and Mrs A with sufficient information to make an informed decision about the policy. If they had done so, then it was likely that Mr and Mrs A would have taken steps in the past to make the policy more sustainable over the long term. In order to put things right, the investigator thought that Aviva should reconstruct the policy from the point where the charges started to outweigh the premiums being paid.

Aviva didn't confirm whether they accepted the investigator's opinion, 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 agree with the outcome the investigator reached and I will now explain why. I've firstly considered the £125 compensation Aviva offered for missing the 2022 review and I'm satisfied that it is fair and reasonable, therefore I won't be commenting further on this aspect of the complaint.

I've then gone on to consider the issues relating to the outcome of the 2023 review. In making my decision, I've considered if Aviva met their regulatory obligations and I've set out below what I consider to be the relevant standards I've taken into account:

- 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).

The changes proposed at the 2023 policy review were brought about because Aviva's assumptions were that the policy was unsustainable on its existing terms, and a higher level of premium was needed to maintain the sum assured. The level of change that was required would undoubtedly have come as a surprise to Mr and Mrs A as this was the first time that the policy had needed such significant changes.

But this shouldn't have been the case, taking into account the standards I've quoted above, I think that Aviva ought to have provided Mr and Mrs A with clear, fair and not misleading information about the policy. Their communications 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. They should have provided this information within around 12 months of the point where the costs of policy started to overtake the premiums being paid in 2005, so by the time of the policy's anniversary in May 2006.

I've only been provided with a limited number of the communications sent to Mr and Mrs A by Aviva. But from what I've seen, a sufficient level of information wasn't provided. For example, the 2015 review letter they received only set out that the policy had failed the review and an increase in premium from £39.13 to £57.40 was required. I note it also said that premiums would need to go up at the next review. However, there was no indication of the level of changes that would be required or any explanation that the policy's charges at that point were over £300 higher than the premiums they were paying and would continue to increase over time.

Because this level of information wasn't provided, I don't think Mr and Mrs A were put in an informed position about the policy or any possible steps they could take to mitigate future risks. I've therefore considered the likely course of action Mr and Mrs A would've taken if they'd been put in an informed position in 2006. Aviva should have explained that the costs of the policy were higher than the premiums being paid, the impact of this would be that while the policy wouldn't require any changes at that time, it would likely need changes in the future.

This could lead to a few different outcomes for Mr and Mrs A:

- They could surrender the policy and leave themselves without cover.
- They could surrender the policy and look elsewhere for cover.
- They could keep the policy until changes were required and then surrender it.
- They could keep the policy and potentially make changes, such as increasing the premium or reducing the sum assured, in order to mitigate future changes.
- They could do nothing and accept any future changes.

I've considered what Mr and Mrs A have said about their circumstances at the time in order to try and determine their likely course of action. The purpose of the policy was to cover funeral costs and leave money for their children. Given this purpose, I don't think they would have surrendered the policy and left themselves without cover.

I think that the cost of a comparable non-reviewable policy would have been high, and given that affordability was a key factor in Mr and Mrs A's considerations, I don't think they would have sought cover elsewhere. Because affordability was such a concern, I also don't think they would have done nothing and accepted the potential for large changes in the future.

Mr and Mrs A have said if they'd been put in an informed position, and taking into account the policy's relatively low surrender value at the time, they would have likely taken steps to

make the policy more sustainable so it would last as long as possible. Having considered all the other options, I find their testimony plausible especially as their policy was flexible and allowed changes to be made to the premium and/or sum assured.

It is difficult to determine exactly what changes they would have made at the time. However, I agree with the investigator's opinion that because Mr and Mrs A are satisfied with the current position of the policy – a sum assured of £26,829 for premiums of £57.40, it would be reasonable to reconstruct the policy on this basis. While this wouldn't guarantee that the policy wouldn't require any changes in the future, it would go some way towards mitigating the large changes that were required at the 2023 review.

This course of action will have some implications though. There will be a deficit in premiums paid between May 2006 and the point where Mr and Mrs A increased their premiums in 2018. I don't expect Mr and Mrs A to make up this deficit, however they can choose to do so if they can afford to. But if Mr and Mrs A don't choose to make up the deficit, they will be in a better position than they would have been had no errors occurred. Therefore, I think it is fair for Aviva to deduct the sum of the deficit from any claim made on the policy or surrender value in the event the policy is surrendered, if they think it is appropriate to do so.

Putting things right

In order to put things right, I think Aviva should:

- Reconstruct the policy based on a sum assured of £26,829 and premiums of £57.40 from May 2006. They should offer Mr and Mrs A the option to repay the deficit in premiums caused by the reconstruction.
- They will then need to re-do all the reviews since 2006 and provide Mr and Mrs A with any options they would have been given at the time of each review.
- If Mr and Mrs A don't make up the deficit in premiums then Aviva can deduct the sum of the deficit from any claim made on the policy or surrender value in the event the policy is surrendered, if they think it is appropriate to do so.

My final decision

For the reasons I've given above, I uphold this complaint. Aviva Life & Pensions UK Limited should put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A and Mrs A to accept or reject my decision before 27 February 2026.

Marc Purnell
Ombudsman