

The complaint

Mr D complains on behalf of the D Trust about the way Aviva Life & Pensions UK Limited has administered a whole of life policy. He says a significant premium increase was communicated at the last review, which is unfair, and a credible explanation hasn't been provided for the increase.

What happened

Mr D took out a reviewable whole of life policy in December 1999. The original monthly premiums were £173.47 per month, and the sum assured was £200,000 – which was index-linked meaning the premium and cover would increase by 5% per year. The policy was placed in a trust. Mr D is a trustee (along with Mrs D), and I will refer to him throughout as he is bringing the complaint on behalf of the trust.

Over the following years, the premiums and sum assured were increased in line with the indexation included with the policy. In 2009, the first policy review was carried out. The review letter sent confirmed the current level of cover (£325,779) can be maintained by the current monthly premium of £364.81, and the cover was guaranteed until the next review. While a change wasn't required at this time, it explained an increase to £1,180.73 per month would be needed to maintain the current level of cover on a basis that makes future premium increases less likely. Mr D was given three options:

- Increase his premium to £1,180.73 to reduce the risk of future changes.
- Reduce the sum assured to £110,910 as based on current assumptions it will be possible for the current premium to maintain this reduced level of cover until the life assured has died.
- Maintain the current premium and cover with this guaranteed to be provided for a further five years, but with a warning an increase in premium will be required following a plan review at some point in the future.

No changes were made (other than indexation increases) at this time.

The next review took place in 2014. In this letter Mr D was told the current monthly premium of £595.39 is insufficient to sustain the current level of cover until the next review. He was given four options this time:

- Increase the premium by as little as possible (£717.58) to maintain the current cover until the next review.
- Reduce the cover by as little as possible (£363,445), keeping the premiums the same until the next review.
- Increase the premium so that the current cover is likely to be sustainable throughout life (an increase to £2,053.05 per month).
- Reduce the cover to an amount that is likely to be sustainable throughout life (£132,687).

A warning was given that selecting either of the first two options would make it certain that further changes would be needed in the future.

In December 2015, an alteration was made to the policy. The cover was reduced to £200,000 for a monthly premium of £328.96.

The 2019 review failed. And Mr D was given the same four options as he was at the 2014 review. After this review the default option to reduce the cover to the minimum amount was applied – so the cover reduced to £220,741.

In January 2020, a further alteration was made to the policy. The cover was reduced to £202,984 for a monthly premium of £448.92.

The 2024 review also failed. Again, Mr D was given the same four options as he was at the previous two failed reviews. This indicated the premiums would need to increase to £775.84 to keep the existing cover until the next review, or to over £1,500 for cover for life. After this review the default option to reduce the cover to the minimum amount was applied (reducing it to £154,117).

Following this, Mr D contacted Aviva to request information to help him understand why the premiums were required to increase so much. Aviva was unable to provide a response that satisfied Mr D, so his concerns were treated as a complaint.

Aviva didn't uphold the complaint. In summary it said:

- Premium increases on a whole of life insurance policy are typically required to ensure that the policy continues to meet its intended purpose of providing the sum assured. Several factors can impact the cost of maintaining your coverage, such as increased cost of providing coverage and economic conditions. By increasing the premium, the policy remains adequately funded and continues to provide the promised level of coverage.
- Reviews are carried out every five years on the anniversary date. At each review, an option is chosen for a level of premium and sum assured that we would be guaranteed until the next review.
- This policy is on a maximum cover basis — this is the highest level of cover the policy could guarantee for a given premium until the next policy review. At this level, the policy has little savings content. Premiums are largely used just to pay for the cost of cover. This does mean it is likely that the premium will need to be increased at each policy review to maintain the cover.
- As you get older, the cost of the cover tends to become more expensive and, as a result, the charges generally increase with age. Therefore, it is likely that charges will reduce the unit holding, as the plan becomes older. These charges are also based on the sum at risk, which is calculated as the difference between the sum assured and the fund value on the day of the charges.

Mr D didn't accept this explanation and referred his complaint to this service for an independent review.

One of our investigators looked into the complaint. He didn't think it should be upheld as he felt the policy had been administered as expected. In summary he said:

- The policy is designed to be reviewed regularly as the cost of life cover becomes more expensive the older you get. As this policy was taken out on a maximum basis very little of the premiums are invested and the premiums primarily go towards paying for the life cover. Because of this, maximum cover can provide a higher sum assured in the shorter term but is less likely to be able to support the sum assured in

the long term. Age is a relevant factor in determining how much life cover costs, because the risks of a claim increase as a person gets older.

