

## **The complaint**

Mr and Mrs P complain, through their representative, about a reviewable whole of life (RWOL) policy they hold with ReAssure Life Limited. They're unhappy with the outcome of a policy review in 2020 which meant they were asked to significantly increase their monthly premiums in order to maintain the policy's sum assured.

## **What happened**

For ease of reading I will only refer to Mr and Mrs P. They have held their Permanent Protection Plan, a type of whole of life policy, since the early 1980s and it initially provided a sum assured of £10,000 for monthly premiums of £11.77. In 2020 ReAssure wrote to them and said that they'd reviewed the policy and found that the premiums were no longer sufficient to maintain the sum assured. ReAssure also explained that they should have contacted Mr and Mrs P in 2009 about increasing the policy's premiums as that was when changes were first required, but they'd failed to do so.

ReAssure apologised for this error and set out what they would do to put things right and ensure that Mr and Mrs P hadn't been disadvantaged. They said they would make a credit into the policy which would restore it to the position it would've been in if Mr and Mrs P had accepted the all the increases in premiums that would've been required over the years. But going forward, the premiums would have to increase to £41.34, or the sum assured would have to fall to £6,848. Alternatively, Mr and Mrs P could cancel the policy and opt to take its surrender value from 2009 and a refund of all the premiums they'd paid since that time plus interest.

Mr and Mrs P complained to ReAssure and said that they were unhappy with the outcome of the review and the error that had occurred. They said they weren't aware the policy was reviewable and thought it had been mis-sold to them.

ReAssure looked into Mr and Mrs P's concerns and explained that they didn't advise Mr and Mrs P to take out the policy, so they weren't responsible for any concerns relating to potential mis-sale. They went on to say that as Mr and Mrs P got older, the cost of providing cover increased and in 2009 the premiums weren't enough to cover this cost. But as the review hadn't taken place, Mr and Mrs P had continued to receive £10,000 of cover for premiums of £11.77. They acknowledged their error in not reviewing the policy in 2009 but thought that they'd made reasonable proposals to rectify their mistake.

Mr and Mrs P didn't accept their findings and asked for our help with the matter. Their complaint was considered by one of our investigators. He noted that he couldn't look into any allegations of mis-sale against ReAssure as they didn't sell Mr and Mrs P the policy. He was of the opinion that ReAssure hadn't met their regulatory obligations as they hadn't sent Mr and Mrs P any reviews prior to 2020. However, he thought that the offer that ReAssure had made to put things right was fair and reasonable. Mr and Mrs P didn't agree and reiterated their concern that the policy had been mis-sold and said they didn't accept that ReAssure weren't responsible for the sale of the policy.

The complaint was reviewed by another of our investigators who initially agreed with the

original investigator's opinion. Mr and Mrs P remained unconvinced and noted that the policy schedule didn't make any mention of the reviewable nature of the policy and stated that: *"(premium) of £5.99 (& £5.89 respectively) are payable at the commencement and thereafter on the 1st day of each month ("due date") until the death of the first to die of the lives insured"*. They also said that they were vulnerable customers who'd kept up their end of the contract for 38 years before being made aware of the need for changes to be made to the policy. They thought the fairest outcome would be for the policy to remain on its original terms throughout its lifetime.

The investigator asked ReAssure for more information relating to the costs of the policy and reconsidered the complaint. He then changed his opinion and concluded that ReAssure hadn't provided Mr and Mrs P with sufficient information about the policy from 2002 onwards. If they had done so, then in his opinion Mr and Mrs P would likely have surrendered the policy. So, in order to put things right ReAssure needed to pay Mr and Mrs P the policy's surrender value from 2002 plus interest.

ReAssure didn't accept the investigator's findings. They thought that the offer they'd made to Mr and Mrs P was fair. They noted that Mr and Mrs P hadn't surrendered the policy despite the outcome of the 2020 review and gaining the knowledge that the policy would be subject to changes going forward. In their opinion this showed that Mr and Mrs P wanted to keep the policy and therefore wouldn't have surrendered the policy in 2002.

Mr and Mrs P also didn't agree with the investigator. They reiterated their concerns that the policy had been mis-sold and that they were vulnerable consumers. Because there was no agreement, the complaint was passed to me to decide. I recently issued a provisional decision where I said:

*"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 think this complaint should be upheld and I will go on to explain why. But I'd firstly like to address the concerns that have been raised regarding the policy being mis-sold. I fully appreciate Mr and Mrs P's points that ReAssure now have responsibility for any issues relating to the potential mis-sale of the policy. However, it was sold to Mr and Mrs P by another firm, so ReAssure cannot be held responsible for their actions. What they are responsible for are any issues to do with the ongoing administration of the policy as they have accepted liability for the actions of the firms who previously administered it.*

*With this in mind I've considered if they met their regulatory obligations and I've set out below what I consider to be the relevant standards I've taken into account when making my decision:*

- *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).*

*I've considered Mr and Mrs P's comments about whether or not the policy offered a fixed sum assured for a fixed premium. I appreciate that they've pointed to the policy schedule they were given which states that premiums of £11.77 are payable until the death of any of the lives assured. But the schedule also says:*

