

## The complaint

Mr and Mrs M complain about the way Phoenix Life Limited has administered their whole of life policy. They said following a review they were erroneously told the policy would lapse in a years' time despite them maintaining the premiums for many years. They are unhappy the review process, resulting in premium increases, hasn't been explained properly.

## What happened

In November 1988, Mrs M took out a reviewable whole of life policy with Cornhill (now Phoenix) - Mr M was later added to the policy. The policy had a sum assured of £100,000 and a premium of £30 per month. It was designed to be reviewed after 10 years then at regular intervals to make sure the premium being paid is sufficient to maintain the level of life cover.

The policy was reviewed on several occasions in the intervening years, and no changes were required, until a December 2018 review letter was sent to Mr and Mrs M. This advised the premiums weren't sufficient to maintain the level of cover. Mr and Mrs M were given the option to reduce the cover to £80,715 or increase their premium to £60.24 to keep the existing cover in place. They agreed to increase the premium.

The policy was next due to be reviewed again in 2023. Phoenix sent a letter in November 2023, saying as it hadn't received a response to a previous letter, no changes would be made. But it also explained it is unlikely the policy will reach its next review in 2027 because the investment value cannot maintain the benefits at the current level.

In January 2024, Mr and Mrs M raised a complaint with Phoenix as they were unhappy about being told the cover would lapse in the next few years despite them maintaining their premiums for many years.

Phoenix then sent another letter on 16 January 2024, providing options for the policy going forward. It said Mr and Mrs M would need to increase their premium to £101.33 to keep the cover the same, or they could maintain the current premium and reduce the cover to £72,187.

After this Phoenix responded to the complaint. In summary it said:

- It hadn't provided an acceptable level of service over recent months. It apologised for sending a review letter in November 2023, which contained errors. It issued an amended review letter in January 2024, giving Mr and Mrs M options going forward for the policy to either reduce the sum assured or increase the premium.
- It offered £300 as an apology for any trouble or upset that the issues may have caused.

Mr and Mrs M weren't satisfied with the response, so referred it to this service for an independent review.

I issued a provisional decision in November 2025. This is what I said:

*“At the crux of this complaint is the reviews that have been carried out on the policy during the time it was held by Mr and Mrs M. The features of the policy taken out meant it was always subject to reviews – and this was set out in the policy documentation. Mr and Mrs M have provided a copy of the policy schedule, and this makes reference to the sum assured, and that after ten years it is determined in accordance with ‘Policy Review’ and refers to ‘Condition 19’. Phoenix has provided the original Cornhill terms and conditions – and Section 19 confirms policy reviews will be carried out from the tenth anniversary and then every subsequent fifth anniversary. It also explains the policy could be altered at review with premiums increased or benefit reduced. So, I find Phoenix was entitled to review the policy – and it was always possible changes might be needed as part of the review outcome.*

*I’ve gone on to look at how Phoenix has administered the policy – particularly in relation to the reviews. In making this decision, I’ve taken into account the following standards:*

- *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).*

*With these standards in mind, I think that Phoenix ought to have provided Mr and Mrs M with clear, fair and not misleading information about the policy. What I’ve drawn from the guidance is that its communications to Mr and Mrs M 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. And they should have provided this information within a reasonable time frame where the costs of the policy overtook the premiums being paid.*

*The first review was due to be carried out in 1998, with reviews being carried out every five years after that. I’ve not seen any of the early review communications (from 1998, 2003, 2008 or the 2013 reviews), this means Phoenix hasn’t been able to show how it met its obligations in terms of information. But as the premium and cover remained at the original levels, I’ve assumed the outcome of these reviews was that no changes were needed.*

*The first review letter I’ve seen was from the 2018 review. This letter explained the policy had been reviewed and advised the premiums were not sufficient to maintain the benefits – and action was needed to either reduce the level of benefit or increase the premiums. As set out above, Mr and Mrs M chose to increase the premiums to maintain the cover at £100,000. But the letter didn’t provide much more information than this, for example it didn’t provide information to show the costs of the cover were increasing or anything about performance of the policy. It also didn’t give information about how long the policy was projected to be able to maintain the current level of cover going forward, or what further changes were likely to be needed.*

*At the next review in 2023, the review letter also indicated changes were needed. Phoenix has admitted there were some errors in communicating the outcome of this review. While it isn’t clear what happened, the letter provided from November 2023 suggests Mr and Mrs M had already been written to requiring them to make changes but as no response had been received the policy would remain the same. But a warning was given that it would lapse before the next review. This is what prompted Mr and Mrs M’s complaint. I haven’t seen an earlier review letter that they failed to respond to. It does seem that confusing information was provided at the time of this review. A correction letter was sent by Phoenix in January 2024; this again gave options to either increase the premiums or reduce the level of cover.*

*Having considered the review letters Phoenix has provided to show how it communicated to Mr and Mrs M, I think the level of information has been insufficient. For example, whilst the reviews weren't misleading in telling Mr and Mrs M where changes were required, they weren't clear because they didn't set out any of the key information about the costs of the policy or how those costs were increasing. I've not seen any statements which showed this information either and, without it, Mr and Mrs M were unable to see how the policy was performing and, importantly, how the costs of the policy were increasing.*

