

## **The complaint**

Mr M complains about the way HSBC Life (UK) Limited reviewed his policy in 2021 and required significantly higher contributions to keep the same sum assured. He complains that he wasn't given enough time to consider his options and HSBC didn't explain why he had to increase his premium by so much.

## **What happened**

Mr M took out the Survival Plan, a type of reviewable whole of life policy (RWOL), in February 2002. The monthly premium was £375.68 and the sum assured was £1,000,000. The policy covered both critical illness and death, and included waiver of premium benefit. The policy was reviewed in 2006 and 2011, at which times no changes were required.

In 2016, HSBC wrote to Mr M to explain that the premium Mr M was paying was "unable to sustain the sum assured". He needed to increase his premium from £375.68 to £686.13 if he wanted to maintain the sum assured of £1,000,000 or he needed to reduce the sum assured to £654,705 if he wanted to keep the premium the same. At the time, the value of the underlying fund was around £21,314.

The letter set out some projections showing what Mr M might get back after ten years. These showed that unless Mr M took action, his policy would lapse before the next review. Mr M complained about this review and the sale of the policy saying it wasn't fit for purpose. HSBC looked into his complaint and issued a final response letter at the time – since Mr M didn't refer his complaint to the service, I'm not going to comment on the sale of the policy to Mr M. However, HSBC's response is relevant context. In its response, HSBC said the evidence showed Mr M had identified a need to protect his family in the event of his illness or demise and that he'd been advised to take out separate policies for life and critical illness cover, with the life cover being placed in Trust for inheritance tax purposes.

HSBC therefore concluded that the policy was suitable for him and said that the evidence showed he'd been told the policy and the premiums were reviewable. HSBC said that based on what he'd said about the policy, however, he should contact an adviser as soon as possible to ensure that the products he had in place were still suitable for him.

Mr M took no further action and increased his premium in order to maintain the sum assured at £1,000,000.

In 2021, the policy was reviewed again. This letter explained that the premium Mr M was paying was not sufficient to maintain the sum assured. The letter said his options were to increase his monthly premium from £686.13 to £1,130.37 or reduce the sum assured to £686,068. This letter also had some projections showing what Mr M might get back in future years.

Mr M was unhappy with this review and raised a complaint. HSBC looked into his complaint, but didn't think it had done anything wrong. It explained the key features of Mr M's policy and the way that reviews were carried out. It said it had followed the terms of the policy and the reviews had been carried out appropriately. It also confirmed that Mr M had made a claim

and it was in the process of considering it.

As Mr M remained unhappy, one of our investigators looked into his complaint. He thought it should be upheld. In summary, he thought that HSBC's communications should've had more information about what the policy was costing and the likelihood of premiums continuing to increase in future. And he considered that if HSBC had issued fair, clear and not misleading communications, Mr M would've chosen to surrender the policy in 2016. He therefore recommended that HSBC refund Mr M the premiums he'd paid since 2016 (but not those covered by the Waiver of Premium benefit), and the surrender value in 2016 plus interest.

HSBC didn't agree. In short, it said that Mr M's behaviour showed that he was keen on keeping the policy – including after complaining about it in 2016. It said that, furthermore, much of the information the investigator said should've been in the review letters was contained in the accompanying booklets that were issued with the reviews. It also provided a letter that was sent to its customers in March 2016. Among other things, this letter said:

- An enclosed guide was being provided to remind Mr M about how the maximum cover option worked on his policy and its potential impact on the premium and the amount of cover;
- A reminder that the plan was subject to periodic reviews
- And that Mr M might want to seek financial advice to ensure the plan and the cover provided remained suitable.

The guide did contain some general information. It said:

- With the maximum cover option, “the majority of the premium you pay is used to meet the cost of cover” which meant that the “plan will only ever secure a small underlying fund value in comparison with the total premiums paid”.
- The benefit of maximum cover was that “in the early years of your plan, you paid a smaller premium for the same cover than you would have paid on a Standard Cover basis”. However, this did “mean that there is a potential greater impact on the additional amount you may need to pay each time your policy is reviewed”.
- In relation to the reviews, it said that in “many instances the premium needed to maintain your cover level will increase” and that these increases “can be substantial after age 70, because the cost of providing cover becomes greater”.
- The cost of providing cover “naturally increases as you become older as you are more likely to claim in the later years of the policy than you are at the beginning”.