- He understands Mr D wants a specific explanation on how Aviva carried out the premium calculations. But it must ensure it provides the information to consumers in a way which enables them to make informed decisions in plenty of time to ensure fair outcomes are reached. The information given to Mr D at the policy reviews from 2009 onwards was clear as Aviva let him know what was likely to happen to his premiums for the lifetime of the policy and gave him options, so he could make an informed decision as to what to do with the policy.
- Aviva made it clear increases could happen and what these could look like given the amounts required to maintain cover throughout the life of the policy. So, he was not persuaded Mr D would've done anything differently over the years.

Mr D responded and provided further submissions. In summary he said:

- He does not challenge Aviva's right to increase the premiums. But the thrust of his complaint is that it has not given details of how the recent huge uplift has been reached.
- He seeks information about the figures supplied to establish whether Aviva is treating him fairly. By failing to answer his requests for further information Aviva has neither acted fairly nor reasonably. He thinks he should be able to challenge the figures Aviva have set out.
- The FCA published a letter of 20 September 2023 titled "Insurance Market Priorities 2023-2025" sent to CEO's refers to "Putting consumers' needs first". The letter spells out the determination of the FCA to protect consumers.

Mr D also informed this service he has now cancelled the policy and received a surrender value of around £10,000.

As no resolution could be found, the complaint has been passed to me to reach 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.

Firstly, I acknowledge the upset and disappointment Mr D has expressed about what has happened, and I understand he feels he was forced to surrender the policy. I've considered everything he's said, alongside all the information provided by Aviva to decide what I find to be a fair and reasonable outcome.

At the crux of this complaint is the reviews that have been carried out on the policy during the time it was in force. The features of the policy taken out meant it was always subject to reviews – and this was set out in the policy documentation – with the first review after ten years and then at regular intervals afterwards.

In making this decision, I've taken into account the following standards:

- The FCA's Principles for Businesses, in particular Principle 6 and Principle 7;
- The FCA's Conduct of Business Sourcebook (COBS), in particular COBS 2.1.1R(1) and COBS 4.2.1R(1)
- The FCA's Final guidance on the "Fair treatment of long-standing customers in the life insurance sector" (FG16/8).

With these standards in mind, I think that Aviva ought to have provided Mr D with clear, fair and not misleading information about the policy. What I've drawn from the guidance is that the communications to Mr D should have included key details about the policy such as its performance, the value of its underlying fund and any fees and charges that had been applied. And they should have provided this information within a reasonable time frame, at the very latest, within 12 months of the point where the costs of the policy overtook the premiums being paid.

As set out above the policy was first reviewed in 2009. While Aviva said the review indicated no changes were needed at this point, it did give some information about the future of the policy. It confirmed *"The cover is guaranteed to be provided by your policy until the next review, provided that you continue to pay the premiums, as they become due. On our current assumptions it is projected, but not guaranteed, that a premium increase is likely to be required in the future."*

At the next review in 2014, Aviva communicated changes would be needed and Mr D was given four options. Two of the options involved increasing the premium, one by a larger amount and one by a smaller amount, and the other two involved reducing the sum assured again by a larger and a smaller amount. There was a warning given that if the smaller premium increase or smaller reduction in the sum assured were selected it would make it certain that further changes would be needed in the future. At the next review in 2019, similar information and options were given to Mr D. As a result of these failed reviews, the cover was reduced on a number of occasions.

During 2024 Aviva sent Mr D various illustrations and information about the policy as it appears he was considering his options for the policy going forward at this point. The 2024 review was sent towards the end of the year. The information given at this time again indicated the policy required changes. This time the options were given to Mr D required a fairly large premium increase to maintain the cover to the next review, and an even larger increase (to £1,538.87) to provide the cover for life. Similarly, the alternative options to reduce the cover and keep the premiums the same, involved a fairly large drop to the next review and a reduction of more than half the cover in order to try and maintain it for life. The size of the changes needed led Mr D to raise this complaint.

Within the reviews communicated before 2024, Countrywide did provide some indication of the extent of premium increases needed in the future. The communications also gave information about what the sum assured might reduce to if only the minimum changes were made. From the first review in 2009, Mr D was given information to show him the amount of premium increase that would be needed to maintain the cover for life, and this was also given at the next reviews too. I have some concerns about whether Mr D was given all of the information needed during these reviews, in line with the standards set out above. For example, whilst the reviews weren't misleading in telling Mr D about the changes that were required, they didn't set out the key information about the costs of the policy or how those costs were increasing. From the information provided to this service by Aviva, as part of our investigation, it seems in around 2016 the costs of providing the life cover for the policy were starting to exceed the premiums being paid. While this information wasn't provided, I accept Mr D was given other information that did give him awareness of the magnitude of changes that were likely in the future.