*As previously noted, Phoenix hasn't been able to provide any information relating to the earliest reviews, so I can't be sure that it did meet all of Mr and Mrs M's information needs. While there isn't an indication of failed earlier reviews, it does still mean I can't be sure whether there was information Mr and Mrs M should have known about that was available to Phoenix about the performance of the policy.*

*As part of our investigation Phoenix has provided details of how the costs of the policy were increasing in comparison to the premium being paid. From the information provided by Phoenix, it seems as early as 2003 the costs of providing the life cover for the policy were starting to exceed the premiums being paid. For a while after this, the premiums paid were higher as the cost of providing the cover did reduce slightly, but from 2009 onward the costs have been higher than the premiums. This information should have been provided to Mr and Mrs M soon after this tipping point was reached, and on an ongoing basis. As it wasn't, I do find Phoenix has failed to meet its obligations in terms of Mr and Mrs M's communication needs.*

*But, at the same time, I'm not persuaded that clearer information would've made a difference to Mr and Mrs M. I'll explain why. Mr and Mrs M have provided further information about their circumstances since taking out the policy. This includes the fact Mr M was added to the policy, and that they married and had three children in the years after starting the policy. They explained the purpose of the life cover was to ensure that whatever happened to them during their life, when they died, they had sufficient capital to cover all expenses, including funeral costs and other eventualities. This all indicates to me that they valued the cover as it provided security for their family. In my view, the need for cover remained at the points of the policy reviews through 2003 to 2013 as Mr and Mrs M still had dependents. And at the 2018 failed review, they decided to pay the increased premiums. So, I think this supports they still valued and wanted to keep the life cover at the original level while they still found the premiums affordable and the policy was of value for the benefit provided.*

*While our investigator's view was that Mr and Mrs M would have considered surrendering the policy in 2013 if they had clearer information, I'm not persuaded the evidence supports this is the likely action they would have taken. They have told us about some concerns relating to a potential shortfall on an endowment policy that was needed to cover a mortgage at this time, and they were considering withdrawing funds from this policy to help. But I don't think this is sufficient to say they were prepared to give up the full value of the benefits provided by the policy. They had previously taken a partial surrender from the policy and continued with it maintaining the full life cover. So, it seems more likely to me they would have kept the policy in place at this time rather than lose the cover completely as they still had a need for the amount of cover being provided.*

*In conclusion, I haven't been persuaded it's likely Mr and Mrs M would have made any changes to the policy or surrendered it even if they had been provided with sufficient information earlier.*

*Lastly, I note that Phoenix offered Mr and Mrs M compensation after it admitted errors with its communications at the time of the 2023 review. It is clear these errors caused Mr and Mrs M upset and worry when they were told the policy would lapse before Phoenix corrected the*

*review communication. Having considered this offer, I'm satisfied it is fair and reasonable in the circumstances. So, I find that Phoenix should pay this compensation to Mr and Mrs M. I realise this will come as a disappointment to Mr and Mrs M, but I don't find Phoenix needs to do anything further beyond this."*

Mr and Mrs M responded and provided further submissions for me to consider. In summary they said:

- From the outset they were made aware from the policy document that there was a review timetable in place, first review after ten years, followed by reviews at intervals of five years, then annually, after age 70 years old. The lack of adequate information and explanation of how the policy is affected by the performance of the investment element of the policy, along with premium payments, made these reviews of little value to them in making informed decisions, especially in the subsequent years when the policy changed from Cornhill to Phoenix.
- One of the attractions of the policy was the flexibility to withdraw funds if needed. It is alleged they made a partial withdrawal of £4,500 in June 2006. In February 2009, they wrote to Phoenix disputing the claim that they made this withdrawal. The outcome was that there was no change in the sum assured and no change in the premium payments. It is not correct to say they didn't respond to Phoenix in 2009 and provided a copy of the letter they sent. The reviews in 2008 and 2013 didn't require any changes. This further underlines the point that if they had made the partial withdrawal in 2006 as was alleged, the premium and sum assured would have been revised and changes made, but this didn't happen.
- After the 2018 review the premium payment was increased by over 100%. They disputed this increase at the time. Also, around this point they received correspondence from Phoenix which stated *"This means that at some point in the near future your policy's investment value will fall to a level at which the protection benefits cannot be maintained, and the policy will at this point lapse, with no money due to you. Once the policy has lapsed its protection benefits will stop."* This was the first time they were introduced to the idea the policy could lapse. The 2023 review letter also mentioned that the policy is likely to lapse before the next review date. Phoenix subsequently said this was a clerical error. But they don't think this was a clerical error, because it had already been stated in previous communications received from Phoenix between October 2018 and October 2023. This information is false and misleading. It is clear that they could not make any meaningful decisions on what to do with the policy using this false, misleading information sent to them by Phoenix. They paid the increased premium, under protest, in 2018, because they were informed that the policy would lapse, which was not true. They have come to understand that the whole life policy cannot lapse if the premiums are fully paid, the only change on review will be either a reduction in the sum assured or increase in premium payment.
- They question why they would continue paying for the policy if it had failed or was likely to lapse, and they were informed. It would become quite clear and obvious that the policy is not likely to meet their future needs. The options open to them would be more obvious with clearer communication and they would not have continued with the policy. They have taken action in the past with other protection policies to make changes that met their needs.

