

The complaint

Ms B complains about how Aviva Life & Pensions UK Limited (Aviva) administered her reviewable whole of life policy (RWOL).

What happened

Ms B took out a RWOL policy following advice by a firm Aviva has since taken over when she was looking to take out a mortgage in 1996. The mortgage was taken out for £63,562 on a capital repayment basis with a 25 year term. Ms B's policy provided cover for the capital borrowed for an initial monthly premium of £25.28, which reduced to £10 around 2001 when benefits and a second life assured were removed from it.

Following a policy review in March 2021, Aviva explained that the premium could no longer sustain the sum assured and would need to increase it from £10 to £28.26. If she accepted that increase Aviva would guarantee to maintain the level of cover until the next review in March 2026. If she chose not to, then it explained the policy would likely lapse within the next five years. Ms B says she didn't receive that letter and as Aviva hadn't received a response it kept the premium the same, which led to the policy lapsing in 2024.

Ms B, unhappy that Aviva lapsed her policy, complained to the firm to explain she wasn't aware this could happen or that her policy was subject to reviews.

Aviva considered her complaint and initially didn't think it should be upheld. It explained that she would've been told when she took out the policy that it was reviewable and the policy terms allowed it to make changes to the premium. Because she hadn't accepted that increase, which it said the letter about this been sent to her correct address, the policy lapsed.

Dissatisfied with Aviva's response, Ms B asked our service to look into what happened further. During our Investigation, Aviva explained it ought to have told Ms B in 2021 when her expected mortgage term passed that the original intended term of her policy had also passed. It explained this was because while her policy had been set up on a whole of life basis, it was designed to match the mortgage term. As it hadn't given Ms B such notification it offered to pay the surrender value of the policy when the 25 year term lapsed and refund the premiums she's paid since along with interest. Ms B rejected this offer on the basis she didn't think it fairly addressed all her concerns.

Our Investigator considered the matter concluding that Aviva's reviews didn't provide Ms B with clear, fair and not misleading information about her policy. As the "tipping point", when the cost of life cover exceeds the premiums being paid, was reached in 2012, Ms B ought to have been given clear information about the future prospects of her policy soon after then.

When considering whether Ms B would've done anything differently with clearer information, our Investigator didn't think at that time she would've. This was because the mortgage was still in place but when that was paid off in 2016, given the policy had a reasonable surrender value our Investigator thought it likely she would've surrendered the policy when she paid off her mortgage. She recommended that Aviva pay Ms B the surrender value and refund the premiums paid since with interest.

Aviva didn't respond to our Investigator's conclusions and Ms B responded to acknowledge the outcome reached but didn't say whether she accepted or rejected them.

As the matter remained outstanding, Ms B's complaint was 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've reached the same outcome our Investigator has, and don't have much to add to what she's already said. I'll explain why.

The type of policy Ms B had was a RWOL policy. These typically work by using the premium to pay for life cover with the excess, if any, being paid into an investment fund. Over time as the cost of the life cover increases, which it does with age, less of the premium is invested and more spent to maintain the life cover. The aim of this arrangement is that over time the investment element grows sufficiently to offset the higher costs of life cover in the future. The policy is then reviewed at regular intervals to evaluate whether the value of the investment fund, future premiums to be paid and the anticipated future cost of life cover would allow the policy to continue on the current terms. If that assessment is that it can't, then the review would "fail", with options being set out to sustain the policy for longer. Those typically being an increase in the premium paid, the sum assured being reduced, surrendering the policy, or taking no action and letting the policy lapse once it can no longer sustain itself.

Aviva has provided a policy document from 1995, soon before she took out her policy. Given that and as it has the same selling agent listed and branding as Ms B's policy, I'm satisfied it likely reflects the terms which applied to her policy at the time she took it out.

Clause 6.3 of this document explains that at the first review, which the policy schedule shows to be 2 May 2001, the policy would be reviewed to determine whether it could sustain itself on its current terms until the next review. It then says following those reviews if the firm doesn't think the policy will sustain itself then it may recommend the premium increases or may suggest other options.

I'm satisfied then that Ms B's policy terms sufficiently explained her policy was reviewable, which meant her premium or sum assured could change. It follows then I think Aviva wouldn't be acting unfairly by carrying out those reviews as it's terms likely allowed it to.