Mr M didn't fully agree either. He claimed he should be entitled to the premiums HSBC had paid because he would've paid those if he'd not been ill. He also said that the remedy the investigator had suggested now meant he'd have to surrender the policy leaving him without protection. He said he should therefore be allowed to keep the whole of life element of the policy.

He said the whole purpose of these policies was to provide him with protection during the later years of his life when his income would decrease due to age and retirement – but now the opposite had happened. He said the investment portion had significantly underperformed and was inadequate and HSBC should've told him this was possible.

He said that he could've easily contributed much higher premiums at the start when he took

these policies out, and this would've avoided the situation he now finds himself in. He said he wanted a full refund for the entire policy and "maximum compensation".

As an agreement couldn't be reached, the case was passed to me to decide.

I issued a provisional decision. In it I explained that I didn't think Mr M's complaint should be upheld because I don't think Mr M had been caused a loss.

In looking at HSBC's communications, I took into account the rules set out in the FCA's Handbook, the High-Level principles, as well as guidance issued by the FCA in 2016 on how long-standing customers in the life insurance sector ought to be treated and communicated with. Broadly, these standards required HSBC to ensure that important communications about Mr M's policy were fair, clear and not misleading – including "sufficient and clear explained details regarding the performance of the product, its value and the impact of fees and charges". For a policy like the one Mr M had, this should've included "the value at the previous communication date and the value of any premiums paid over that period" as well as the "charges incurred over the period in monetary figures" including "a breakdown of the major components and the charge to the customer for benefits such as life cover and guarantees" (FG 16/8 Fair treatment of long-standing customers in the life insurance sector).

I said that in my view, by the time of the 2016 review, the policy had reached an important tipping point. The costs of the policy had been higher than the premiums since 2014, which meant that the sustainability of the policy was almost entirely reliant on the growth of the underlying fund, as units from the fund needed to be sold to make up the shortfall.

I found that the 2016 review letter gave some important information that would've alerted Mr M to the fact that the policy was not sustainable for life – and there was some more information about the about the reviews and the life cover charges in an enclosed leaflet. It also explained the risks of premiums increasing at future reviews.

However, I found that HSBC didn't adequately explain to Mr M what his actual costs were – in other words, how much it was costing to provide the various benefits under the policy and, consequently, how that related to his premium. I concluded that the absence of this critical information meant that Mr M didn't have enough information to know how his policy was performing and how or whether the underlying fund would be able to sustain his policy for as long as he needed it to.

I then considered what Mr M would've done had he received fair, clear and not misleading communications at the time. Taking all the evidence into account, including Mr M's testimony, I didn't agree with the investigator.

I provisionally found there was insufficient evidence to conclude that additional information about the policy would've prompted Mr M to surrender it. Mr M had been clear throughout his complaint that he had a need for the policy and still did. And I also wasn't persuaded that Mr M would've found alternative cover at the time that would've been cheaper than what he was paying for this policy.

Furthermore, if Mr M had been told the costs as he should've been, he would've seen that by increasing his premium to £686.13 (which is what the 2016 review letter required) he was putting the policy on a more sustainable footing. I acknowledged that more detailed and clearer projections would've allowed Mr M to see that future premiums would likely still need to increase – but I thought Mr M had enough information already at that point to decide for himself if he wanted to make additional contributions to the policy over and above what the

letter told him he needed to pay.

So I provisionally found it was more likely than not that Mr M wouldn't have increased his contributions by an even greater amount at that point. Furthermore, despite being dissatisfied with the increase in premium and raising a complaint about the sale, Mr M chose to keep the policy and agreed to increase his premium – even though he was clearly encouraged to obtain additional financial advice in HSBC's final response.

Finally, I explained that I wasn't persuaded by Mr M's submissions that the policy was not fit for purpose. I thought the policy and the reviews of it worked as intended – they allowed Mr M to benefit from a significant level of cover for a much lower premium than would otherwise be the case. If anything had happened to Mr M during that time, HSBC would've paid out the claim.

