

The complaint

Mr and Mrs M complain about how Aviva Life & Pensions UK Limited (Aviva) administered their reviewable whole-of-life (RWOL) policy when it told them either the sum assured or premium needed to significantly change.

What happened

Mr and Mrs M took out a RWOL policy with Aviva in 1987. They paid a monthly premium of £20 a month in return for the sum assured the policy provided.

Aviva wrote to Mr and Mrs M on several occasions to explain it had carried out a review of the policy in at least 2007 and 2015 before it was reviewed annually from 2018 until 2022, which was the last review prior to the complaint being made. In each of those reviews Aviva informed Mr and Mrs M about the changes required to sustain their policy, typically suggesting an increase in the monthly premium but also offering to maintain the premium at a lower sum assured.

Following the 2021 review, and other matters relating to this policy which are being considered under another complaint with myself, Mr and Mrs M were unhappy about the extent of the changes Aviva were recommending in summary that either the monthly premium be increased to £341.95, or that the sum assured be reduced from £69,373 to £24,936. Unhappy with either option, Mr and Mrs M complained to Aviva about the premium increase as they felt it was unaffordable for them.

Aviva considered their complaint but didn't think it should be upheld. In summary, it explained that the premium and benefits of the policy were only guaranteed for 10 years. After that, the policy would be subject to reviews in which Aviva would assess how long it expected the cover to last and what changes might be needed to support, or extend, that. It explained the terms and conditions of the policy allowed it to do so from the outset and that it had provided Mr and Mrs M with the information with the information it needed to following those reviews.

Mr and Mrs M remained dissatisfied and asked our service to look into what happened further. One of our Investigators considered the matter and thought it should be upheld. In his view Aviva ought to have been aware from 2013 that significant changes would likely be needed to sustain the policy and needed to communicate that fairly with Mr and Mrs M at that time. As our Investigator didn't think Aviva had done so, he thought Mr and Mrs M if they had clear information about the future prospects of their policy, would've surrendered it in 2013. He recommended that Aviva pay Mr and Mrs M the surrender value of the policy in 2013 with interest.

Mr and Mrs M didn't indicate whether they agreed with those findings but let us know they'd since surrendered the policy.

Aviva responded to our Investigator disagreeing with the outcome reached. It said, in summary, it had given Mr and Mrs M sufficient information about the future prospects of their policy. It explained the review letters it sent to Mr and Mrs M contained the information and

warnings our Investigator said it ought to have provided. In its view then it had told Mr and Mrs M about how long the policy would likely last, and what would be needed to extend it, which included the potential for significant changes to the premium or sum assured.

Our Investigator considered Aviva's further comments but wasn't persuaded to change his opinion.

As an agreement wasn't reached, the complaint was passed to me to decide. I reached the same outcome as our Investigator but with some different reasons and thoughts about how it should compensate Mr and Mrs M.

In my provisional decision I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Given the passage of time since this policy was taken out, some 38 years ago in 1987, the information Mr and Mrs M would've been provided with by Aviva in its role in providing the policy is limited. It wouldn't be fair then for me to make any inferences from the absence of information from that time. Importantly this includes the terms and conditions and any policy information that would've been provided to Mr and Mrs M when they took out the policy.

These documents in my experience typically set out how Mr and Mrs M's policy works and whether, and in what circumstances, the firm can make changes to the policy once it has been implemented. Aviva has explained that Mr and Mrs M's policy was a RWOL policy which guaranteed the sum assured and premium for the first ten years, after that time it would be reviewed every five years to check whether an increase to the premium was required to sustain it over the long term, or alternatively a reduction in the sum assured.

