

The complaint

Mr and Mrs T, as trustees of the T Trust, complain about how Zurich Assurance Ltd have administered a reviewable hold of life policy they hold. They're unhappy that units have been deducted from the policy's investment fund to pay for the cost of cover, that the sum assured was increased in the past and that premiums have significantly increased over the last few years. For ease of reading I will mainly refer to Mr T.

What happened

Mr and Mrs T took out the policy in the 1980s and it initially provided a sum assured of £200,000 for monthly premiums of £134.26. It was reviewable and over time the sum assured increased to £269,638 but the premiums remained the same. At the 2022 review the sum assured reduced to £249,309 and Mr T complained to Zurich about the outcome of the review. Zurich looked into his concerns but didn't uphold the complaint.

Mr T raised another complaint with Zurich in 2024 as he was unhappy with the reduction in units in the policy's underlying investment fund. He also expressed dissatisfaction with the lack of updates from Zurich and the difference between the policy's sum assured and surrender value which he thought had come about because the policy had been mis-managed.

Zurich investigated his complaint but didn't uphold it, so Mr T asked for our help with the matter. The complaint was considered by one of our investigators who also didn't think it should be upheld. She said, in summary:

- Any concerns about the outcome of the 2022 complaint couldn't be considered as they had been referred to this service more than six months after when Zurich had issued their final response letter (FRL) to Mr T in 2022.
- Zurich were within their rights to make deductions from the units in the policy's investment fund as that was how the policy was designed to work.
- Zurich had been unable to send statements to Mr T between 2007 and 2022 as they hadn't held a valid address for him. They'd carried out an address verification exercise in 2022 and at that point had been able to update his address. She didn't think this was unfair as it was Mr T's responsibility to update Zurich when he'd moved.
- She didn't agree that the policy's premiums had increased to £347 per month and instead thought this figure was the cost of providing cover each month.

Mr T didn't agree with the investigator's findings and made the following points:

- He hadn't raised a complaint in 2022.
- He queried why the value of the policy had gone up despite money being taken out of it.

- Why had Zurich offered an increased sum assured when the premiums were lower than the cost of providing cover.
- He thought that Zurich could easily have made contact with him through his bank if they'd tried to.

The investigator wasn't persuaded to change her opinion. She couldn't find any evidence to support Mr T's claim that Zurich had changed their policy in 2010. She thought this related to Zurich's decision in 2010 to stop automatic sum assured increases in 2010 but that wasn't based on an upheld complaint. She also thought Zurich were within their rights to make a decision to offer an increase the sum assured if they thought that was appropriate and this wasn't something we could interfere with.

Mr T still remained of the opinion that the complaint hadn't been resolved. He thought that:

- The premiums shouldn't rise unless the sum assured had increased.
- No statements had been received prior to 2022 so he had no knowledge that the sum assured had increased.
- The 2022 statement had failed to mention that premiums had increased to over £320
- He was never told that units were decreasing.
- Zurich hadn't explained why the investment rose by over £4,000 in two months with fewer units.
- He'd been offered the option of increasing the sum assured instead of decreasing the monthly premiums which was the more logical option.

The investigator wasn't persuaded to change her opinion, so the complaint 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 this complaint should be upheld and I will now explain why. I'd like to reassure Mr T that I've read and considered all his submissions in their entirety – even if I've only briefly summarised the main points above.

Changes to Zurich's policy in 2010

Mr T has raised concerns about Zurich's changes to their policy in 2010 regarding automatic increase to a policy's sum assured. They made an internal decision to not apply an automatic increase and instead only apply the increase if the policyholder wanted to take it up. This doesn't seem unreasonable so I don't think they've acted inappropriately here.

The 2022 complaint

Mr T has said that he didn't raise a complaint in 2022. However, the available evidence shows that a complaint was raised in 2022 about the outcome of the 2022 plan review. Zurich sent Mr T their FRL in July 2022 and it explained that he had six months from that point to refer his complaint to this service. He didn't, so we are unable to consider any

complaint points relating to the outcome of the 2022 review.

Lack of contact from Zurich

I appreciate that Mr T didn't receive correspondence from Zurich for many years. However, it was his responsibility to update Zurich with his address once he'd moved so I don't think they were acting unreasonably when they stopped sending mail to an address once they'd been made aware that he was no longer living there.

The regulator introduced guidance in 2018 around how firms should try and trace "gone-away" customers who they didn't hold up to date address details for. This was what led to Zurich tracing his new address in 2022 and updating his details. It can be argued that they could have done this earlier, but I don't think that Mr T has been disadvantaged by this not happening sooner. No changes were made to his policy between 2018 and 2022, so I don't think that Zurich not having his address details has impacted him.

Issues relating to the decrease in units

It may be helpful if I firstly explain how reviewable whole of policies work in practice. The premiums that are being paid are used to purchase units in an investment fund. Units are then sold to cover the costs of the policy – such as the cost of providing cover and administration fees. This means that all of the premiums being paid into the policy aren't invested, just the difference between the premiums and the policy's costs. So it isn't the case that Zurich started to deduct units well after the policy had started, it was how the policy had been operating since the outset.

The cost of providing cover will increase over time as the lives assured get older. At the start of the policy when life cover costs are low, there will be a significant difference between the premiums being paid and the policy's charges. But at some point, the charges will exceed the premiums being paid and then the investment fund that had built up over time will then be used to offset the difference between the premiums and the charges. This doesn't mean that the policy isn't working as intended, this is how it was designed to operate. Therefore, I don't think Zurich acted inappropriately when they sold units to pay for the policy's costs.

Changes in premium and sum assured

The policy is reviewable, and its terms set out that Zurich can make changes to either the sum assured or premiums if they think that is appropriate. While I appreciate Mr T is concerned that the premiums shouldn't rise if the sum assured doesn't increase, this isn't correct. If Zurich perform a review and determine that the premiums being paid aren't sufficient to sustain the policy going forward, potentially because investment performance or mortality costs aren't in line with what they expected, then they are within their rights to increase the premiums or reduce the sum assured.

Reviews can also lead to a scenario where the policy is performing better than Zurich expected. If this happens then the policyholder will be offered the option to increase the sum assured without a corresponding increase in premium. I take Mr T's point that Zurich could instead offer a reduction in premium, but it is down to their commercial judgement whether they choose to do this, and I don't think they acted unfairly in not offering this option to him.

I note Mr T's point that the premiums increased to over £320 in 2022, but I haven't seen that this is the case. All the available evidence shows that the premiums haven't changed since the policy was taken out. It is likely that the figure of £320 relates to the cost of providing cover, not the premiums.

The increase in the policy's value in 2025

Mr T has queried why the value of the policy increased in 2025 given that units were being deducted from the policy. From what I've seen in 2024 the policy had 1,706.50 units and a unit price of £60.8490. In 2025 it had 1,675 units and a unit price of £65.2100. So, even though the policy had less units, the price of each unit had increased which led to the higher value.

So, in summary, I've considered all the points Mr T has raised but I don't think that Zurich need to do anything to resolve this complaint. I appreciate this will come as disappointment to Mr T but I hope he can understand why I've come to this conclusion.

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 Mr T and Mrs T to accept or reject my decision before 9 January 2026.

Marc Purnell
Ombudsman