

The complaint

Mr and Mrs B complain that Aviva Life & Pensions UK Limited ('Aviva') mis-sold them a reviewable whole of life policy.

What happened

I've outlined what I think are the key events involved in the complaint below.

In or around April 1997, Mr and Mrs B received advice from an adviser of The Norwich Union Life Insurance Society (Aviva is now responsible for this complaint though, so I will refer to it throughout) to take out a reviewable whole of life policy on a maximum cover basis, with waiver of premium benefit and an inflationary increase option.

The policy commenced in or around May 1997. The schedule said the sum assured was just under £60,000 and that the initial annual premium was £20. And it was subject to a review at the 10-year anniversary and then regular reviews every five years thereafter.

I understand that by 2005 the sum assured and premium increased with inflation. And, in 2007, Aviva sent a review letter which 'passed', so no changes were required. At the same time though, an option to increase the benefits in line with inflation to a sum assured of just under £76,100 for a premium to just over £30 was accepted.

It's unclear to me what happened at the 2012 review. Although I understand that at some point between 2007 and 2017, the sum assured and premium were increased – likely in line with inflation – to just under £107,600 and just over £42 respectively.

The 2017 review 'passed', so no changes were required. But the 2022 review 'failed' and, after being given two options, the sum assured reduced to £114,346 for the current premium at the time of around £53.

In April 2022, Mr and Mrs B complained to Aviva. They said, in summary, they were unhappy with the outcome of the review and they complained about the sale. In respect of the sale, they said they took out the policy for family protection and they were told about the inflationary increases but they weren't convinced they were told about the drops in sum assured and that the price could increase this much at they got older. And that if they had been it probably would have impacted their decision to take the policy out.

In May 2022, Aviva sent its final response letter not upholding the complaint.

The same month, unhappy with this, Mr and Mrs B referred the complaint to our Service. They clarified the complaint concerns the 2022 review and that it wasn't made clear when they took the policy out that there would be such a significant change to the premium or benefit amount as they got older. They said they feel they were mis-led and if they'd known otherwise they'd have potentially looked at other products. For clarity, this decision only addresses the mis-sale element of the complaint – I've addressed the review complaint in a separate decision.

Amongst other things, Aviva added that it consents to our Service considering all aspects of the complaint, even if made late. It said the policy was taken out on a maximum cover basis, meaning a high amount of cover for a low premium. It said that for policies taken out on such a basis there is never any prospect that the chosen amount of cover could be indefinitely maintained without increases becoming necessary at reviews. And that the point of sale it was clear that the cover level was guaranteed for 10 years, after which the premiums would need to increase if the cover was to remain the same.

One of our Investigators reviewed Mr and Mrs B's complaint and, after initially upholding it, they said they weren't asking Aviva to do anything. In respect of the sale of the policy the Investigator said, in summary, that the plan was taken out to provide cover for the surviving party and then their children. There was a clear need for the policy and it was considered affordable. The reviewable nature of the policy, and that it was taken out on a maximum cover basis, was also made clear in the documentation.

Mr and Mrs B didn't agree and asked for an Ombudsman to consider the complaint. They added that at the time of sale they had decreasing term assurance to cover their mortgage, which expired when they paid this off. They said the Aviva policy was taken out to provide family protection while their children were dependent, and in the long term to provide comfort to the surviving spouse and even to pass on some to their children as part of their inheritance. They said that it seems this type of policy was always going to result in a big rise in premium or reduction in sum assured. And it isn't unreasonable to think that if this was made clear at the time the policy was taken out that they may have considered a different one at the time.

Because no agreement could be reached the case has been passed to me for a decision.

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, while I understand Mr and Mrs B will be disappointed, I'm not asking Aviva to do anything for the following reasons, which are largely the same as those given by our Investigator.

In deciding this complaint I've taken into account the law, any relevant regulatory rules including the principles and good industry practice at the time.

While I've carefully considered the entirety of the submissions the parties have provided, my decision focuses on what I consider to be the central issues. The purpose of my decision isn't to comment on every point or question made, rather it's to set out my decision and reasons for reaching it.

At the time of the recommendation Mr and Mrs B were married with dependent children. They had existing life cover in place for their outstanding mortgage. However, they were seeking additional cover for life in the event one of them passed away and to provide an inheritance for their children. With this in mind, I think the recommendation to take out life insurance was reasonable. And the advisor recommended the policy as it provided the level of cover required, for a monthly premium which was within their budget, which I'll come back to below.

While I can see the adviser considered and discounted other policy types available with Norwich Union, I can't see that this included a non-reviewable whole of life policy, possibly because Norwich Union didn't offer it. But I think there was likely some discussion around

what products it could and couldn't offer Mr and Mrs B, given the client questionnaire declaration reflects that the adviser explained that its recommendations were limited to their authorisation as a Norwich Union representative.

And, in any case, a non-reviewable policy would have been more expensive than a reviewable one. I can see Mr and Mrs B had budgeted a maximum of £50 but this was for all their needs, which included income protection and pension contribution needs. And, either way, it was noted that they were only prepared to spend £20 of that on the life cover policy at the time. And while Mr and Mrs B have suggested they might have opted for a lower sum assured, the adviser identified their need as being just under £60,000. So I don't think that Mr and Mrs B would likely have gone for a more expensive policy or one with lower sum assured elsewhere at the time, even if it was non-reviewable.

I think the key issue here is whether Mr and Mrs B were made aware of the potential for changes with their policy in the future. Mr and Mrs B have said, for example, that it seems this policy was always going to result in increased premiums and a drop in sum assured when they got older. And that if this had been made clear when they took out the policy then they might have considered a different one.

As previously noted though, the policy was reviewable which meant that premiums or the sum assured could be subject to change after each review – there would be the option to either continue with that level of cover or reduce the sum assured if this couldn't be maintained. And this information was set out in Mr and Mrs B's key features document – which said that the level of cover was guaranteed for ten years at which point the plan would be reviewed – and in the adviser's recommendation report. Both of which I can see Mr and Mrs B were provided with at the time.

I appreciate that the scale of changes that might be required might not have been explained to them. But I don't think this would have been evident at the time of the sale. And the recommendation report does reflect, amongst other things, that Mr and Mrs B were told that after ten years the policy will be reviewed when it is likely the cost will need to rise to maintain the level of cover.

The extent of the later increases that we now know, with the benefit of hindsight, became needed, do not mean the policy wasn't suitable for Mr and Mrs B or that something went wrong at the time of sale. As I've said, Mr and Mrs B had a need for the policy for family protection, it was affordable and they were told that it was likely the cost of cover would need to rise in future to maintain it. At the time Mr and Mrs B were in their mid-30's with, as I've said, a need for the cover. I think that any possible increase would, at the time, have felt very far away. And this policy allowed Mr and Mrs B to make changes over the years, for example in line with inflation, which is something they did at times.

So, for the above reasons, I'm not upholding Mr and Mrs B's complaint.

My final decision

For the reasons given, I don't uphold Mr and Mrs B's complaint about Aviva Life & Pensions UK Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr B to accept or reject my decision before 17 September 2025.

Holly Jackson
Ombudsman

