

The complaint

Mr and Mrs G's complaint against Aviva Life & Pensions UK Limited ("Aviva") is about their whole of life insurance policy.

What happened

Mr and Mrs G took out a reviewable whole of life policy in 1990. Although this complaint has been brought jointly by both Mr and Mrs G, most of the submissions have been made by Mr G and for ease of reference I will generally refer to him as the complainant in this decision.

On 29 September 2022 Mr G called Aviva to say that he wanted to stop paying premiums and make the policy 'paid up'. The events that followed are well known to both parties, but in summary:

- Following Mr G's call, on the same day, Aviva sent him an email confirming that they had stopped his direct debit. They also said, "Before we make your policy paid up we wanted to let you know that your life cover of £60,205.00 will continue. We take the cost of providing your life cover from the policy value each year by cancelling units."
- In October 2022, Mr G received a letter from Aviva which indicated that the life cover benefit had stopped when the policy was paid up. The letter also said that Mr G had the option when making the policy paid up of choosing an alternative amount of life cover. It added, "if in the future you wish to recommence premiums, please let us know and we will confirm our requirements. It is not always possible to restart a policy, especially if premiums have remained unpaid for a year or more."
- In February 2023, Aviva sent Mr G a policy statement which said the policy provided life cover of £60,205.
- The next statement sent to Mr G, in February 2024, made no mention of life cover.
- Mr G called Aviva to query why there was no life cover showing on his statement. There was then some correspondence between Mr G and Aviva, but Mr G decided to raise a complaint as he wasn't satisfied with Aviva's response.
- Aviva issued a final response to Mr G's complaint on 21 May 2024. They said they had acted in line with the terms of the policy by reducing the sum assured to zero when the policy was paid up. They acknowledged however that they had provided Mr G with incorrect information in their email of 29 September 2022 and the policy statement in February 2023. They also accepted that in trying to explain things, they had referred Mr G to the wrong term in his policy's terms and conditions, although they had corrected that mistake in a later email. Aviva said they would look into adding life cover back to the policy as that was what Mr G wanted. They also paid Mr G £50 for the distress and inconvenience caused to him.

- Mr G replied to Aviva to say they had provided no indication of what would be involved in adding life cover back to his policy. After Mr G chased Aviva for a reply, they sent him a declaration of health form to complete.

Unhappy about what had happened to his policy, and with Aviva's response to his complaint, Mr G complained to our service in July 2024. He has said that he wants his life cover to be reinstated and for this to be paid for by cancelling units, as he was advised would be the case in September 2022. He doesn't think it's fair for Aviva to request a health declaration as he would not have had to complete one if his cover had continued.

One of our investigators looked into what had happened, issued her findings and responded to points that both parties had made. In her final view on the case, issued in June 2025, she said in summary:

- Aviva have accepted that they gave Mr G incorrect information. Although they have said some of the correspondence was issued in error, Mr G made decisions based on the information he received and on which he should have been able to rely. Some of that information was unclear and misleading.
- Had Mr G had all of the information at the time he would probably have taken a different course of action.
- The redress she was proposing offered a fair and pragmatic way to put Mr G in the position he would have been in had he been given sufficient information at the time. She said:
 - Aviva should reinstate life cover to the policy without the need for a health declaration. If Aviva had provided the correct information, there would have been no need for a health declaration to be completed.
 - Aviva should contribute the outstanding premiums up until the month after the reinstatement has been completed. Mr G would then be responsible for paying the premiums from that point.
 - As Mr G would not be required to repay the deficit in premiums, Aviva would have to make a contribution to clear the deficit. Most of that contribution would be added to the policy's investment fund, to help sustain the policy, as Mr G gets older. That would mean that immediately following the restructure, the investment value – and consequently the surrender value - would be higher. That could be unfair to Aviva as it would mean that Mr G could potentially take a surrender value made up of some contributions Aviva had made on his behalf. The fairest way to overcome that would be to allow Aviva to deduct the deficit from the sum assured in the event of a claim being made or from the surrender value if the policy was surrendered before a claim was made.
 - She didn't think Aviva's offer of £50 was a fair reflection of the distress and inconvenience Mr G had suffered. She said Aviva should increase this to £250 as Mr G received poor service, incorrect information and had to chase Aviva for responses when they weren't forthcoming.

Mr G has not responded to our investigator's final view. He has however made clear in his earlier submissions that he continues to disagree with Aviva's view that life cover cannot continue once his policy is paid up. He wants the life cover to be reinstated to his policy and for this to be paid for by cancelling units in his investment funds.

Aviva did not accept the redress proposed by our investigator. They said:

- As a minimum Mr G needs to cooperate and help find a solution by declaring what he would have done in 2022 if he had been given the correct information and told he couldn't stop his premiums and maintain life cover. He should say whether he would have cancelled his policy and taken the surrender value or continued paying the premiums.
- It was not possible simply to reinstate the life cover on Mr G's policy as the underwriters would not put the policy back on risk without a health declaration. They had no idea what the premiums would be without one.
- If Mr G opts to surrender the policy and Aviva deduct the value of the outstanding premiums, he would get less than the 2022 surrender value plus interest.
- If Mr G started paying premiums again, they would be 15% higher than before and could be even higher after next review.
- They agree to pay £250 for the distress and inconvenience Mr G has suffered.

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.

Terms of the policy

Aviva say that under the terms of Mr G's policy it's not possible for it to be made paid up but retain the life cover. They accept that Mr G should have been told that in September 2022. Mr G does not accept that Aviva's position is an accurate interpretation of the terms and conditions of his policy.

