

## The complaint

Mr A is unhappy with the administration of his Reviewable Whole of Life (RWOL) policy.

## What happened

Mr A took out a RWOL policy, a Maximum Protection Plan (MPP) with Imperial UK which commenced in March 1987.

Phoenix Life CA Limited trading as Sun Life Financial of Canada (Phoenix Life) are now responsible for answering a complaint about Mr A's MPP so I will refer to them only throughout this decision.

The MPP had a sum assured of £23,600 and monthly premium of £20, on a maximum basis. The plan had a guaranteed insurability option, which meant that Mr A was able to take out another MPP on the third anniversary of the plan and every three years thereafter until March 2003.

I've been provided with a copy of the MPP terms and conditions, about policy reviews this states:

*"The first review takes place after 10 years, then every 5 years until the Plan anniversary nearest the 65<sup>th</sup> birthday of the older life, or the surviving life assured and annually thereafter."*

And about "making the plan paid up":

*"As an alternative to cashing-in the Plan, and provided the cash-in value is at least equal to a minimum amount (currently £500) you may ask us to make your Plan Paid-Up. This means that you cease your contributions and all other options will be cancelled, unless requested otherwise. The sum assured in force immediately before you cease your contributions may have to be reduced. Every month thereafter, units will be cancelled to meet the mortality cost for this reduced level of life cover."*

*"After your Plan has been made Paid-Up, you may still cash in your Plan at any time for the bid value of units remaining allocated. If all the units are exhausted by the provision of life cover, the Plan will cease automatically."*

I understand Mr A took out a further two MPPs, however these were surrendered as the premiums became unaffordable.

Mr A's original MPP passed reviews in 1997, 2002 and 2007. From 2012 the reviews became annual and, in 2019, the MPP failed a review. This set out that the plan had a current value of £3,503.24. Mr A was given three options:

- Increase his premiums to £22.77 per month to maintain £23,600 sum assured.

- Keep the premiums as they were at £20 per month and decrease the sum assured to £22,420.
- Increase his premiums to £123.70 per month for life. With no guarantee that further increases may be needed.

Mr A increased his monthly premium to £22.77 per month in order to maintain the sum assured. The MPP failed its 2020 review, Mr A was offered the same three options above this time with a deduction to the sum assured to £20,060, an increase of premium to £34.48 per month to maintain the current sum assured or £132.76 per month for the life of the policy. On this occasion Mr A chose to maintain his monthly premiums and so the sum assured reduced to £20,060.

In 2021 the MPP again failed its review, Mr A decided to increase his monthly premium to £35.53 in order to maintain a sum assured of £20,060. The 2022 review also failed, the options given to Mr A were to increase his premiums to £57.58 per month to maintain a sum assured of £20,060, reduce the life cover to £11,378.48 or increase his monthly payments to £130.12 per month for life.

In 2023 Mr A contacted Phoenix Life for some information about his MPP. They wrote to him on 3 July 2023, this letter refers to previous correspondence which I have not had sight of. Phoenix Life offered Mr A the following information and options whilst he awaited his annual review:

- £35.53 per month would provide a sum assured of £8,810 for life.
- £100.40 per month would provide a sum assured of £20,060 for life.
- If he surrendered his MPP within 60 days Phoenix Life would backdate the surrender value to 2022 and refund any premiums he had paid since then.
- Pay Mr A £355.30, the equivalent of 10 months premiums.

Mr A asked Phoenix Life if the sum assured and premiums given could be guaranteed for life, Phoenix Life responded in August 2023 they said:

*“When we last spoke, I mentioned the possibility of ensuring the premium and sum assured our Actuarial team quoted could be guaranteed. Unfortunately, after discussion with my manager, the way our system is set up, we would not be able to do this, as the system does all the work and calculations automatically.*

*Instead what I propose is we would guarantee the surrender value of your plan at the level it was when the quote was issued, We would make up any shortfall so when the calculations are made in our system for your plan review, they would match the circumstances at the time the quotes were generated.”*

Mr A responded in August 2023 thanking Phoenix Life, he said he would consider the options given to him following the MPP review which was due in October 2023.

I understand that Mr A has not received a review since 2022 and his MPP has maintained a sum assured of £20,060 at a premium of £35.53 per month. Phoenix Life have said this is due to them not being able to provide accurate reviews as they are making a change to the methodology they use to review plans. I understand that during this period of time Phoenix Life have maintained a benefit of £20,060 for a monthly premium of £35.53. Phoenix Life will issue a review once they're able to provide an accurate review to Mr A.

Mr A says he called and spoke to Phoenix Life on 13 June 2024, I have been provided with a call recording that matches Mr A's description of this call.

