DRN-5755860

Financial Ombudsman Service

The complaint

Mr and Mrs B have complained about the actions taken by Aviva Life & Pensions UK Limited with a term assurance policy when premiums became unpaid.

What happened

In 2010 Mr and Mrs B took out a joint life term assurance policy with a 15 year term, paying a sum assured of £1,000,000 upon first death. In 2013 Mr and Mrs B separated and moved to new addresses. Aviva was not told about Mrs B's new addresses. The address Aviva had under the policy for Mr B was for a property that he still owned, but he was no longer living there because he was renting it out. Aviva was not given the address for the home Mr B was now living in.

From the outset the policy premiums were paid by Mr B's company (which I will refer to as 'Company A'). In 2020 Mr B sold his ownership of Company A, but it was agreed that Company A would continue to pay the term assurance premiums.

In 2023 Company A reviewed its banking needs. This resulted in the bank account which was funding the policy premium being closed.

On 29 December 2023 Aviva wrote to Mr B at his rented property and Mrs B at one of her former addresses to say that the direct debit funding the policy had been cancelled. Aviva said that if Mr and Mrs B wanted to keep the cover, the outstanding monthly premium would need to be paid, and a new direct debit would need to be set up for future premiums. It stated that if nothing was done, the policy would cease from 29 January 2024.

The independent financial adviser ('IFA') who'd sold the policy had been taken over by a new IFA. Aviva also sent a letter to the new IFA on 29 December 2023 with similar information to that sent to Mr and Mrs B on the same day.

On 12 February 2024 Aviva sent further letters to Mr B, Mrs B and the IFA. It said that because it had had no response to its December 2023 letters, cover under the policy had stopped. But it said that if cover was still required, there was 30 days from the date of the letter to restart it on the original terms. If the policy was to be reinstated, Aviva asked for payment of the two outstanding premiums, plus new direct debit details. Aviva confirmed that it needed to be contacted before 13 March 2024 if the policy was to be restarted.

Mr B has explained that his tenants at the address where Aviva had written to him told him that he had post, but he did not collect it because there was a family emergency and he was then outside the UK for four weeks. He has said that he thought the post would be nothing important.

I understand that Mr B did not contact Aviva about the policy until May 2024. When he did so, Aviva said that it was now too late for it to reinstate the policy. Mr B raised a complaint about this.

Aviva's response on 30 May 2024 was that it had acted in line with the policy terms. It commented that it had not been given Mr B's updated address for this policy, and it said it had taken the required steps to let Mr and Mrs B know that the policy would be cancelled due to non-payment of premiums.

Mr B highlighted to Aviva that he also held a pension policy with it under which his up to date address was recorded, and he questioned why it had not cross referenced this with the record for the term assurance so that his address was updated. Aviva responded that it does merge profiles when it finds that it has more than one on its records for a customer, and this can help identify where it holds an outdated address. However in the case of Mr B, the IFA who arranged his pension policy gave Aviva an incorrect date of birth and national insurance number. This meant that Aviva's systems did not recognise that Mr B was the same policyholder for the pension and term assurance, and the current address held for the pension was therefore not transferred over to the term assurance.

Unhappy with Aviva's stance, Mr and Mrs B brought a complaint to this service. Mr B commented that Aviva's letters in December 2023 and February 2024 effectively allowed 60 days to act so that the policy remained in force, which was longer than the 30 days allowed in the policy terms. He described this as very reasonable, but also said that it indicated Aviva accepted that more than 30 days could be required to resolve problems that can occur in circumstances like those applicable in this case.

Mr B commented that because Aviva holds both his email address and mobile number, it would have been reasonable for it to have used these methods to have contacted him about the missed premiums. He said that Aviva had not exercised common business sense by using modern communications methods. Mr B said that Aviva stated that it had not tried to contact him via email because the policy did not have a 'paperless option'. In relation to not cross referencing his address record between his pension and term assurance policies, he suggested Aviva was insufficiently rigorous in its checking of its data.

Whilst accepting that he was not blameless, Mr B commented that Aviva might have taken more steps to contact him if the policy had only been running for a few years, but because 13 years of premiums had already been paid, it had less of an incentive to prevent the policy cancellation, taking into account that he and Mrs B were now older. Mr B accepted that he should have updated Aviva about his current address, and he said Company A and the IFA had also been at fault. However he complained that Aviva had not been sufficiently rigorous in trying to contact him, and he questioned why it had not sent letters via recorded delivery.

Our investigator did not uphold this complaint. Her view was that by sending letters to Mr B, Mrs B and the IFA about the premiums ceasing, and warning that the policy would be cancelled, Aviva had acted fairly. She also considered that the errors on its record for the pension policy, which were not the fault of Aviva, meant that Aviva could not cross reference and identify that the term assurance letters were being sent to Mr B's old address. The investigator did not think there was evidence to show that Aviva were inclined to cancel the term assurance because of an increased likelihood that the policy would be claimed on due to Mr and Mrs B's age.