RWOL policies typically work by using the premium to pay for life cover with the excess, if any, being paid into an investment fund. Over time as the cost of the life cover increases, which it does with age, less of the premium is invested and more spent to maintain the life cover. The aim of this arrangement is that over time the investment element grows sufficiently to offset the higher costs of life cover in the future. The policy is then reviewed at regular intervals to evaluate whether the value of the investment fund, future premiums to be paid and the anticipated future cost of life cover would allow the policy to continue of the current terms. If that assessment is that it can't, then the review would "fail", with options being set out to sustain the policy for longer. Those typically being an increase in the premium paid, the sum assured being reduced, surrendering the policy, or taking no action and letting the policy lapse once it can no longer sustain itself.

The policy terms and conditions I've seen for RWOL policies generally around this time typically set out these policies operating in the manner I've described above. As Mr and Mrs M's policy provided a high level of cover for a relatively low premium at the outset and was reviewed at the times it was, it's likely in my view their policy was a RWOL one. I'm satisfied then that Mr and Mrs M's policy terms likely explained to them that their policy was reviewable on that basis, and what that meant. It follows then I think Aviva wouldn't be acting unfairly by carrying out those reviews as it's terms likely allowed it to.

But to apply any changes from those reviews fairly, Aviva would've needed to present information about their policy and the suggested changes to them in a

clear, fair and not misleading way. I say this because in meeting the regulator's requirements around this firms needed to ensure that they provide policyholders with sufficient information for them to be able to make an informed decision about what changes to make on their policy, and how this might affect it in the future, before it's too late for them to do anything about it.

In Mr and Mrs M's circumstances their policy is said to have been reviewed in 2007, 2015, and then 2018 up until 2022.

Aviva has provided the cost of providing life cover to Mr and Mrs M since the policy was taken out. This shows the tipping point, when the cost of life cover became more expensive than the premium they were paying, was in 2014. At this time the cost of life cover was £714.62 against the premiums paid that year of £664.68. This was an important moment in the policy as this is when the difference between the premium and costs of life cover would be paid from the investment element of the policy. This would be important information to Mr and Mrs M when making an informed decision about what to do with their policy.

In my view then Aviva ought to have set out clearly to Mr and Mrs M that their policy would likely need significant changes in the future to sustain it long term. Aviva carried out a review in 2015, shortly after this tipping point occurred. I've carefully reviewed the contents of this letter sent to Mr and Mrs M following that review, which told Mr and Mrs M their policy had a value of £8,562.75 and that they were currently paying a premium of £55.39 for a sum assured of £63,059. It then importantly explains on the current terms it only expected the policy to last another five years, at which point if no changes are made the sum assured was expected to reduce to £19,561.

It then set out a number of options which included the changes required for the policy to last for a further 10 years, and also for it to be able to potentially last throughout their life. Both of these changes would require a significantly higher premium to be paid. The 10 year option being an increase of more than double, from £55.39 to £112.77. And the option looking to cover for life increasing from £55.39 to £227.03, an increase of over 300%.

If Mr and Mrs M didn't want to do either of those things, Aviva explained they could also reduce the sum assured to a level which may maintain the policy for another 10 years or for life. Which would likely be a significant reduction given the premium needed to sustain the level of cover they had.

While I think Aviva could've provided more information about what it expected the future cost of life cover to be and the long term impact of the proposed increases in premium or reduction in the sum assured, I'm satisfied the above overall on balance gave Mr and Mrs M sufficient warning their policy was now at risk of not lasting as long as they were expecting and would require a significant reduction in the cover provided in around five years' time. I also think the size of the increases required to maintain the policy at that time in 2015 illustrated the significance of the changes that their policy needed then, and potentially again in the future.

However, I'm not satisfied that Aviva made Mr and Mrs M aware of all the options available to them to allow them to make a fully informed choice. I say this because the options presented to Mr and Mrs M all involved them keeping the policy by either increasing the premium or reducing the sum assured. That presentation of options, in my view, didn't make it sufficiently clear that Mr and Mrs M could surrender the policy for its cash value. So, while I accept Aviva had given them

information which was sufficiently clear about the extent their policy would need to change now, and likely in the future, I think in communicating its review in a clear, fair and not misleading manner ought to have included the option to surrender. I also note the later reviews follow a similar presentation, that information had been provided about the future prospects but surrendering not being clearly presented as an option available to them.