*Mr A: "I had assumed that the cover would have gone down, but it hasn't, it's stayed the same. Does that mean my premiums will stay the same?"*

*Adviser: "I can see that the premiums you paid in for the guaranteed minimum benefit looks like it has already been fully paid up so now it is just the cost of maintaining the policy and additionally the small investment element to it"*

The adviser says they will go and check if that is the case. Mr A explains that he just wants to know if his premiums will remain the same, he doesn't want to receive a letter which says the premiums will suddenly increase. The adviser returned to the call and said that there were a few questions which needed to be answered and said:

*Adviser: ". . . so this policy can technically be paid up, however, it states here that the cover would be reduced but because you've paid the full amount to be guaranteed the minimum death benefit on this policy it would raise questions of if that death benefit, that guaranteed amount we would pay out upon your death would remain the same or if that's what would be reduced"*

Mr A says he is very confused, the adviser confirms to Mr A:

*"you have fully paid for the guaranteed minimum benefit . . . it states that it is fully paid on our system"*

The adviser says Mr A wouldn't have to pay premiums if he makes the MPP paid up, which the system said he can do. The call ended with the adviser saying he will confirm in writing if Mr A making the MPP paid up would affect the sum assured.

A letter was sent to Mr A on 17 June 2024 this set out that the MPP was a reviewable plan, explained the last review was in February 2021 and offered Mr A two options which it asked him to choose from:

- *"Keep your current cover until their next policy review. If you choose this option the premiums will rise every month. This is the minimum premium you need to pay to keep your current cover until the next time we review your policy.*
- *Reduce your cover to, this will keep paying the premium as is until your next policy review"*

Mr A raised a complaint, he said he had been provided with confusing information and wasn't happy with the service he had received.

On 24 June 2024 Phoenix Life issued their final response letter. They didn't uphold Mr A's complaint, in summary they said:

- Mr A called on 12 June 2024 to request in writing whether it would be possible to keep the premiums level.
- A letter was sent to Mr A on 17 June 2024 to explain as this is a reviewable policy it's not possible for the premiums to remain level and some options were provided to Mr A.
- Phoenix Life agreed to provide Mr A with some projections.

There was some further back and forth between Mr A and Phoenix Life, and, on 31 July 2024 Mr A reiterated why he was unhappy with the service he had received and explained after discussing things with his wife they would like to, reluctantly, reduce the sum assured to £8,810 for £35.53 for the life of the policy.

As no agreement could be reached Mr A referred his complaint to this service. Some of the points Mr A raised were in relation to the sale of the MPP.

An Investigator provided their jurisdiction assessment, this set out that this service did not have jurisdiction to consider a complaint made about the sale of the MPP. But, the administration complaint was in this service's jurisdiction. In response Phoenix Life agreed that this service could consider the complaint raised about the administration of the policy. And Mr A understood this service could not consider a complaint about the sale.

The Investigator went on to consider the administration of the policy, they didn't uphold Mr A's complaint. They said that Phoenix Life ought to have provided Mr A with clear and not misleading information in 2009, when the costs of the MPP exceeded the premiums Mr A was paying. But they didn't. However, even if Phoenix Life had provided clear information to Mr A the Investigator concluded he would not have done anything different than he did.

Mr A didn't agree with the assessment and so it was passed for an ombudsman to review it. In summary Mr A made the following additional comments:

- Phoenix Life didn't explain what they meant when they spoke about the MPP being 'paid up'.
- He kept the original MPP as the monthly payments had not increased, but he had to cancel the two other plans due to affordability.
- Mr A wasn't sure what he would have done had he been given clear information in 2009 – so how can the investigator conclude what would have happened.
- He asked if Phoenix Life could fix the monthly payments for less of a sum assured.
- About the missing reviews Mr A suggested that Phoenix Life are not acting within the terms of the MPP and he was concerned about the accuracy of previous reviews.

I provided both parties with my provisional thoughts. In summary I suggested Phoenix Life pay Mr A £200 compensation for the poor service they had provided to him. In addition, that they reconstruct Mr A's policy such that it provides the minimum qualifying sum assured for a fixed premium. So that it is no longer reviewable.

Phoenix Life agreed to my provisional thoughts, Mr A asked how much the sum assured would be. Phoenix Life provided a calculation of £6,678.24. Mr A felt this was too low and provided the following comments, in summary:

- He had been offered £8,810 for life on 3 July 2023, which Mr A would have accepted.

As agreement was not reached, I'm providing my final decision.

### **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'm upholding Mr A's complaint in line with my provisional findings. I will go on to explain why below. Whilst I have considered everything that has been provided to this

service, I don't intend on commenting on each item. Instead, I will focus on what I have determined are the key aspects of the complaint.