### **Responses to my provisional decision**

HSBC didn't have any comments to make. Mr M didn't agree with my provisional decision and provided comments. He said:

- He had wanted more time to be able to take advice and respond in a much more detailed way to my provisional decision, but had been unable to due to illness. He said that he had therefore only been able to respond in a limited way.
- Although I had referred to the plan he had as a "reviewable whole of life policy" he said he didn't know and was never told his policy was reviewable. He said that the statement in the advice and fact-find that his premiums "may need to increase", showed that he was never told his future premiums would "definitely increase". He said this was very misleading because HSBC would've known that they would increase.
- Mr M said he had emigrated abroad and therefore didn't have sight of the review letters until he returned home at the end of 2016. He provided emails from 2009 that he said showed he had told HSBC that he was intending to move abroad. He also raised a separate issue to do with his wife's policy, where HSBC admitted sending related documents to the wrong address – he said this raised serious concerns with HSBC's postal service.
- Mr M said that he had always maintained that had he known his premiums would increase so much, he would've found an "alternative form". He said he would've invested in properties and calculated that the premiums required likely would've been equivalent to the amount he need to repay for mortgages on "at least 3-5 investment properties", ranging from £150,000 upwards. He said given the low interest rates, this would've made property investment that much more viable.
- Mr M pointed to an endowment policy he had previous held, also sold by HSBC, which he sold as soon as he saw how badly it was performing. He said this showed that if he had been given the full picture he would've made the same decision with this policy.
- Finally, he provided some evidence that in 2017 he had sought advice from HSBC about what to do with his policy – and this had never been responded to. He sought advice again in 2024 but was told he couldn't be advised because the type of policy he had was discontinued.

## 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.

I'd like to thank Mr M for his comments and his explanations. I'm sorry that he feels he's not had sufficient time to fully respond, and I do sympathise with the difficult circumstances he has experienced. However, I also have to take into account the fact that Mr M has had over four months to respond to my provisional decision. Although I completely understand why it has been so difficult for Mr M during this time, I do think that he has had sufficient opportunity to consider my findings and explain why he disagrees with them.

I'd also like to reassure Mr M that I have reviewed the file again, in light of his additional comments. Having done so, I'm sorry to disappoint him, but I'm not persuaded to change my provisional findings and I confirm them here as final.

In terms of Mr M's knowledge that the policy was reviewable, I acknowledge his point that HSBC likely would've known from the start that the premiums would increase in future. But what HSBC wouldn't have known from the start is when the premiums might increase, or when there might be a claim on the policy. I accept that it could've made the risks of significant premium increases in future clearer at the outset – but I'm not persuaded Mr M was misled. I think it's clear from the quote that he has provided that the policy *is* reviewable and that the premiums *may* increase. If this wasn't acceptable to Mr M, then I think he had enough information when he bought the policy to decide that a reviewable policy wasn't right for him – bearing in mind, as I said in my provisional decision, that non-reviewable policies would likely have been more expensive for the same sum assured.

Mr M has said that HSBC knew about his move abroad – but the email he has provided doesn't show that HSBC knew that his address had changed or that it should change, and it was dated 6 years earlier than the 2016 review. Furthermore, the address on these letters has never changed – and it is the address used by the service now. I've seen no evidence that HSBC was told to change the UK address to an overseas address and failed to do so. I'm sorry but I don't think HSBC's letter to Mr M's wife is relevant in this case – especially as the mistake was to send letters to a different address, in the UK, and not to the same address that Mr M is using. There's no information in that letter that indicates information for Mr M's policy should've been sent to an address abroad.

I've then carefully considered what Mr M said he would've done differently, but whilst I can fully appreciate Mr M's comments, I'm not persuaded. In my view the evidence shows that Mr M had a need for protection and was keen on maintaining it. Property investments would not have delivered the same benefits – namely the guaranteed payout in the event of death or critical illness. They would not have achieved the objective which I'm persuaded Mr M had, which was to ensure he had a policy in place that would provide a substantial payout in the event of death or critical illness. So even though I can understand why, with the benefit of hindsight, Mr M now considers property investments would've been more profitable for him, I can't award compensation based on the benefit of hindsight. I need to decide what Mr M would likely have done, based on the information he would've had at the time – and of course at the time Mr M wouldn't have known when he'd need to make a claim on the policy.

And this leaves me with the same assessment as the one I set out in my provisional decision. In my view, Mr M would likely have continued to maintain the policy and pay the minimum required premium in order to continue to benefit from the protection the policy provided for as long as possible. I'm persuaded Mr M's behaviour after the 2016 review,

including the fact that he made a complaint but still kept the policy, is evidence of that.

This means that even with more information about his policy and a clearer understanding of how much it would continue to cost going forward, Mr M would likely still have found himself in the same position. For these reasons, and those that I gave in my provisional decision, I'm therefore not persuaded to uphold this complaint.

### **My final decision**

My final decision is that I don't uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 19 December 2025.

Alessandro Pulzone  
**Ombudsman**