

The complaint

Mrs G is unhappy, in summary, as she feels her whole of life assurance policies with Liverpool Victoria Financial Services Limited ('LV') have been mismanaged due to the drop in value and she's unhappy charges were taken without her knowledge.

What happened

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

Mrs G holds two non-reviewable whole of life assurance policies with LV, taken out in 1983 and 1994. The first policy was made paid-up in 2022, meaning no further premiums were due after that date, and the second has had a yearly premium of £65.

Mrs G received her 2025 annual statement for both policies, which set out the annual charges for administration and investment management and for providing the life cover. The total annual charges were respectively around £167 for the 1983 policy and £55 for the 1994 policy. Unhappy with this, Mrs G complained to LV about the charges. And, in February 2025, LV sent its final response letter and across its correspondence with Mrs G it said, in summary, that:

- Mrs G's policies were sold before current requirements and expectations on full disclosure of charges. Following regulatory changes in July 2024 it started to send improved statements, which included the policy values and charges. And it referred Mrs G to its Principles and Practices of Financial Management on its website.
- Charges are part of the policy terms and have been taken since inception to cover costs. It's reasonable for it to take these for expenses and the cost of providing the life cover, the latter of which increases with age.
- Due to the age of the policies and methodology used to set payouts, it can't provide a full history of charges. But currently Mrs G's policies have an annual charge of 1.1% for administration and investment management and 0.7% for the cost of providing life cover. It expects the investments to grow at 4.5% per year before charges so, while this can't be guaranteed, expected growth net of charges is positive. And it uses an approved internal fair value framework to assess charges, which it believes provide fair value.
- The policy schedules detailed that these would receive a share of bonus distributions during the premium paying period. And, as an enhancement, it now pays bonuses during the full policy lifetime. Bonuses are at its discretion and reflect investment returns earned on the fund the policies are invested in.

Mrs G remained unhappy. She responded to LV and said, in summary, that nowhere in LV's previous communication did tell her about the charges. Mrs G said that she doesn't feel LV can justify the level of charges, that despite being paid up the 1983 policy is losing money due to these and has lost around a third of its value in the last three years due to LV's poor management.

Mrs G referred the complaint to our Service and added that she felt the policies had been mismanaged due to the drop in estimated value and that she's unhappy they're charging her

for that privilege, which she's only recently been notified of and didn't accept. She said she'd like the charges to be refunded and compensation for the loss in policy value in resolution of her complaint.

LV confirmed that it consents to our Service considering Mrs G's complaint, if made outside our timescales.

One of our Investigators reviewed Mrs G's complaint and said they weren't asking LV to do anything. They said bonuses and estimated valuations aren't guaranteed, bonuses are at LV's discretion and it's permitted to change its methodology in the way it did in 2022 and 2024. As none of the guaranteed benefits – being the sum assured and total regular bonuses already added – had changed, there's nothing to show LV breached any terms. And Mrs G received information on the methodology changes in her 2023 bonus statement and 2025 annual statement. Our Investigator also said it isn't unreasonable for LV to have deducted charges, as these policies incur administration and life cover costs involved in meeting the purpose of paying out the guaranteed benefits on death. They said that while the available policy documents from inception don't mention charges, these are limited due to the time that has passed, and the policies were incepted before current requirements and expectations about full disclosure of charges. They said that some charges information was made available for Mrs G to access in documents referred to in her policy statements and that, while LV could have made the charges clearer prior to Mrs G's 2025 statement, they weren't persuaded she'd have done anything differently if it had.

Mrs G didn't agree and asked for an Ombudsman to consider the complaint. She added that:

- She wouldn't have looked for charges information on LV's websites, as she wasn't told during the policy life that these would be applied in order for her to do so. And she's concerned the policies are losing money as the charges are more than the premiums being paid.
- While she appreciates final bonuses can fluctuate, the projected value is a third of that quoted in 2022, reflecting poor management.
- We shouldn't assume she wouldn't have done anything differently. Had she been made aware of the policy charges and extreme drop in forecast beyond 2022, she could have assessed the facts, even the option to surrender to cut her losses and she may well have decided to do so.

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.

At this point, I should say that I have summarised and responded to Mrs G's complaint in far less detail than the parties have and in my own words. I'm not going to respond to every point made. No discourtesy is intended by this. Our rules allow me to do this and it simply reflects our informal nature. If there's something I've not mentioned, it isn't because I've ignored it – I haven't. I'm satisfied I don't need to comment on every point to reach my decision.