When considering what's fair and reasonable in the circumstances, I need to take account of relevant law and regulations, regulator's rules, guidance and standards, codes of practice and, where appropriate, what I consider to have been good industry practice at the relevant time. In reaching my conclusions, I've considered in particular:

- 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).

The key complaint point Mr A has made about his policy is that he is unhappy that the information he has received has been confusing. And, the cost of life cover is likely to increase significantly.

I think it's helpful to explain firstly how RWOL policies generally work in practice. The premiums paid cover the cost of life cover and any charges. Anything above that is invested to build up a fund. Mr A's policy was taken out on a maximum basis. That means that most of the premium being paid was to cover the cost of the life cover and charges, and so only a small amount would be invested.

So, most of the premiums that Mr A has paid over the years have paid for the life cover he has had for that period. Had Mr A passed away, the RWOL policy would have paid the sum assured. Only a small portion of the premiums were invested.

Generally, at the start, when the cost of life cover is lower, more of the premiums are invested. As time goes on the cost of the life cover increases as the policyholder gets older. Which means that it's likely there will come a time when the premiums paid no longer meet the costs of the life cover and charges on their own (the tipping point). The investment fund that has been built up is used to help pay the increasing cost of the life cover. However, there inevitably comes a point where the life cover costs exceed the premium and the investment fund is depleted. Unless the fund's growth outpaces the rise in the costs of the life cover.

Eventually the policy provider will conclude that the premiums being paid, and the fund value, are no longer able to support the level of cover. Therefore, to maintain the policy either the premiums being paid will need to increase, usually significantly, and are likely to continue to increase as the consumer gets older and the life cover cost continues to increase.

The opportunity for consumers to make decisions about key changes to the policy is a key event in the life of the policy. The decision becomes more difficult to make the longer the consumer pays into the policy and the options available to mitigate poor outcomes start to diminish. Information about a RWOL policy should be provided to consumers in a clear, fair and not misleading way. With information about the changes later down the line to the policy the consumer might decide on a number of actions:

- To adjust the terms of the policy earlier in its life. For example, by increasing premiums earlier, so more is paid over a longer time creating a smoothing effect. So, premiums will be higher than they were at the start of the policy, but not as high as they might otherwise have been at the point of a failed review.
- A consumer may decide that a policy is not worth maintaining at an earlier point and elect to surrender it.
- Or a consumer may decide that its worth maintaining the policy on its existing terms right up until the point the policy fails a review.

In broad terms I consider it was incumbent on Phoenix Life to have provided the following information in a clear fair and not misleading way to enable Mr A to make an informed decision:

- A clear outline of the existing cover – including the sum assured and premiums.
- The current surrender value.
- The life cover costs (including administration charge).
- A clear explanation that the costs were no longer being met by premiums.
- A clear explanation of how long the policy was likely to be sustainable on its existing terms (reasonable approximations would suffice).
- Estimates of what the policy might cost at the point when the policy was likely to cease to be sustainable on its existing terms to give information that would allow Mr A to fully appreciate the risks and consequences of not taking any action.
- A clear explanation of the poor outcomes a consumer might face at the point the policy became unsustainable on its existing terms. This should include a clear outline of the levels by which premiums would need to increase (or the sum assured would need to decrease) to maintain the policy at that point (reasonable approximations or illustrative examples would suffice).
- A clear explanation of the options available to a consumer that were aimed at mitigating that outcome, together with the costs and benefits of each option (including increases in premium levels, decreases in the sum assured or surrender of the policy).

Phoenix Life have said that Mr A's MPP reached its tipping point in January 2008. This was when the cost of the MPP was more than the premiums that Mr A was paying. So, by January 2009 Phoenix Life should have provided Mr A with the above information for him to make an informed decision about what to do with the MPP.

I've not been provided with any correspondence Phoenix Life provided to Mr A within 12 months of January 2009. A review letter was issued to Mr A on 3 February 2012, this document set out why a review is carried out and let Mr A know that his policy had passed the review – which meant that no changes to the premiums should be needed to maintain the level of benefits over the next 5 years. An annual statement dated September 2008 has been provided to me. Whilst this was issued prior to January 2009 it's indicative of the contents of the annual statement which will have been sent to Mr A in September 2009. This

statement set out the current sum assured, current premium and policy value. Along with some information about the investments made.

These documents didn't provide Mr A with information about the likely future of the policy. It wasn't explained to Mr A that the premiums he was paying were not covering the cost of the policy. Or what that would likely mean in terms of changes to the policy in the future. And there were no options provided to him which would mitigate the severity of the changes that may be needed in the future to the policy.