I've looked at the terms of Mr G's policy. There are references to the policy being "paid-up" but no specific definition of what that means. Aviva are relying on clause 4 which relates to unpaid premiums and says that if payment of the premium is not made....

“...if the surrender value is not less than the minimum sum applied by the Company the Policy shall automatically be converted into a paid-up policy whereupon the Sum Assured shall be reduced to nil and the Mortality Charge shall cease to be levied....”

I think the meaning of that term is sufficiently clear: if a policy holder doesn't pay the premium then the sum assured would be reduced to nil and the life cover would end. While there might be different reasons for a policy holder failing to pay the premium, I'm satisfied that it is fair for Aviva to say that it's not possible for Mr G's policy to be made paid up but retain the life cover. That's what Mr G should have been told when he called Aviva in September 2022.

The terms of Mr G's policy do also make provision for the reinstatement of cover with 13 months of the first unpaid premium. That is what Aviva referred to in their October 2022 letter, although I accept that Mr G thought he had already arranged for his cover to continue.

What would have happened

When a business has made a mistake, our aim is to put the consumer back, as close as possible, to the position they would be in if nothing had gone wrong.

Mr G would like the life cover to be reinstated to his policy and for it to be paid for by cancelling investment units. That was Mr G's intention in September 2022, Aviva agreed to it at the time and so that is what he seeks as a resolution to this complaint.

However, in line with my findings above, Aviva should have told Mr G in September 2022 that what he wanted was not possible. If Mr G had been given the correct information, he wouldn't have been able to continue his life cover without paying the premiums. I don't therefore think it would be fair and reasonable for me now to tell Aviva to do what Mr G is requesting when it's not an option that's available under his policy.

If Mr G had been given the correct information in September 2022, his options would have been to:

- make his policy paid up with no life cover;
- surrender the policy and take the surrender value; or
- continue to pay the policy premiums and maintain the life cover.

Mr G has been asked what he would have done if his options had been made clear to him at the time. He has said that he doesn't see the point of the question as he disagrees with Aviva's interpretation of the terms of his policy and thinks he should be able to do what he requested.

It is unfortunate that Mr G has not been prepared to say what he would have done. I appreciate however that he feels strongly about what has happened and that it's not easy some three years later and with the benefit of hindsight, to be sure what decision he would have made.

The first option above is in effect what happened, due to Mr G being given incorrect information, but it was not what he wanted, and it has led to him making this complaint.

Turning to the second option, Mr G has said that the cost of the premiums was the reason he chose to make the policy paid up in the first place. So, I think it's possible that if he had been given correct information in 2022, he would have decided to surrender the policy and take the surrender value, which I understand was approximately £12,000. I therefore think Mr G should now be given the option of surrendering his policy and obtaining the 2002 surrender value plus 8% interest.

However, I can't be sure that Mr G would have been prepared to lose the life cover at that point. If it had been possible to pay for it by cancelling investment units then the cover would likely have been sustained for a few years at least, so I think it's fair to say that Mr G wanted to retain it in the short-term.

I therefore think it is fair and reasonable that Mr G should also be given the option of reinstating the life cover and putting his policy in the position it would be now if he had decided to continue paying premiums. I agree with our investigator's proposal for achieving that, as set out below, including that Aviva should meet the cost of making up the deficit in premiums.

In making this finding, I have taken account of what Aviva have said. However, this situation has arisen because of Aviva's mistake and so I think it is fair and reasonable that they should bear the cost of restoring life cover to Mr G's policy if that is what he wishes to do. I have also considered Aviva's request for a health declaration, but Mr G wouldn't have had to complete one if Aviva had given him correct information at the time and he had opted to maintain his cover. I don't therefore think it would be fair and reasonable for them to require Mr G to complete a health declaration now.

Putting things right

If Mr G accepts this decision, he should let Aviva know within 30 days whether he wishes to:

- (1) surrender his policy and accept the surrender value as at 29 September 2022; or
- (2) maintain his policy with life cover reinstated and the cost of doing so met by Aviva.

If Mr G decides on (1) Aviva should pay him the surrender value as at 29 September 2022 plus 8% simple interest each year up to the date of settlement. That would mean in practice that Mr G surrenders the policy now and Aviva make up the difference if the current surrender value is less than the 29 September 2022 value plus 8% interest.

If Mr G decides on option (2) Aviva should:

- Reinstates the life cover to Mr G's policy without requiring a health declaration.
- Contribute the outstanding premiums up until the month after the reinstatement has been completed. Mr G would be responsible for paying the premiums from that point on, which are likely to be higher than they were in 2022 following policy reviews. If there are any contractual reviews that should have taken place since 2022 then Aviva should reconstruct these as if the premiums had been paid by Mr G and he had opted to continue with the policy at the agreed sum assured of £60,205. A copy of these review letters should be provided to Mr G for his records.
- Most of Aviva's contribution to the outstanding premiums will be added to the policy's investment fund to help sustain the policy as Mr G gets older. That would mean that following the restructure the investment value – and consequently the surrender value – would immediately be higher. Aviva should therefore deduct the value of their contribution from the sum assured in the event of a claim being made or from the surrender value if the policy is surrendered before a claim is made.

I agree with our investigator that Aviva should also pay Mr G a total of £250 for the distress and inconvenience he has suffered. I think this is a fair reflection of the impact on Mr G of being given incorrect information and the poor service he has at times received in trying to resolve things.

My final decision

For the reasons I've explained, my final decision is that I uphold Mr and Mrs G's complaint.

Aviva Life & Pensions UK Limited should put things right as I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Mrs G to accept or reject my decision before 15 October 2025.

Matthew Young
Ombudsman