They provided copies of communications they received during the time they've held the policy – including the original policy schedule from 1988, annual investment reports from 1990, 1992 and 1993, a policy endorsement letter from February 1996, policy illustrations from December 1999 and the 2013 policy review.

Phoenix hasn't provided me with anything further to consider.

### **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.

I've re-considered everything in light of the further evidence and arguments Mr and Mrs M have provided in response to my provisional decision. But I haven't found reason to alter the findings I set out. I'll explain why.

Firstly, I acknowledge the points Mr and Mrs M have made about the partial withdrawal Phoenix had suggested they made in 2006. It is clear that they don't recollect making a withdrawal and have provided a letter they sent in 2009 to inform Phoenix of this. From the evidence I've been provided with, I can't say with certainty whether a withdrawal was made at this time or not. So, I understand why Mr and Mrs M raise this as a discrepancy, and why they believe it supports their arguments about Phoenix's communications on the policy. While I have taken the further evidence about this into account, I don't think I need to investigate further here as reaching a finding on whether a withdrawal was made in 2006 or not, isn't critical to my overall findings on the complaint.

I note Mr and Mrs M have provided a copy of the 2013 review letter. This explained the premiums were sufficient to pay for the policy's current level of benefits until the next scheduled review in 2018, so changes weren't needed at this time. It also provided the current value of the policy. There is some information to inform Mr and Mrs M about what might happen in the future. The letter explains at the next review in 2018 it is possible that changes might be required, and it estimated the existing cover could continue for a further eight years. But it did go on to explain this was based on assumptions and changes could still be needed at future reviews.

In the FAQs section of the letter about policy reviews, it does explain the cost of providing cover rises as you get older, and it is possible the true cost of the life cover may already exceed the premiums being paid. But there is no specific information given about Mr and Mrs M's policy at this time. And as explained in my provisional decision, the cost had exceeded the premiums on Mr and Mrs M's policy at this point, but this information wasn't set out to them. So while this review letter did give some of the information required, it didn't provide everything Mr and Mrs M should have been told about. So I still think there is a failing here to provide clear information to them.

Mr and Mrs M have raised a point about the communications given in the 2018 and 2023 reviews about the possibility of the policy lapsing. They say the first time they were informed about the potential for the policy to lapse was at the 2018 review. They reluctantly agreed to increase their premiums but did raise concerns at the time. When a further warning about the policy being at risk of lapsing in 2023, Phoenix explained there had been a clerical error. Mr and Mrs M dispute this to be a clerical error as it wasn't the first time the possibility of the policy lapsing had been communicated.

I've considered this issue. While Mr and Mrs M say Phoenix had communicated the possibility of the policy lapsing before, I don't think that means there wasn't an error in the November 2023 letter Phoenix sent. In the situation where changes are required but a policyholder doesn't make agree to do anything with the policy, the likelihood is a policy of this type would lapse without value as the fund value would be used to pay the cost of the policy and this would run out quickly without any changes (i.e. to either increase the premium or a reduce the level of benefit). But I note Mr and Mrs M did increase their premium in 2018, meaning their policy was guaranteed (provided the premiums were paid)

until the next review. This information was communicated to Mr and Mrs M in January 2019 after they returned the options form to agree to the premium increase.

From my review of the communications at this time, I'm satisfied the contents of the November 2023 letter was incorrect regarding the future options for the policy. And Phoenix replaced this communication with its 16 January 2024 letter, which clearly set out the options for the policy going forward. The compensation offered was to recognise the impact of the failings in these communications.

Mr and Mrs M say they would have acted if they were given clear information about their policy. They have referenced action they took with another policy in 2016 to support that they were prepared to make decisions to reflect their circumstances. I have considered this, but I'm not persuaded to change my findings on whether Mr and Mrs M would have acted differently with this reviewable whole of life policy if they were given clearer information. I think the balance of evidence doesn't support that they would have sought to make changes or surrender the policy earlier. At the time of the earlier reviews, they still had a need for the cover the policy provided as they had dependents, and the evidence indicates they valued this level of benefit. In my view, it is more likely to me they would have kept the policy while they were able to at the original level rather than lose the cover completely or make significant changes to it.

For completeness, I remain of the view the £300 compensation offered is fair and reasonable in the circumstances. So, I find that Phoenix should pay this compensation to Mr and Mrs M in resolution of the complaint.

### **My final decision**

Phoenix Life Limited has already made an offer to pay £300 to settle the complaint and I think this offer is fair in all the circumstances.

So, my final decision is that Phoenix Life Limited should pay £300 to settle the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 5 February 2026.

Daniel Little  
**Ombudsman**