In deciding this complaint I've taken into account relevant law and regulations, the Regulator's rules, guidance and standards and codes of practice, along with what I consider to have been good industry practice at the relevant time.

And, while I appreciate Mrs G has strong feelings about the charges and reduction in the policy values, I've decided LV doesn't need to do anything for the reasons set out below, which are largely the same as those given by our Investigator.

I empathise with Mrs G that the valuations reduced after LV changed the way it calculates these in 2022 and 2024, but it has said it did so to ensure fair value for all its consumers. LV's valuations are made up of the sum assured, any regular bonuses already added and an amount for a discretionary final bonus. The death and surrender values and any future bonuses were never guaranteed and are subject to change over time. And LV has said it moved towards focusing on providing life cover and reconsidered how final bonuses were calculated to provide fairer outcomes. These changes meant moving away from providing the same value on surrender as it did on death to focusing on ensuring the policy fairly reflected the original purpose of this type of policy, which was to provide a pay-out on death.

Mrs G still has the same rights and is entitled to receive bonuses as she was before and LV can still add performance related bonuses to the policies, albeit its approach to the calculations has changed. LV's approach now is intended to share the profits fairly. It is not uncommon for a business to make this kind of commercial decision to change the way bonuses are calculated. And, overall, it's a reasonable decision that LV was entitled to take, so I don't think it has done anything wrong in making the changes it did.

The changes that LV made here were around its practices – as the bonuses aren't guaranteed it means these, and the methodology used to calculate these, form a policy practice. Rule 20 of the Conduct of Business obligations set out by the regulator says that LV was required to let policyholders know of such changes to its practices within a reasonable timeframe. And I can see that LV did that in the bonus statement it sent Mrs G in 2023 and then in her 2025 annual statement.

Mrs G is also unhappy with the charges LV has been deducting from her policies, which she said has been done without her knowledge. These charges are common industry practice for this type of policy though. In the way LV has explained, these are associated with it administering the policies, managing the investment fund and the cost of ongoing life cover it's providing, the latter of which increases with age. This is a common cost structure for the type and age of the policies Mrs G has and it isn't unusual or unreasonable that LV is deducting such charges. I think it's reasonable to expect a level of charges to be deducted to meet ongoing policy costs and those that LV has deducted in Mrs G's case aren't out of line with what I'd expect – based on available information going back to 2010 the total annual charges per policy have been around 2% or less.

In respect of whether LV should have provided Mrs G with clearer information and sooner about the policy charges and estimated values though – such as details of charges in her policy documentation at inception and prior to its 2025 statement, along with updated estimated values in her 2023 and 2024 annual statements following the above methodology changes – I don't think it's necessary for me to make a finding on that in the circumstances. This is because, in any event, on balance I'm not persuaded that Mrs G is likely to have done anything differently in the circumstances if LV had done that.

I recognise Mrs G has more recently said she could have considered her options in that case and that she may well have decided to surrender the policies beyond 2022, given the drop in value alongside the charges. Mrs G hasn't suggested she wouldn't have otherwise taken the policies out though. And, respectfully, Mrs G having said she *may* well have later surrendered these doesn't satisfy me that she's *likely* to have done that either, in the way I'd need to be for me to ask LV to do anything.

Instead, Mrs G's initial submissions to us suggest to me that she has wanted to keep the policies albeit with some redress, when she said for example that she wanted the policy charges refunded. In addition, as far as we were last made aware the policies are still in place, suggesting to me that the desire and need for these remains and that Mrs G still sees the value in these. And I think that's likely because the estimated current death benefits for the policies are higher than the premiums paid and current cash in values. To be more specific, the 1983 policy hasn't required premiums since 2022, the total premiums paid is just over £2,030 and the current cash in value is around £9,700, against the current estimated death benefit of around £12,400. The total premiums paid for the 1994 policy are around £1,950 and the current cash in value is around £3,270, against the current estimated death benefit of around £5,600.

I recognise Mrs G has said she is concerned the policies are losing money, as the total charges are more than the total premiums being paid on the policies. So I think it's worth pointing out here that LV has said it expects the investments to grow at 4.5% per year before charges and that, while this can't be guaranteed, this means expected growth net of charges – i.e. after accounting for the impact of the charges – is still positive.

In summary, while I appreciate Mrs G will be disappointed, I'm not asking LV to do anything in the circumstances for the above reasons.

My final decision

For the above reasons, my final decision is that I'm not asking Liverpool Victoria Financial Services Limited to do anything.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 7 May 2026.

Holly Jackson
Ombudsman