

The complaint

Mr and Mrs J complain about a reviewable whole of life policy they hold with Aviva Life & Pensions UK Limited. They're unhappy that a calculation hasn't been provided to show why the premiums are increasing at a higher rate than the sum assured following indexation reviews. For ease of reading I will mainly refer to Mr J.

What happened

Mr and Mrs J have held the policy since 1994. Their daughter is the life assured and they are the beneficiaries of the policy. It initially provided a sum assured of £110,000 for monthly premiums of £20. The policy was subject to annual indexation and by 2022 the sum assured had increased to £411,855 and the premiums had increased to £279.43 per month.

The outcome of the 2022 indexation review was that the sum assured would increase to £448,922 and the premiums to £338.78. Mr J contacted Aviva to discuss why there was a difference in the size of the increase in the sum assured and premiums. They explained that the sum assured increased in line with the relevant index, but the premium increase didn't. The increase in premium was instead based on the amount needed to support the new sum assured.

There was some correspondence around this matter and Mr J asked Aviva to provide the calculations behind the increase. Aviva eventually treated the matter as a complaint and issued their findings to Mr J. He remained unhappy with Aviva and asked again to be provided with the calculations behind the premium increase. Aviva responded and said that they were unable to provide the calculations.

Mr J then asked for our help with the matter. The complaint was considered by one of our investigators who thought that Aviva weren't obliged to share the calculations with Mr J as it was commercially sensitive information. But she'd seen the calculations and was satisfied that there wasn't a direct correlation between the increases in sum assured and premiums.

However, she thought that Aviva had the opportunity to have provided Mr J with more information about the premium increase when he'd initially made contact with them. Because of this, she thought they should pay him £150 in compensation.

Mr J didn't accept the investigator's findings and asked for an Ombudsman to review the complaint. The complaint was firstly reviewed by another investigator who was also of the opinion that Aviva didn't need to share the calculations with Mr J. He agreed with the first investigator's view that Aviva had inconvenienced Mr J by not providing more information when he'd first contacted them and they should therefore pay £150 in compensation.

Mr J still didn't agree, he thought the investigators hadn't gotten to the heart of the complaint. He thought that there was a lack of disclosure on Aviva's part from the outset about the divergence between the level of cover and the premiums. He pointed to the difference in premiums between this policy and another he'd taken out for his son. He also noted how much time he'd spent dealing with the complaint and thought that he should be compensated for his time and also for the excess premiums he'd had to pay.

The investigator wasn't persuaded to change his 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 investigators have reached and I will now explain why.

I appreciate Mr J's concerns that there is a difference between the rate of increase of the sum assured and premiums. With this in mind, I've considered the documentation from the time of the sale and the policy's terms and conditions. The application form Mr J completed provided different options for indexing the policy. The option Mr J selected was that the policy would be indexed by the RPI each year. There was then an option to have the indexation applied to either the life cover or the contributions (premiums).

The available evidence shows that Mr J selected to have the life cover indexed and not the contributions. The policy schedule said, "*Sum Assured Increasing by the Index Percentage*". The terms of policy said that the policy's sum assured can be altered by the applicable Index Percentage "*provided that the Renewal Contribution also increases by an amount considered appropriate by the Actuary*".

Having considered the available evidence, I can't see that Mr J requested that the premiums would rise in line with a particular index when he took out the policy, or that the policy's terms suggested that this would be the case. So, I don't think that Aviva acted unfairly in increasing the policy's premiums by a higher percentage than the sum assured.

I accept that Mr J thinks the sum assured and premiums should both rise by the same percentage, but I don't think this is the case. The main reason for this is that the policy isn't a pure protection policy, it provides an investment element in addition to life cover. When the sum assured is increased, the corresponding increase in premium needs to cover two areas – the sum assured and the investment element.

The policy was set up on a better than standard cover basis. This means that the majority of the premiums are currently used to fund the investment element with only a small amount used to meet the life cover costs. To illustrate this, in the policy year ending September 2022, total premiums paid were £4,065.36 but the cost of providing life cover was only £129.91.

However, these costs will continue to increase over time and will eventually overtake the premiums being paid. When this happens then the policy's underlying fund will be used to offset the difference. Aviva's calculations take this into account and the increase in premium is what they think is required to make the fund last until the life assured reaches a certain age.

So while I appreciate that Mr J would like Aviva to provide him with their calculations, given that the information within their calculations is commercially sensitive, I don't think they have a requirement to do so. They have provided this service with their calculations, and I'm satisfied that the premium increases have been correctly calculated. I can't therefore say that they treated Mr J unfairly by not disclosing their calculations. It's also important to note that this service isn't the regulator and we do not have the powers to tell an insurance company what to charge their customers or how to rate their policies.

I note Mr J's concerns about the difference in premiums between his daughter's policy and his son's. There are a few different factors that will affect the difference in premiums between the policies. The information he's provided shows that his son's policy started off in 1992 with a sum assured of £100,000 and his daughter's started in 1994 with a sum assured of £110,000. The difference in sum assured will have played a part in the difference in premium charged. There would also have been different rates applied to each policy because of the differences in gender. As both policies were taken out before the EU Gender Directive came into force in 2012, Aviva wouldn't be seen as acting unfairly by using gender specific rates. Taking all of this into consideration, I don't think the fact there's a difference between the premiums paid on the policies means that Aviva have acted unfairly.

However, I do think that Aviva could have provided Mr J with more information about the basis for calculating premiums when he initially contacted them. The only explanation they provided was around the rating factors and not also around the impact of the policy's investment element. I think that had they done so, then he wouldn't have had the level of inconvenience he's suffered in pursuing the complaint.

I appreciate Mr J would like compensation based on the income he's lost because of the time he's spent dealing with this complaint. However, this service doesn't usually make an award for time lost based on someone's hourly rate. Having considered the level of inconvenience Mr J has suffered, I'm satisfied that the £150 the investigators recommended is fair and reasonable in the circumstances and is in line with the awards this service makes for similar levels of inconvenience.

So, in summary, I don't think that Aviva had an obligation to increase the policy's premiums at the same rate as the increase in sum assured. I also don't think that they need to provide Mr J with the calculation that they used to determine the level of premium required. But I do think that they inconvenienced Mr J and they need to pay him £150 in compensation.

Putting things right

Aviva should pay Mr and Mrs £150 in total compensation for the inconvenience they've suffered.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J and Mrs J to accept or reject my decision before 16 January 2026.

Marc Purnell
Ombudsman