

The complaint

Mr and Mrs M, as trustees of the M Trust, complain about a reviewable whole of life (RWOL) policy the trust holds with Phoenix Life CA Limited. They're unhappy with the outcome of a policy review in 2021 which said the monthly premium needed to increase significantly in order to maintain the sum assured. They think the policy was either mis-sold or the original terms have been breached.

What happened

For ease of reading I will only refer to Mrs M. She took out the policy, a Universal Life Plan, in the early 1990s and it initially provided cover of £50,000 for monthly premiums of £25.46. The policy was reviewed in 2021, and Phoenix wrote to Mrs M explaining that they'd changed the basis of their calculations. They'd previously reviewed the policy with a view towards maintaining cover until the next review point, but they'd changed it so they were now focused on whether the policy could provide cover for life.

Because of the change in their methodology, the policy required changes. In order to maintain the sum assured of £59,582.13 for the rest of Mrs M's life, the premiums would have to increase from £30.33 to £218.15. Alternatively, the sum assured could reduce to £14,160 and premiums would remain the same. There was a third option where Mrs M could leave the policy unchanged, but this came with a warning that it would fail a future review, and changes would then be required.

Mrs M complained to Phoenix about the outcome of the review, but they didn't uphold her complaint. They wrote to her explaining how the policy worked, specifically about its reviewable nature, and said that they thought the policy had been suitable for her circumstances when their agent had recommended it to her.

Mrs M didn't accept their findings and asked for our help with the matter. The complaint was considered by one of our investigators who thought it should be upheld. This was because he thought that Phoenix hadn't provided Mrs M with sufficient information over the years to enable her to make an informed decision about the policy. In his opinion, if they had done so then she would have surrendered the policy in 2014.

Phoenix accepted the investigator's findings, but Mrs M didn't. She thought the key issue she'd raised, that the policy had been mis-sold to her, hadn't been addressed. She also thought that Phoenix had breached the terms of the original contract and pointed to a guarantee in the sales documentation that said increases in premiums would be capped.

The complaint was reallocated to another investigator, and they considered the points Mrs M had raised. However, they didn't think that the first investigator's outcome was incorrect or that the policy had been mis-sold. Mrs M remained unhappy and asked for an Ombudsman to review the complaint, so it 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 don't think this complaint should be upheld and I will now explain why. I'll firstly explain my thoughts on whether the policy was mis-sold. From what I've seen, Mrs M's main issue is around the guarantees that were given when the policy was recommended to Mrs M. She's explained that the policy was sold to her on the basis that the minimum guaranteed sum assured was £50,000 and premium increases would be limited to the lesser of RPI or 8% in each period.

I've thought about the points she's raised and considered the rules that applied at the time. In summary, they say that a firm had an obligation to obtain sufficient information about a consumer's objectives and circumstances. They then had to ensure they made a suitable recommendation based on that information.

With this in mind, I've considered the available documentation from the time of the sale. Unfortunately, much of it is unclear but it shows that the salesperson gathered information from Mrs M about her employment status, financial circumstances and objectives. It was noted that life cover was a priority, and she wanted a policy that would provide financial security for her family.

I think the level of detail in the documentation shows the salesperson gathered sufficient information about Mrs M which would then allow them to make a suitable recommendation. However, because of the poor quality of the documentation, I cannot see that the salesperson made her aware of the reviewable nature of the policy. Equally, I can't see that she was provided any guarantees that the sum assured wouldn't change over time. Given that there is such a lack of evidence, I must also take the terms and conditions document she would have been given into consideration. The terms relating to reviews say:

"Reviews - Regular policy reviews are conducted from the fifth policy anniversary onwards to ensure that the benefits and premiums can continue at their respective levels and you will be advised of any adjustments necessary to the premiums and/or sum assured to maintain the plan."

In my opinion, this clearly shows that the policy is reviewable and either the sum assured or premiums could be subject to change. So, on balance, I don't think I can say that Mrs M wasn't made aware that the policy could be subject to change. I note the point she's raised that any increases in premium were capped but from what I've seen this relates to the policy's indexation option, not to the policy reviews. The terms relating to this point say:

"Indexation Option – Indexation of the sum assured and premiums in line with the Retail Price Index (RPI) can be selected at inception. The maximum increase in any year will be 8% and the company reserve the right not to apply an increase if it would have been for less than 2%. Prior to each policy anniversary the policyholder will be notified of the new premium and sum assured and the company will ensure that revised amounts are such as to enable the plan to be a qualifying policy. Once cancelled the indexation cannot be reinstated. No further evidence of insurability is required for increases under the indexation option."

In my opinion, this clearly shows that the cap on premium increases solely relates to the indexation option and not to any increases which may be required when the policy is reviewed.

I've also considered the illustration that Mrs M has provided. It shows a projection of the policy values in its first 20 years under the heading "HIGH COVER WITH INDEXATION". It says that the sum assured and premium will increase each year by the lesser of RPI and

8%. I appreciate that Mrs M thinks this demonstrates that there is a cap on how much the premiums can increase by, but in my opinion, this relates to the policy's indexation option. The key phrase in the illustration's heading is "with indexation", I think what the illustration shows is how much the sum assured will increase over time if indexation is applied.