I've considered then what Mr and Mrs M would've likely done had Aviva presented the full range of options to them, including surrender. Having done so, I think it's likely they would've surrendered, taken the cash value and ended the policy. I say this because at this point they would be aware that the investment part of their policy had a value of around £8,562.75 and wasn't now likely to grow in the manner they had been used to where it would now be used to pay for the cost of life cover, which would typically now increase from this point on.

Importantly Mr and Mrs M recall that they took out this policy because they understood it as "a savings account with life insurance built in at a small cost due to our ages". With the information Aviva had provided in the 2015 review, had it provided the option to surrender more clearly, I think they would've reasonably understood that their premium would no longer be adding into the investment element and that itself would now be reducing as it offset the increased cost of life cover. Making it then more difficult and less likely the investment element to provide the savings element they thought they were taking out the policy for. In their mind then I think they would've reasonably considered the policy was no longer serving the purpose they took it out for. I also note they've said they would've surrendered the policy had they had clearer information, and in fact later did recently in January 2025.

While Mr and Mrs M opted to increase the premium in reviews, from what they've said I understand this to be because they thought they were improving the investment prospects of their policy, which in effect they were. I think their aims to use the policy as a savings vehicle was likely along the same lines as before and because of that they would've thought to use the cash proceeds by encashing the policy to meet those objectives through another product or policy, rather than it indicating that they wanted to maintain the sum assured or had another need to keep the policy for.

It follows then I intend to say, in the circumstances at hand, had Aviva clearly presented the option to surrender alongside the other options given to increase the premium or reduce the sum assured, I think it's more likely they would've surrendered the policy and sought an alternative product or policy elsewhere. I say this because I think having a clear option to surrender was important to them and likely in my view would've been the one they acted on following the 2015 review for the reasons explained above. As I've taken the view the policy would've been surrendered in 2015, the other reviews wouldn't have taken place and so I don't need to consider those further.

Putting things right

In compensating Mr and Mrs M, I intend to say that Aviva needs to put them as closely as possible to the position they would be in had they surrendered the policy in response to the 2015 review. I intend to direct Aviva then to do as follows:

- *Pay Mr and Mrs M the surrender value as it would've been at the 2015 review,*
- *Refund the premiums paid since the 2015 review, and*
- *Pay Mr and Mrs M 8% simple interest to reflect the loss of use of those funds on:*
 - *The surrender value from the 2015 review until it was encashed.*
 - *Each premium paid from the date each premium was paid until settlement.*
- *Less the surrender value paid to Mr and Mrs M in January 2025.*

By making this award I'm putting Mr and Mrs M in the position they would be in had they surrendered the policy and paid nothing further towards it. I'm aware they have since surrendered this policy and received a cash value of around £15,357.23. The above then allows Aviva to deduct that in the calculation above as to not do so would put Mr and Mrs M in a better position than the one they would be in had they surrendered it in 2015."

Both Mr and Mrs M and Aviva responded to my provisional decision.

Mr and Mrs M accepted the outcome I reached and provided further comment on the affordability of this policy, changes to both the provider and terms over time and matters relating to their other separate complaint about this policy.

Aviva didn't agree that it hadn't clearly set out the option to surrender. It explained that its 2015 review letter had included the policy value, projections and that it was clear the policy could be surrendered at any time. It also highlighted some particular wording in the 2015 review letter which it argued the 5th option provided to Mr and Mrs M of "other" could've been used to surrender the policy. Lastly, it said if Mr and Mrs M understood the policy to be a savings plan as they said then they ought to have known they could've surrendered it at any time.

As both parties have responded, Mr and Mrs M's complaint has been returned 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 while I've considered the further submissions, I'm not persuaded to change the conclusions I reached in my provisional decision. I'll explain why.