*“The company's terms applicable to whole life policies (ref. WL1) are incorporated herein and terms and conditions used therein shall, where the context so admits, have the meanings assigned in the schedule.....”*

*I've reviewed the terms and conditions that applied to the Permanent Protection Plan, they set out that it is reviewable and changes can be made to the sum assured:*

#### *“7. Review*

*At any Review Date after the tenth Anniversary of Commencement, if the performance of Units and/or the Guaranteed Life Basis to which the Policy is linked is insufficient to sustain the Sum Assured the Company may, after consultation with its Actuary, require the Sum Assured to be reduced, failing which the Policy shall be made paid-up. However, this Term shall only be operated in a way which is compatible with a qualifying policy under Schedule 1, Income and Corporation Taxes Act, 1970.*

#### *9. Alteration of Sum Assured*

*At any Review Date, the Sum Assured under the Policy may be reduced or, at the discretion of the Company, increased (provided that this may only be operated in a way which is compatible with a qualifying policy under Schedule 1, Income and Corporation Taxes Act, 1970).”*

*I think this shows that policy can be subject to change and therefore I don't think that ReAssure acted unfairly when they reviewed the policy and proposed the changes that they did.*

*It may be helpful if I explain how RWOL policies broadly work in practice. The cost of providing cover isn't fixed and instead increases over time as the lives assured get older. At the outset, when charges are relatively low, the difference between the premiums being paid and the charges results in an investment pot being built up.*

*Over time, businesses will undertake reviews to ensure that the policy can continue to provide the chosen level of cover. They will look at a number of different factors such as the size of the investment pot, current mortality rates and investment performance. If they decide the policy isn't sustainable at its current premium, the consumer will usually be offered the option of reducing the sum assured or increasing the premium.*

*This is what led to the changes proposed at the 2020 policy review. Having undertaken the review, ReAssure's assumptions were that the policy was unsustainable on its existing terms, and a higher level of premium was needed to maintain the policy's sum assured. This would undoubtedly have come as a surprise to Mr and Mrs P as they hadn't ever been any previous indication that the policy might need significant changes.*

*But this shouldn't have been the case, taking into account the standards I've quoted above, I think that ReAssure ought to have provided Mr and Mrs P with clear, fair and not misleading information about the policy. Their communications 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. They should have provided this information within a reasonable time frame from when the standards I've quoted above began to apply in 2001. Given that the costs of the policy had overtaken the premiums being paid prior to 2001, I think that ReAssure should have ensured that they provided Mr and Mrs P with sufficient information within 12 months of the point when the standards started to apply, so by around the 2002 policy anniversary.*

*Having considered the communications sent to Mr and Mrs P, I haven't seen that this level of information was provided. The review letters they received in the past only set out whether the policy had passed the review and gave the option to increase the sum assured in line with the increase in the previous year's Retail Price Index (RPI). The letters didn't provide any information about the specific costs of the policy and how they were likely to increase in the future or the level of premium that might then be required to maintain the policy's sum assured. Because this level of information wasn't provided, I don't think Mr and Mrs P were put in an informed position about the policy or any possible steps they could take to mitigate future risks.*

*ReAssure have accepted that they didn't provide Mr and Mrs P with sufficient information about the policy as no reviews took place between 2009 and 2020. In order to put things right they've provided Mr and Mrs P with two options:*

- 1. They'd assume that Mr and Mrs P would've accepted all the premium increases over the years and make a credit into the policy which would restore the policy to the position it would've been in.*
- 2. Or Mr and Mrs P could cancel the policy and take its surrender value from 2009 and a refund of all the premiums they'd paid since that time plus interest.*

*I've noted that Mr and Mrs P's preferred outcome is for the policy to remain on its original terms – premiums of £11.77 and a sum assured of £10,000 for the rest of its life. However, this isn't a feasible option as the costs of providing £10,000 of cover are significantly higher than the premiums being paid. In 2021, the annual cost of providing cover was over £405.25 vs premiums of £124.56. By 2024 the annual cost of cover had risen to £693.08. Without a substantial underlying fund to help offset the cost of cover, premiums of £11.77 won't be able to sustain a sum assured of £10,000.*

*I've therefore considered the likely course of action Mr and Mrs P would've taken if they'd been put in an informed position in 2002. ReAssure should have explained that the costs of the policy were higher than the premiums being paid, the impact of this would be that while the policy wouldn't require any changes at that time, it would likely need changes in the future.*

*This could lead to a few different outcomes for Mr and Mrs P:*

- They could surrender the policy and look elsewhere for cover.*
- They could keep the policy until changes were required and then surrender it.*
- They could keep the policy and potentially make changes, such as increasing their premium or reducing the sum assured, in order to mitigate future changes.*
- They could do nothing and accept any future changes.*

*I've considered what Mr and Mrs P have said about their circumstances at the time in order to try and determine their likely course of action. They've said that it's likely they would have taken action to avoid future financial impact. They may have considered surrendering the policy or making adjustments. However, this would have been dependent on finding an alternative policy at a more suitable premium.*