But to apply the terms around reviewing the policy fairly, Aviva would've needed to present information about her policy and the suggested changes to her in a clear, fair and not misleading way. I say this because in meeting the regulator's requirements around this firms

needed to ensure that they provide policyholders with sufficient information for them to be able to make an informed decision about what changes to make on their policy, and how this might affect it in the future, before it's too late for them to do anything about it.

In Ms B's circumstances her policy was reviewed in 2021, but no other evidence has been provided of any earlier reviews taking place.

Aviva has provided the cost of providing life cover for Ms B's policy since it was taken out. This shows the tipping point, when the cost of cover became more expensive than the premium she was paying, was in 2012. At this time the annual cost of life cover was £1,483.20 against the premiums paid that year of £1,440.00. This was an important moment in the policy as this is when the difference between the premium and the cost of cover would be paid from the investment element of the policy. This would be important information to Ms B when making an informed decision about what to do with her policy.

In my view then Aviva ought to have set out clearly to Ms B that her policy would likely need significant changes in the future to sustain it long term. The only review I've seen evidence of was the one from 2021. I've read the letter Aviva sent Ms B about this and in my view it didn't provide the information I would expect to see for Aviva to fairly meet its obligations. I say this because it doesn't explain to her the cost of her cover, the surrender value or provide any projections about how long her policy would last if she increased the premium or made any other adjustments to it, such as reducing the sum assured. It only sets out the premium increase being suggested and notice that it expected that change to sustain the policy until at least the next review if accepted. It follows then I don't think Aviva provided Ms B with a sufficient warning at that review, or with the information she'd need to make an informed decision. In my view then given the 2021 review didn't meet the required standards, I think it's likely had any reviews taken place earlier those also would've failed to provide the information I'd expect Aviva to provide Ms B.

As the tipping point was reached in 2012, I think within about a year Aviva ought to have provided Ms B with clear warning about the future prospects of her policy. The policy document isn't specific about when reviews take place so, in my view, I think Aviva should've started providing that information at the latest by the end of 2013. I've considered then what Ms B would've likely done had Aviva provided her with clear, fair and not misleading information about her policy.

Ms B has explained that she recalls taking this policy out to cover her mortgage and to provide family protection if there was anything leftover. She also explained that she paid off that mortgage early in 2016. In my view then had Aviva given her clear information and warning in 2014 given her original need for it, the mortgage, was still in place, I think it's unlikely she would've done anything differently with her policy at that time.

However, once her mortgage was paid off in 2016, I take the view it's likely that she would've considered she no longer had a need for this policy. I say this because had Aviva provided clear information, given the rate at which the cost of cover was increasing, I think it's likely Ms B would've seen her policy would require significant change in the future, change that would quickly exceed the 10% to 15% premium increase she says she would've been willing or able to pay. With clear future projections in hand then I think it's likely she wouldn't have seen value in retaining the policy to provide her secondary objective of providing financial protection for her daughter. Given that and as there was a surrender value of around £800 at the time, overall and on balance, I think it's more likely she would've looked to seek alternative cover, if possible, or to do something else with that money and the future premiums to provide financially for her daughter. I also note that Aviva has said the policy was only designed to last until the mortgage ended which would likely reduce the period of

usefulness this policy could provide her for family financial protection given its inherent limitation where it was intended to protect her mortgage.

It follows then I think it's most likely had Ms B been provided with clear information about her policy she would've surrendered it when she paid off her mortgage and used the surrender value and future premiums to seek an alternative vehicle to meet her financial protection needs for her daughter.

Putting things right

In putting things right my aim is to put Ms B in the position she would be in had she surrendered the policy when she paid off her mortgage. It's uncertain whether alternative life cover would've been available, given the cost of that increases with age, so as I've said above I think she would've taken the cash value of her policy and looked at alternative options.

My direction to resolve this matter then is that Aviva Life & Pensions UK Limited do as follows:

- Pay Ms B the surrender value of the policy as at date she paid off her mortgage.
- Refund the premiums paid from that date until the policy lapsed.
- Pay 8% simple interest on those amounts.
 - For the surrender value – from the date Ms B paid off her mortgage until settlement.
 - For the premiums – from the date each premium was paid until settlement.

My final decision

I uphold this complaint and direct Aviva Life & Pensions UK Limited to settle this complaint as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 12 January 2026.

Ken Roberts

Ombudsman