DRN-5887819

The complaint

Mrs G, as trustee of the G Trust, complains about a reviewable whole of life policy the trust holds with Aviva Life & Pensions UK Limited. She's unhappy with how much the policy is now worth after having paid into for many years. She's also unhappy with the outcome of policy review held in 2023 which meant that the monthly premiums needed to significantly increase in order to maintain the sum assured.

What happened

Mrs G took out three Multiplan policies in the early 1980s in order to provide protection for her family. They were subject to annual indexation and regular policy reviews. In 2023 she contacted Aviva to find out how much the policies were worth and was told that they were worth around £1,000 each. She told them that she was unable to afford the premiums as she was only in receipt of pension income. She raised a complaint as she was unhappy that the value of policies was so low despite paying into them for over thirty years.

Aviva looked into the concerns that she'd raised but didn't uphold her complaint. They explained that they didn't sell her the policies, so they couldn't be held responsible for issues relating to its potential mis-sale. They highlighted that the firm who'd sold her the policies wasn't trading any more, so she'd have to refer her concerns about the sale of the policies to the Financial Services Compensation Scheme (FSCS).

They also explained how the policies worked and the fact that they were life insurance policies, not savings plans. Over time, the costs of life cover had increased and because her policies were taken out on a maximum cover basis, most of the premiums she'd paid had been used to meet this cost. This meant that there wasn't much left over to build up a substantial surrender value.

Mrs G didn't accept their findings and asked for our help with the matter. Her complaint was considered by one of our investigators, but he didn't think it should be upheld. He was of the opinion that Aviva hadn't done anything wrong by reviewing the policies and making changes as this was how they were designed to work.

He thought that Aviva had sent Mrs G communications in the past which said that the policies' premiums would increase over time. They'd also provided Mrs G with an option to increase the premium to a level that potentially wouldn't require any changes in the future. Mrs G hadn't taken this option and instead had kept the premiums at a level which would only have sustained the policies until the next review point. Because of this, he didn't think Aviva had done anything wrong.

Mrs G didn't accept his findings, she said the only option provided by Aviva was that if she wanted to leave a good sum after she passed, then she should increase her payments each year. She'd done this despite challenging financial circumstances and she now wanted the money back that she'd paid into the policies. She then asked for the surrender value she'd been quoted when she'd originally raised the complaint with Aviva.

The investigator asked Aviva what the policies were now worth, but it transpired that they had all lapsed as Mrs G hadn't paid any premiums since August 2023. Because of this, the policies had been made paid up and had eventually lapsed.

Mrs G remained unhappy with how things stood and asked for an Ombudsman to review the complaint, so it has been 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 don't think the complaint should be upheld. However, I firstly like to say to Mrs G that I've carefully considered everything she's said, and I fully appreciate how strong she feels about the difficult situation she now finds herself in. But in order for me to uphold her complaint, I must find that Aviva have done something wrong – either treated her unfairly or failed to administer her policies in the correct way. From what I've seen, this isn't the case and I will go on to explain why I've come to this conclusion.

The first issue I'd like to address is Mrs G's concerns around the type of policies that she holds. Her policies are reviewable whole of life policies, and their main purpose is to provide life insurance, not to provide an investment value. If this wasn't made clear to her when she took them out or if they weren't the type of policies she asked for, I am unable to hold Aviva to account for this as they didn't sell her the policies. However, she can raise this issue with the Financial Services Compensation Scheme, and they will let her know if they can consider a complaint about the potential mis-sale of the policies.

The next issue I'd like to address is why the surrender value of the policies was so low despite paying into them for over thirty years. As I've previously noted, her policies are reviewable whole of life policies. What this means is that their premiums and charges aren't fixed and will change over time. As Mrs G gets older the cost of providing her with life insurance will increase exponentially. For example, the monthly cost of cover for one of the policies was £5.16 in 1993, £17.45 in 2003, £50.13 in 2013 and £150.26 in 2023.

How the policies are meant to work is that the difference between the premiums being paid and the charges is used to build up an investment pot. This pot can then build up over time and is used to help pay for the cost of cover when the life assured gets older. It can be taken as a surrender value, but this isn't the policies' primary purpose.

There are different types of reviewable whole of life policies – they can be taken out on a minimum, standard or maximum basis. This relates to how much cover the premiums are used to pay for. A policy taken out on a minimum cover basis will provide a low level of cover so more of the premiums are invested. But a policy taken out on a maximum cover basis will provide a high level of cover, so only a small amount of the premiums is invested.

Mrs G's policies were taken out on a maximum cover basis, so a relatively small portion of her premiums was being invested, and there were points where the policies' charges were higher than the premiums being paid. This is why the surrender value in 2023 was much lower than what Mrs G expected. I fully appreciate her disappointment with this aspect of her complaint, but this is how her policies were meant to work so I don't think Aviva have done anything wrong in how they've administered her policies.

As the investigator pointed out, Aviva had provided Mrs G with a reasonable level of information in the past. For example, in the 2013 review they provided her with options to either increase her premiums or reduce her sum assured to a level that they thought would sustain her policies for life. They explained that if either of these options weren't taken up then it was likely that the policies would either need an increase in premium or reduction in sum assured at future reviews. Because of this, I don't think I can fairly say that Mrs G wasn't made aware that the premiums she was paying wouldn't be enough to sustain her policies' sum assured for life.

I appreciate that even though Mrs G didn't take up the option to pay higher premiums at the policy reviews, she has paid more into the policies each year at the indexation review. It may be helpful if I explain what the policies' optional annual indexation increase relates to. Indexation is where a policyholder is given the option to increase their policy's sum assured and premiums in line with an index e.g. the Retail Price Index (RPI) so its value in real terms doesn't diminish over time because of inflation.

Because the sum assured of the policies increased, the cost of providing this higher level of cover also increased. So even though Mrs G paid higher premiums each year because of indexation, the charges of her policies had also increased which meant that the amount being invested remained relatively low. This is different to the policy reviews where Aviva's focus would have been on making sure the policies were still on track to sustain the level of cover they were providing.

I'm aware that Mrs G's policies have now lapsed and have no surrender value. I fully appreciate how disappointing this is for Mrs G, but I'm unable to ask Aviva to reinstate the previous surrender value she was quoted when she first made her complaint. Because she stopped paying premiums, the policies were being funded by selling units that had built up in the investment pot I described above.

The units in the investment pot have now run out, so the policies have been cancelled but this is a consequence of not paying the premiums. I can see that Aviva wrote to Mrs G on 1 September 2023 saying that the premiums hadn't been received and once the units on the policy were exhausted then the policies would lapse without value, and its benefits would be cancelled. Because of this, I can't fairly say that Mrs G wasn't informed of the consequence of not paying her premiums.

So having considered everything, and while I empathise with the difficult situation Mrs G now finds herself in, I don't uphold this complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G as trustee of the G Trust to accept or reject my decision before 10 December 2025.

Marc Purnell
Ombudsman