Taking everything into account, I think the policy Mrs M was advised to take out met her need for a policy that provided cover for her family. While it is unclear exactly what was discussed, I think the policy documentation she received set out that the policy was reviewable and at each review there was no cap on the changes that could be made to the sum assured or monthly premiums. So, on balance, I'm satisfied that the policy was within the range of reasonable recommendations that the salesperson could have made to Mrs M. Therefore, I do not think it was mis-sold.

I've then gone on to consider if Phoenix provided Mrs M with sufficient information in the past in order to allow her to make an informed decision about the policy. Having done so, I agree with the investigator's opinion that Phoenix didn't meet the standards set by the regulator.

However, I disagree with his opinion that Mrs M would have surrendered the policy in 2014. This is because new information has come to light about the 2021 review. Phoenix have now said that the outcome of the review was incorrect, and the policy didn't require any changes at that time. They have also completed the 2025 review and while the policy requires changes, one of the options doesn't require the drastic changes that were proposed at the last review in 2021.

The 2025 review provided details of the changes the policy would need to maintain cover for life based on Phoenix's assumptions. It said that in order to maintain the sum assured of £59,582.13, premiums would have to increase from £30.03 to £314.52, which is clearly quite a significant change. However, there was an alternative option to reduce the sum assured to £46,114 and in Phoenix's opinion, this figure could likely be maintained for life by keeping premiums at their current level of £30.03.

So, I need to consider Mrs M's likely actions in 2014 if she'd been made aware of what the future held for her policy. I think that had she been made aware that the policy would likely be able to provide a sum assured for life of around £46,000 for premiums of £30.03, she wouldn't have chosen to surrender it. This figure isn't too far off the original sum assured and premiums of the policy and in my opinion is better value than she would have got if she'd tried to take out a similar non-reviewable whole of life policy in 2014.

So, despite Phoenix not providing Mrs M with sufficient information in the past, I don't think she would have taken a different course of action even if they had done so. Therefore, I'm not going to ask them to do anything to settle this complaint."

Responses to my provisional decision

Phoenix didn't respond to my provisional decision. Mrs M responded and made the following points, in summary:

- The crux of her complaint was that she believed she was sold a non-reviewable policy, evidenced by the sales illustration which guaranteed premium increases within a capped RPI range in any single year. It was only when the 2021 review arrived that she became aware of an additional process running alongside the annual indexation reviews.
- She was pleased that I'd agreed that Phoenix's communications were vague and

lacking. However, she was concerned with the provisional decision. The 2025 review had provided an option to maintain a monthly premium of £30.33 while accepting a sum assured reduction to £46,114. My decision to require no further action from Phoenix was based on her acceptance of this offer. She agreed with this, in principle, but her concern was that the policy would continue to be managed on the same terms and therefore would remain reviewable and very probably be subjected to future reductions to the sum assured. Therefore, the whole crux of her complaint was merely being kicked down the road.

- If the option for a fixed premium for a fixed sum assured was deemed reasonable then she was happy to agree such a compromise, if the policy was recategorised as non-reviewable by Phoenix Life or they provided assurances that it would be ring-fenced and excluded from future reviews.
- She was keen to resolve the issue, but she felt that the interim decision to reject her complaint and not require any further action was slightly flawed and required further validation from Phoenix Life.

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 in light of the submissions from Mrs M, I'm not persuaded to change my opinion and I will now explain why. My provisional decision set out why I thought that it was fair for Phoenix to review the policy and make changes to either the sum assured or premiums. It isn't the case that I thought that the policy was mis-sold because it was reviewable, that the reviews were unfair, that premium increases were capped outside of the indexation process or that it should be changed to a non-reviewable policy.

What I did think was that Phoenix's communications should have provided more information about the policy, including the level of charges that were being applied and what changes might be required in the future. However, I thought that even if they'd done this, Mrs M wouldn't have taken a different course of action such as surrendering the policy. This was because the communications would likely have shown that the policy would be able to sustain a sum assured close to the original level of cover for the level of premiums that were being paid.

But there is no guarantee that further changes won't be required in the future. The level of cover has been calculated based on Phoenix's assumptions about several factors including future investment growth and mortality rates. If these assumptions aren't borne out, then the policy's sum assured or premiums will need to be amended. This doesn't mean that Phoenix are acting unfairly, this is simply how the policy works.

So, while I appreciate Mrs M's concerns, because I didn't think the policy was mis-sold or that any guarantees were provided that there would be no changes or limited changes, I don't think Phoenix should take any further action such as making the policy non-reviewable. I remain satisfied with my original outcome – despite Phoenix not providing Mrs M with sufficient information in the past, I don't think she would have taken a different course of action even if they had done so. Therefore, I'm not going to ask them to do anything to settle this complaint.

My final decision

For the reasons I've given above and in my provisional decision, I don't uphold this

complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr M as trustees of the M Trust to accept or reject my decision before 29 December 2025.

Marc Purnell
Ombudsman