But, in any case, I'm not persuaded that clearer information would've made a difference to Mr D. When Mr D was provided with information about the type of changes required to maintain the life cover at existing rates after the failed reviews, he didn't seek to increase his premiums. Instead, the changes that were made were to reduce the sum assured on a number of occasions. So, it seems that Mr D valued the cover and wanted it to continue. I'm not persuaded he would have sought to surrender the policy at an earlier point if he had

better information. It seems it was only when more significant changes were required that he decided not to continue with the cover.

Mr D has raised specific concerns about the size of the premium increases that were calculated by Aviva at the 2024 review. He has questioned Aviva's ability to require changes of this magnitude and seemingly by any amount. He highlights the increase in premium to keep the existing cover is 62.5%, and he doesn't think this increase can be justified.

Looking at the 2024 review outcome, I can see the existing level of cover at the time was £220,741 for a premium of £487.90. As a result of the review Mr D was given four options:

- Pay the minimum to keep the cover the same until the next review – by increasing his premium to £775.84 per month.
- Pay more now so there's less chance of changes at the next review – by increasing his premium to £1,538.87 per month.
- Keep his premium the same and reduce the sum assured to the minimum amount until the next review to £154,117.
- Keep his premium the same and reduce the sum assured more now so there's less chance of changes at the next review to £79,497.

So, I can see whatever option Mr D took, it would require a fairly big change, but the options to pay more or reduce the cover further to limit the chance of further changes and have cover for life were more significant.

The changes that have been communicated are calculated by Aviva's actuaries. I can see that the original policy documentation covers the review process. This confirms that the actuary will review the policy to establish whether the accumulated value of the policy (as at the review date) is sufficient to support the cost of providing the cover (the mortality charges). Where this calculation establishes it is insufficient, this is where the actuary calculates the changes required.

Aviva has explained each month it takes a value from the policy to pay for the cover provided. This is a variable charge and depends on several factors including the life cover benefit provided and the age of the life assured. As you get older, the cost of the cover tends to become more expensive and, as a result, the charges generally increase with age. Specifically in relation to the 2024 review, it says the reason why the premium increase is such is because of the charges associated with the policy. The current monthly charges are higher than the investment premium and as a result the number of units (the value held in the policy) is decreasing rapidly. In the period approaching the 2024 review, these monthly charges exceeded the money paid in, so the value held in the policy was reducing - as an example in October 2024, the premium paid was £484.59, but the cost of providing the life cover was £575.23 per month. This meant money was being taken from the fund value to make up this shortfall, and without changes the policy value would reduce to zero and the policy would lapse without value.

While I acknowledge Mr D's unhappiness with the size of the changes being requested, I don't find this means Aviva has made an error. The nature of reviewable whole of life policies does mean changes are usually required, as previously explained this is especially prevalent as the life assured gets older. But this depends on a number of factors. As referred to above, the cost of providing the cover is a key factor, and I've seen evidence for Mr D's policy that this has been increasing during the lifetime of this policy, and was at its highest it had been at the 2024 review. The performance of the policy is also a factor – and how the underlying investment growth has increased the value held in the policy to help support providing the cover. While, the 2024 changes are significant, in my experience this type of

increase at this stage for a policy of this type, isn't a complete surprise. There is information from the earlier reviews that suggested large premium increases would likely be needed in the future. Indeed, back as far as the first review in 2009, information was given to Mr D to indicate that he would need to pay a premium of nearly £1,200 per a month to provide the current level of cover for life. This all supports that the policy reviews are being carried out in line with the policy terms, and Aviva hasn't acted unfairly when reviewing the policy.

While I understand D would like further information on Aviva's calculations. I don't find it necessary for it to provide this in order for me to reach a fair and reasonable outcome on this complaint. I'm satisfied from the information provided, that there isn't evidence to suggest the D Trust has been treated unfairly in how the last review was carried out.

I understand this will come as a great disappointment to Mr D (and the other trustees), but I haven't found that Aviva needs to do anything to put things right.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs D as trustees of the D Trust to accept or reject my decision before 2 January 2026.

Daniel Little
Ombudsman