DRN-5702368

The complaint

Mrs C as trustee of the C trust has complained that Aviva Life & Pensions UK Limited ("Aviva") declined a claim under a life assurance policy.

What happened

The background to this complaint is well known to the parties so it serves no purpose for me to detail it again here. In summary Mr C took out a life assurance policy in 2007 maturing in September 2024. Very sadly in May 2024 he was diagnosed with cancer and passed away in November 2024.

Aviva declined the terminal illness claim as it was made within the last 18 months of the policy. Following Mr C's passing the trust argued that the 18 month terminal illness exclusion had been removed in later policies and asked why they were not notified of the change.

Aviva didn't change the outcome and explained that there had been no error in the type of cover provided or by Aviva not contacting customers each time a new product was available.

The Mrs C remained unhappy and referred the complaint here. Our investigator didn't recommend that it be upheld. They didn't find that Aviva had done anything wrong.

Mrs C appealed on behalf of the trust. She said that the complaint wasn't about the 18 month clause in the policy wording, it was about the clause not being fair, practical or fit for purpose.

As no agreement has been reached the matter has been passed to me to determine.

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.

Although I've summarised the background to this complaint and some sensitive medical details - no discourtesy is intended by this. Instead, I've focused on what I find are the key issues here. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts.

The regulator's rules say that insurers must handle claims promptly and fairly. And that they mustn't turn down claims unreasonably. So I've considered, amongst other things, the relevant law, the policy terms and the available evidence, to decide whether I think Aviva treated the C trust fairly.

Having done so, and although I recognise that Mrs C will be very disappointed by my decision, I agree with the conclusion reached by the investigator. I'll explain why.

Although Mrs C has said that she isn't complaining about the terminal illness benefit clause, I think it is important to set out why I don't find that Aviva acted in error or unfairly by declining

the claim. The policy certificate sets out:

Terminal illness

We'll pay out a cash sum if a life insured is diagnosed with an illness which is predicted to cause death within 12 months. This benefit doesn't apply in the last 18 months of the policy.

Then the policy terms explain:

Terminal Illness Benefit will be payable where, other than within the eighteen months prior to the End Date, the Life Insured is diagnosed as suffering from an advanced or rapidly progressing and incurable condition (the "Terminal Illness") which is, in the opinion of the Company's medical adviser, such that the life expectancy of the Life Insured is no greater than twelve months from the date the condition is notified to The Company by the Planholder.

The policy terms are clear that terminal illness benefit doesn't apply in the last 18 months of the policy. It is not intended to extend the chosen policy term – rather to make an early payment in cases where the specific criteria are met. I haven't disregarded the very sad circumstances here, but I don't find that Aviva treated the trust unfairly by determining that the criteria hadn't been met and that terminal illness benefit wasn't therefore payable. I say this as the terminal illness claim was made six months before the end of the policy cover.

The next argument made is that the policy term is not fair, practical or fit for purpose. Of course it is most unfortunate that having had the policy for many years, Mr C outlived the term. But this is always possible with term assurance policies – there is no investment element and for benefit to be paid it is not unreasonable for Aviva to require the policy terms to be met.

Mrs C has raised the point that Aviva later offered a different product – without the 18 month requirement. But this product was priced differently and was not the policy that Mr C had.

Aviva isn't obliged to write to all policyholders each time a new product is introduced. Likewise it has said that it wouldn't introduce this change retrospectively – I find that is fair. Mr C's premium was fixed based on the policy he selected.

I am very sorry that my decision doesn't bring welcome news, but in all the circumstances I don't find that Aviva treated the C trust unfairly, unreasonably or contrary to the policy terms.

My final decision

For the reasons given above 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 C as trustee of the C trust to accept or reject my decision before 15 August 2025.

Lindsey Woloski
Ombudsman