Mr B did not agree with the investigator's findings. He accepted that both he and Mrs B had failed to update Aviva with their current addresses, and he said that the IFA had also shown a lack of vigilance. However he said that Aviva hadn't followed the policy terms because it hadn't cancelled the policy after premiums had been outstanding for 30 days, despite the terms allowing this. As a result Mr B suggested that by extending the period for premiums to be paid to avoid cancellation, Aviva indicated that it wanted the policy to continue. He also said by not following the exact policy terms Aviva had indicated it was not bound by these,

and this suggested that it could communicate with its customers in a greater variety of ways than only sending letters.

Mr B said that Aviva should have been proactive in using every possible means of contact, in particular by using phone or email. He said that by sending letters alone, Aviva had relied on an outdated means of communication. Mr B commented that it would have taken little extra time for Aviva to have tried to make contact using more modern means, and that the business had not done enough to prevent the cancellation.

It was confirmed that the case would be passed for review by an ombudsman.

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.

As Mr B has highlighted, the policy terms do not mention whether the term assurance has a paperless option. Key to Mr and Mrs B's complaint is the suggestion that Aviva did not make sufficient efforts to contact them when premiums stopped being collected due to Company A cancelling the direct debit by closing the related bank account. Mr B has said that there are multiple different communication mediums available to Aviva aside from sending letters through the post, and it should have used these to make contact with him and prevent the policy being cancelled.

The policy terms state that 30 days' grace is allowed for the payment of each premium. After that grace period, the terms say that the policy will be cancelled and benefits will cease.

The letters Aviva sent on 29 December 2023 to Mr B, Mrs B and the IFA explained that because the direct debit had been cancelled, one monthly premium was outstanding. It asked for this amount and for a new direct debit to be set up. Aviva confirmed that the policy would be stopped on 29 January 2024, one month after the due date of the missed premium. In my view, the contents of the December 2023 letter were in line with the policy terms.

The letters issued on 12 February 2024 said that because the missing premium hadn't been paid, the policy cover had stopped. That is consistent with the policy terms stating that benefits cease after the 30 days' grace period. However in this letter, Aviva allowed another 30 days for the policy to be restarted. This required the outstanding premiums to be paid, plus a new direct debit to be set up. Although the option to restart cover in this way is not mentioned in the policy terms, in my view it was reasonable for Aviva to offer this, and I note that Mr B has expressed a similar view.

The policy terms do not state how policyholders will be contacted if premiums become outstanding. In this case Aviva sent letters by post, but Mr B says that it should have also used other mediums such as email, phone or text. I have carefully considered his comments, but overall I'm not persuaded that Aviva acted unreasonably by sending letters only to alert Mr and Mrs B about the missed premiums and the potential that the policy would be cancelled.

I say this because Aviva sent letters to both Mr and Mrs B, and to the IFA it had registered as being responsible for the sale of the policy. Aviva has said that Company A was not contacted because it had removed itself as the premium payer. In the circumstances Aviva was therefore making attempts to contact all relevant parties to the policy about the missed premiums. It used the addresses that it had recorded on its records for Mr and Mrs B under this policy.

Aviva then sent a second set of letters which gave an additional opportunity for the policy cover to be reinstated, subject to payment of premiums. I acknowledge Mr B's comments that there are now a variety of mediums that can be used to contact people. However in my view, the actions taken by Aviva represented appropriate efforts to let Mr and Mrs B know that the policy was at risk of being cancelled. I also consider that the timescales Aviva set for Mr B, Mrs B or the IFA to respond were fair, taking into account that they allowed for a response more than two months after the first premium had failed to be paid. And bearing in mind that Aviva issued six letters in total about the potential cancellation of the policy, it does not seem to me that it was unreasonable not to send the letters by recorded delivery.

In terms of why Aviva did not cross reference with Mr B's pension policy in order to update his address record for the term assurance, Aviva has explained that the pension policy held incorrect date of birth and national insurance data. It says this meant it could not match the profiles of Mr B for the two policies. Bearing in mind that it was the IFA who arranged the pension policy who provided the incorrect information about Mr B, on balance I do not consider that Aviva was at fault for failing to identify the address discrepancies under Mr B's two policies.

I appreciate that Mr and Mrs B are likely to be disappointed with my findings, and remain unhappy that the term assurance was cancelled within the last two years of its term. However based on the evidence provided, my conclusion is that Aviva acted fairly in the way in which it dealt with the non-payment of premiums and ultimately the cancellation of the policy. Consequently I do not consider it should be required to carry out any further actions in relation to this complaint.

My final decision

My final decision is that I do not uphold this complaint and I make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mrs B to accept or reject my decision before 11 February 2026.

John Swain
Ombudsman