DRN-5820226

The complaint

Mrs F as the Trustee of the F Trust (the trust) complains about how Aviva Life & Pensions UK Limited (Aviva) administered her reviewable whole of life assurance (RWOL) policy when it told her the premium needed to significantly increase to maintain the cover.

This complaint has been brought by a professional representative on behalf of the trust.

What happened

Mrs F, along with her late husband Mr F, took out a RWOL policy in 1997 which they placed in trust, which they were the trustees of. Mrs F is now the sole trustee of that trust.

They took out this policy following advice and it was arranged on a joint, second death basis. The initial sum assured was for £100,000 and the premium of £2,402.47 was paid annually. The purpose of the policy was to cover any future potential inheritance tax liability.

After the policy had been in place for ten years, Aviva first reviewed it and wrote to Mrs F to explain no further changes were required, but if she wanted to she could increase the premium to increase the likelihood of it lasting longer into the future. Evidence has been provided of reviews also taking place in 2014, 2017 and 2020 all following a similar view, that the review had passed and no changes were required but premiums could be increased if she wanted to.

This changed however following the 2020 review when Aviva told Mrs F that to maintain her level of cover, a significant increase to her premium or reduction in the sum assured would be required. With a similarly large increase, but smaller than 2020, still being required following the 2021 review.

Mrs F thought the premium increase quoted to her was unaffordable and through the trust's representative, complained to the firm. In response to that, Aviva said it had already considered this matter in an earlier complaint by the trust about the sale of the policy, and it wouldn't look into it again.

Dissatisfied with the response received, Mrs F referred the complaint to our service for review. Following a decision from one of our Ombudsman which confirmed this aspect of the complaint hadn't been considered before, the merits of her complaint was reviewed by one of our Investigators. In doing so he didn't think to uphold the complaint, explaining this was because:

- Aviva took a long term outlook on the policy and provided sufficiently clear information about what was likely needed to change in the future to maintain the policy.
- The policy had met what it set out to do, provide life cover and an investment element to subsidise the future cost of life cover against.
- The cover had become more expensive as the life assured, Mrs F, became older, which is typical in these arrangements.

Mrs F disagreed with the conclusion reached and because there was no agreement, her 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 carried out my own independent review of Mrs F's complaint, I won't be upholding it for largely the same reasons our Investigator didn't. I do sympathise with Mrs F's position where she has been funding this policy for many years for it to now have changed so suddenly. But for me to direct Aviva to compensate the trust I would need to see evidence that Aviva caused the trust detriment by the firm falling below its obligations in this matter.

RWOL policies like the one Mrs F placed in trust generally provide the initial cover for a set period. They'll often also, as this one did, have an investment element. In the early years of the policy, when the policyholders are younger and the life costs cheaper, any leftover premium after the life cost has been paid is invested. That investment element is intended to in effect subsidise the cost of life cover increases beyond what the premium can sustain on its own in the later years. Unfortunatley what can happen is when that investment pot underperforms or becomes exhausted, a premium increase is needed to be able to pay the life cover costs where the investment element can't, or isn't forecasted to, be able to cover that cost. Alternatively, the sum assured can be reduced to a level that can be sustained by the existing premium.

A copy of the original terms and conditions of this policy hasn't been provided, which given the passage of time isn't unreasonable. But given the information which is available I'm satisfied it's likely the trust's policy worked in the manner I've described above.

I have seen a copy of the policy illustration which appears to have been included along with other documents sent to Mrs F at the time the policy was taken out. About the policy this says:

> "**What Life Cover Can Be Provided?**
>
> The level of cover illustrated is guaranteed to apply during the first 10 years of your Plan. After this time, your Plan will be reviewed to ensure that the premiums being paid are sufficient to maintain your level of cover."

From reading this I'm satisfied that Aviva had been sufficiently clear to Mrs F that the trust's policy was reviewable and what that meant. That being the sum assured and premium were only guaranteed at those initial levels for the first ten years. After which either of those could increase or decrease if the policy wouldn't be able to sustain itself on the current terms.

It follows then after the trust's policy had been in place for ten years, Aviva would be able to make changes to the sum assured or premium.

But to apply that fairly, Aviva would've needed to present information about the policy to Mrs F in her role as trustee 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 the trust's situation here, I'm satisfied the information Aviva provided to Mrs F met those obligations. Having looked carefully at the review letters provided from the years I've mentioned above they, in my view, clearly set out the future risks to the policy taking a lifelong view, rather than checking its viability over the short term. I say this because the reviews I've seen before 2017 provide information about the value of the investment element, information on how long on current assumptions the policy is expected to last, and importantly what changes would be needed to last throughout life. The reviews from 2017 onwards provide the same information but now including a separate illustration of the premium required to last the next ten years.
.
In my view then those letters made it clear that changes would be needed to the policy for it to last into the future. And importantly, did so soon into the life of the policy with the first review in 2007 saying a further increase in premium of £1,335.89 would likely be needed for the policy to continue to life at the initial sum assured. Each review that followed cited an increased premium amount being required to do so, with 2014 suggesting a further premium of £8,341.50, then a lower quote of an additional £5,529.57 in 2017, before much larger increases being proposed, £17,167.79 in 2020 and £21,941.37 in 2021 in additional premiums.

I'm satisfied from looking at these documents that Aviva had set out in a clear, fair and not misleading manner from the outset that premium increases would be needed in the future, and the extent of them. And that it provided enough information for Mrs F to allow her to make an informed decision about whether to make any changes to the trust's policy at the earliest opportunity.

As the premium remained unchanged, the policy's investment value continued to fall year by year, doing so more suddenly in 2021. This was in part due to the higher costs of life cover as Mrs F got older eroding the investment value, but also potentially the underlying investment performance being a factor given difficult market performance around then due to the pandemic and other factors. The content of the review letters did show this to Mrs F and the impact this was having by requiring an increase in premium to maintain the policy.

It follows then I'm satisfied Aviva was entitled to make changes to the policy and provided clear, fair and not misleading information about the likelihood and potential significance of those changes at the earliest opportunities. For those reasons I'm not persuaded it treated the trust unfairly in how it administered this policy.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F as trustee of the F Trust to accept or reject my decision before 14 November 2025.
Ken Roberts
Ombudsman