DRN-5930841

Financial Ombudsman Service

The complaint

Mr N complains about the advice he was given to take out a whole of life policy in 1992 by Phoenix Life CA Limited trading as Sun Life Financial of Canada ("Sun Life"), including that there were additional benefits added, which have ended sooner than he expected.

What happened

In August 1992 Mr N was sold a reviewable whole of life assurance policy on an index linked basis, with an initial sum assured of £20,000 and premiums of £20 per month, which included waiver of premium ("WOP") benefit. It was a joint-life policy, where the life assurance covered both Mr N and his wife, Mrs N (although the WOP benefit only applied to Mr N). Originally the policy holders were also both Mr and Mrs N, but the policy ownership was later assigned to Mr N.

In August 1993 the premiums went up to £22 per month due to the indexation on the policy. In September 1993 Mr N was advised to add Income Replacement Benefit ("IRB") to the policy, which would provide a monthly payment of £938 if he was unable to work, which caused the premiums to increase to £27 per month.

In 2023 he requested information about the WOP and IRB. On 17 October 2023 Mr N was told that the WOP ought to have come to an end in 2018 but that they appeared to be charging him for it until 2023 and so they would look into rectifying that. Following that, Mr N complained about the sale of the policy, in summary saying:

- He remembered being told that a whole of life policy would be more beneficial than a term policy, because it would also provide a surrender value equivalent to the premiums he'd paid in by age 65, where a term assurance would have no surrender value. However, that hasn't happened.
- He was aware the policy was index-linked but remembered being told that the deductions for life cover costs would be the same throughout his life, but has since discovered this isn't the case.
- He thought the WOP and IRB benefits would be for the whole of his life, but they have now ended – yet his premiums haven't reduced accordingly.
- He was told the policy would be reviewable, by which he understood he would have a review with advisers to discuss the policy, which hasn't happened as Sun Life had removed their advisory service.

Sun Life didn't uphold his complaint, saying that Mr N's primary concern had been to provide life cover for his family, and to allow for an income if he couldn't work, and the policy sold provided those benefits. Mr N referred the complaint to our service, where it was looked into by an investigator. The investigator found that the policy was suitable for Mr N's needs in 1992 and 1993 and explained that its normal for WOP and IRB to end around retirement age.

Mr N didn't agree, because he felt a term assurance would have been suitable – he said the plan did initially meet his needs, but as his children are now older, he no longer needs family protection. He's paid for a more expensive policy than needed. The investigator wasn't persuaded to change his mind, so the complaint 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.

Having done so, I've reached the same conclusion as the investigator for largely the same reasons. It's agreed that life cover generally was suitable for Mr N, and he is happy with the initial sum assured, and the fact it was index-linked, so I won't comment on those areas. I'll focus my decision on whether whole of life cover was suitable (as opposed to other types of policy), and his concerns about the WOP and IRB.

The type of life cover

The documents from 1992 show that Mr and Mrs N were looking for life cover for family protection – to provide for each other and their two children if one of them were to die. At the time, Mr N had death in service benefit through his job with a sum assured of three times his salary. He also had an existing whole of life policy with a sum assured of £10,000 and an endowment with a sum assured of £4,100. Mrs N had no existing life cover.

I can see that Mr N was the sole earner in the household, so if he had died, Mrs N would not have had an income. This means their joint need for life cover wouldn't have ended when the children were over a certain age. The majority of Mr N's life cover came from his death in service benefits, and those would end when he finished working in that job. So I'm satisfied Mrs N would have still benefited from the life cover, even after the children were no longer living at home.

As Mrs N looked after their children and home, had she passed away while the children were still young, the life cover would have allowed Mr N some money to help pay for the support that may be needed – such as childcare costs. Once the children were no longer dependent, had she passed away, Mr N could still have used the sum assured to pay for things like funeral costs, or simply to provide an inheritance for himself and their family.

I appreciate that Mr N feels the cover would have only been needed while his children were still dependent on him. However, in my view the paperwork shows that they wanted cover for each other and their children, so their joint protection need wasn't limited to a certain time period.