*I think their point about finding an alternative policy with a suitable premium is key to determining their actions. A whole of life policy with a fixed sum assured and premiums would have likely been considerably more expensive than their existing policy. So, while it is*

*possible that they might have surrendered the policy if they'd been put in an informed position in 2002, I must also consider the possibility that they wouldn't have found a policy with the same level of cover for a more suitable premium.*

*The question I then must ask is what they would have done in this scenario. This is difficult to answer as I don't know for certain what they would've done, and I must also factor in the benefit of hindsight. What I do know for certain is that they didn't opt to take up any of the optional offers to increase the policy's sum assured over the years. I think this potentially shows that Mr and Mrs P didn't want to spend any more than they had to on this policy. So, on balance, it doesn't seem likely that they would've taken out a more expensive policy if they didn't have to.*

*This adds weight to the conclusion that they would've kept the policy until it needed changes and then surrendered it and looked elsewhere. But this also needs to be balanced with the fact that the older they were, the more expensive an alternative policy would be. In 2002, Mr and Mrs P were in their late fifties and while the cost of an alternative policy would be high, it would be even higher if they left it until when the policy needed changes due to how quickly mortality rates increase over time at that age.*

*Based on how reviews were being conducted at the time i.e. if it showed that no changes would be needed within the next five years then only the RPI increase would be offered, I think that any projections would have showed that no changes were needed until around 2012. I say this because the reviews from 2005, 2006 and 2007 all offered the RPI increase so I think it's reasonable to assume that in 2002, ReAssure's thinking would have been that the policy wouldn't need changes for around another ten years. In reality, this didn't come to pass because of poor market conditions which meant that changes would've been required in 2009, but I don't think this would've been obvious in 2002.*

*Taking all this into account, I think that in a scenario where Mr and Mrs P were told that the charges of their policy were higher than the premiums being paid, but no changes would be needed for potentially another ten years or so, they would've kept the policy going until it needed changes. I think that they would've likely thought that they could keep the policy and surrender it before they turned 70 and then sought alternative cover elsewhere.*

*I must stress that this is a finely balanced decision and there are arguments for keeping it until changes were needed and also for surrendering it in 2002. But in my opinion, it seems more likely that Mr and Mrs P would have seen the benefit in keeping their premiums as low as possible for as long as possible. Therefore, I think they would've kept the policy until 2009 and then surrendered it.*

*So, having considered everything, I think the offer ReAssure has made to pay Mr and Mrs P the 2009 surrender value and refund any premiums paid since that time is fair and reasonable and I won't be asking them to take any further action.*

*Finally, I'd like to point out that I've considered the comments relating to Mr and Mrs P's vulnerability. In the absence of any specific areas being highlighted, I assume this relates to their age. From their submissions I haven't seen anything to suggest that they aren't of sound mind or find making decisions difficult or that they require a higher level of care and attention. So, I don't think that there was a failing on ReAssure's part in relation to vulnerability and therefore I don't think an award needs to be made for this aspect of the complaint.*

### **Putting things right**

*I think that the offer that ReAssure has made to put things right is fair and reasonable. They*

*should pay Mr and Mrs P the November 2009 surrender value, plus 8% per year simple interest from the time until the date of settlement.*

*They should also refund the premiums paid towards the policy from November 2009 onwards plus 8% per year simple interest from the point of payment until the date of settlement.*

*This means the policy would end on this basis. Therefore, Mr and Mrs P may wish to seek independent financial advice on the impact the outcome will have on their circumstances.”*

## **Responses to my provisional decision**

ReAssure responded and said that they accepted my provisional decision. Mr and Mrs P's representative responded and said that I needed to reconsider my findings. This was because he thought I'd overlooked a fundamental element in relation to Mr and Mrs P's vulnerability. He pointed out that the correspondence had come from him, with Mr and Mrs P's authority and the fact I hadn't realised this undermined my decision making.

## **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 reconsidered everything, I'm still of the opinion that this complaint should be upheld in the way I set out in my provisional decision.

I note the comments Mr and Mrs P's representative has made. I'd like to reassure him that I was fully aware that the majority of the correspondence had come from him with Mr and Mrs P's authority. However, the initial complaint correspondence in October 2020 came from Mr P and we corresponded with him for two years before his representative became involved in the complaint in September 2022.

I also considered the correspondence Mr P had with ReAssure prior to referring the complaint to this service. Therefore, I'm satisfied that I saw enough correspondence from Mr P to make a reasonable assessment in the absence of any specific areas of vulnerability being highlighted.

So, in the absence of any new submissions or evidence relating to Mr and Mrs P's potential vulnerability, I'm not persuaded to depart from my provisional findings. ReAssure Life Limited should put things right as I've set out below.

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**My final decision**

For the reasons I've given above, I uphold this complaint. ReAssure Life Limited should put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P and Mrs P to accept or reject my decision before 9 December 2025.

Marc Purnell  
**Ombudsman**