I remain of the view that Aviva ought to have made the option to surrender clearer to Mr and Mrs M. I say this because when Aviva presented Mr and Mrs M with their selectable options in 2015, the only options it presented clearly were those that would continue the policy. Those being the changes aiming to support it to last for their life or the next 10 years on the respective terms. When thinking about this, in my view Aviva ought to have presented the option to surrender equally clearly as a selectable option alongside the options to increase the premium or reduce the sum assured. I say this because I consider it to be an equally important option and so ought to have been presented in the same manner as the options to change the premium or sum assured. Instead, Aviva only included a "Other" option which I don't think is sufficient to mitigate the absence of a surrendering as an option given the lack of other clear information about it.

I accept the review letter does touch on surrender, but I'm not persuaded it was given enough prominence close to the same level as the options to maintain the policy into the future. I say this because it is placed much further down on the fifth page of a document that is already providing a lot of information and is under the heading "Regulatory Changes and Investment Expectations", rather than alongside the discussions around changes in premium or the sum assured in the, much clearer, "What to do now" section. In my opinion this document makes only a mere passing reference to surrender and does so along with statements about the "valuable" benefits and that replacement options would be more expensive and suggesting discussion with a financial adviser before making any decisions. I understand why Aviva made those statements but in the whole against the options to maintain the policy they would be reasonably read as being dissuasive and not providing fair balance between the much clearer options to maintain the policy. It follows then I'm not persuaded in these circumstances that Aviva provided information about Mr and Mrs M's options in a fair manner.

For the reasons explained in my provisional decision, I think it's more likely Mr and Mrs M would've surrendered the policy had that review presented their options more clearly.

I understand the point Aviva has made that if Mr and Mrs M thought it was a savings product then it ought to have been clear to them they could surrender it at any time. Mr and Mrs M have also explained they had considered surrendering before but the adviser who sold this policy, until that arrangement ended around 2014, dissuaded them from doing so. Importantly this was at a time prior to them being aware of the significance of the future changes of their policy.

But in my view against the backdrop of the prominence of the other options and dissuasive portrayal of surrendering, by Aviva, at the moment Mr and Mrs M were being asked to decide what to do with their policy, the lack of surrendering as a clear option would in my mind reasonably prevent that option being in front of mind, particularly where what little said about surrender would likely be understood in a dissuasive manner. I don't think it's unreasonable then Mr and Mrs M didn't consider surrender as an option at the time despite their understanding the policy was being part used as a savings plan.

It follows then my final decision is the same as my provisional decision, that Mr and Mrs M's complaint is upheld.

Putting things right

I've not seen to depart how Aviva needs to calculate the compensation due to Mr and Mrs M. For clarity I'll repeat that as follows.

In compensating Mr and Mrs M, I intend to say that Aviva needs to put them as closely as possible to the position they would be in had they surrendered the policy in response to the 2015 review. I direct Aviva then to do as follows:

- Pay Mr and Mrs M the surrender value as it would've been at the 2015 review,
- Refund the premiums paid since the 2015 review, and
- Pay Mr and Mrs M 8% simple interest to reflect the loss of use of those funds on:
 - The surrender value from the 2015 review until it was encashed.
 - Each premium paid from the date each premium was paid until settlement.
- Less the surrender value paid to Mr and Mrs M in January 2025.

By making this award I'm putting Mr and Mrs M in the position they would be in had they surrendered the policy and paid nothing further towards it. I'm aware they have since surrendered this policy and received a cash value of around £15,357.23. The above then allows Aviva to deduct that in the calculation above as to not do so would put Mr and Mrs M in a better position than the one they would be in had they surrendered it in 2015.

My final decision

I uphold Mr and Mrs M's complaint and direct Aviva Life & Pensions UK Limited to settle it as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr M to accept or reject my decision before 14 January 2026.

Ken Roberts
Ombudsman