It is possible that a term assurance policy may have also been appropriate to meet some of those needs but that doesn't make the whole of life policy unsuitable. Where there's multiple potential solutions to someone's protection needs, an important consideration for me is the customer's understanding – as they need to be able to make an informed decision about whether to accept an adviser's recommendation.

Mr N has been clear that he was aware that the term assurance policies would be cheaper, but he was happy to have the potential for the additional savings. Also he had a whole of life policy, and had previously taken out a term assurance policy, so I'm satisfied he was reasonably aware of other types of life cover, that may have been cheaper.

I understand Mr N remembers being told there would be a surrender value equal to the premiums he'd paid in by age 65. I can see that the illustration from 1992 does show a potential surrender value of £19,900, if investments grew at 7%, and if inflation was at 4% - it also illustrated the growth if investments grew at 10.5% and if inflation was 10%. So, it is likely there was a discussion around the amount he could surrender the policy for, if he wanted to. However, nothing was guaranteed – it was clear the rates being used are the standard ones used across industry, and there's no guarantee of growth.

Mr N has also mentioned being told that the life cover costs in this policy wouldn't need to change, and that was what he was expecting based on the other policies he had. I can't see anything in the paperwork that reflects that conversation. I know the other policies he had were quite different – the whole of life policy he took out in 1977 was a with-profits policy as was the endowment policy. Based on the documents, I'm persuaded that Mr N would have been reasonably aware that this 1992 policy was a different type and probably worked differently to those policies he had in place.

I'd note that even if the life cover costs had remained steady, the premiums would have still been invested and subject to the fluctuations of the markets, with no guarantees of growth. Particularly over the last 20 years or so, the potential returns have been much lower than those experienced in 1992. All reviewable whole of life policies across the industry operate in this way, with fluctuating life cover costs. Those with guarantees are much more expensive, so its unlikely Mr N would have gotten the same level of cover for his premiums.

I can see that Mr N has mentioned that he was told he would have reviews on this policy which I understand he expected to be with an adviser. To explain, the reviews that are undertaken on this policy are not advisory in nature - rather they are a review by the product provider. Sun Life uses those reviews to check if the premium, together with the amount held in the underlying investment, are sufficient to meet the life cover costs. If, in Sun Life's view, they aren't sufficient then they will ask Mr N to either reduce the sum assured or increase the premium he pays. Those reviews have taken place and no increase to the premium has been necessary.

I can see Mr N is unhappy that he's not been able to receive advice since the business decided to close local branches. But firms are entitled to change the services they provide to customers in that way, and they don't have to keep providing a local adviser - or any advisers at all, if they choose to entirely withdraw that type of service.

Having considered the evidence from 1992, I'm satisfied Sun Life acted fairly and reasonably in selling Mr N this policy. It wasn't unsuitable for the needs of his family at the time.

The WOP and IRB

The documents from 1992 and 1993 show that Mr N was planning on retiring at 65. Both WOP and IRB are designed to provide a benefit if Mr N couldn't work due to illness or disability. The WOP was designed to pay the premiums of the life assurance policy, and the IRB would pay Mr N a monthly income, if Mr N was unable to earn an income. In industry as standard this type of cover ends at 65, at the same time as normal retirement age, as there is an assumption that in retirement there would be a guaranteed income source, regardless of health.

I'm satisfied there was no need for the terms of those benefits to extend beyond Mr N's 65th birthday as they wouldn't function after the point Mr N retired. Once they came to an end, the charges related to those benefits should no longer be deducted from the policy. Instead, more remains invested to build the savings pot that helps cover the costs of the life cover element. The premiums and sum assured on these types of life policies are relatively flexible, so Mr N could speak to Sun Life about his options for his premiums, if he no longer wishes to pay as much as he is.

The documents are clear that the benefit under the WOP and IRB would end at age 65 – it's just the life cover element that is in place for the whole of life. As such I'm not convinced that Mr N was mis-led about these benefits. Overall, I find that they were suitable for his needs at the time, and there's no question that he wanted the protection.

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 Mr N to accept or reject my decision before 22 December 2025.

Katie Haywood
Ombudsman