Based on the above, I can't agree that Phoenix Life provided Mr A with everything he needed to make an informed decision about his policy within 12 months of it reaching its tipping point in January 2008.

### **What would Mr A have done differently?**

I've considered what, if anything, Mr A would have done differently if he'd been provided with all the information set out above. Had he been given clear information at the tipping point, the options open to him would have been:

- Adjust the terms of the policy to create a smoothing effect. For example, increase the premiums so more is paid over a longer period.
- Surrender the policy for its surrender value.
- Maintain the policy on its current terms until the policy failed a review. Which was in 2019.

It is clear from Mr A's actions and his testimony that having a level of cover is important to him. And so, it's not likely he would have surrendered the policy at any point. When he received the reviews in 2019, he chose to increase his premium to maintain the sum assured, in 2020 he reduced the sum assured to maintain the premium and in 2021 he chose to increase his premium again to maintain the sum assured. Mr A's actions persuade me that he was considering at each review how he could balance maintaining a level of cover he was happy with against a premium he could afford. He was also offered the option at these review points to increase the premium to a level which Phoenix Life thought would maintain the sum assured for life, or decrease the sum assured to a level Phoenix Life thought Mr A's premiums could support for life. Though there was no guarantee that there wouldn't need to be any further changes to the policy.

Up to 2021 Mr A didn't opt to select an option which would give him the chance at the policy remaining the same for the life of the policy. Mr A asked Phoenix Life if they could provide him with a fixed premium in 2023, but they said they couldn't. They offered a reduction from £20,060 to £8,810 to the sum assured for Mr A's current level of premium £32.53 which would still be reviewable. At the time Mr A said he would like to wait for the outcome of his review, which didn't arrive. Mr A is in a position where Phoenix Life have not been able to provide him with an accurate review for some time.

Based on the actions Mr A did take, I think it most likely that had he understood what the future changes likely looked like for his policy, he would have opted for a non-reviewable policy with a fixed monthly premium and fixed sum assured. I say that because Mr A was closely monitoring the reviews that he was receiving, having some level of cover is important to him even if it's not the level of cover he has enjoyed in the past and he indicated in 2023 that had Phoenix Life's offer to reduce his sum assured significantly for the same premium been a fixed one he would have accepted it.

Phoenix Life have said that the minimum qualifying sum assured for Mr A's plan is £6,678.24 which they can provide to Mr A on a non-reviewable basis for £35.53. As such, I think a fair resolution to this complaint would be for Phoenix Life to reconstruct Mr A's policy from the date of my final decision on the basis of a non-reviewable plan for the current premium fixed.

I appreciate Mr A is unhappy that the sum assured of £6,678.24 is less than was offered to him in July 2023 at £8,810. However, that offer was on a reviewable basis. And so, the plan would still be reviewed each year, and future changes may be required. Based on what Mr A has told this service I think it most likely that he would have sought a non-reviewable solution to provide him with peace of mind that there would be no changes to his plan in the future.

If Mr A accepts my decision, then it would mean that the policy structure will change. Therefore, he may wish to seek independent financial advice on the impact the outcome will have on his individual circumstances and needs.

### **Customer Service**

I have considered the service Mr A has received from Phoenix Life from 2023 when he contacted them for some information about his policy. The information Mr A was provided with was confusing, contradictory and at times I can understand why it caused Mr A to worry. Some examples of that are:

- During a telephone conversation Mr A was advised he had fully paid up the policy which meant he would no longer need to pay premiums. He was advised that this would be clarified to him in writing.
- The letter dated 17 June 2024 said that Mr A's premiums would increase monthly – I assume this was the letter following the telephone call. It didn't clarify or explain anything Mr A had been told during that call.

Based on the above I am directing Phoenix Life to award Mr A £200 compensation by way of an apology for the distress and inconvenience these interactions have caused him.

### **Summary**

Mr A has a RWOL policy with Phoenix Life. In 2008 the policy reached its tipping point and so Phoenix Life ought to have provided Mr A with information which would have aided him in making an informed decision about what to do with his policy. Had this information been provided to Mr A, and he had understood how the policy worked I think he would have continued with the plan as it was until 2023. Having some level of life assurance was important to Mr A, but so was peace of mind around the premiums. So, I think it's most likely that Mr A would have opted for a non-reviewable plan once the changes to the policy were significant.

Mr A asked Phoenix Life to provide him with a quote for a fixed premium, but they didn't. Had they done so I think Mr A would have taken it. Phoenix Life have said that the minimum guaranteed sum assured on Mr A's policy is £6,678.24 and they can provide that level of cover for Mr A's current monthly premium on a non-reviewable basis.

The communication Mr A received from 2023 from Phoenix Life was confusing, I can understand why it caused him to feel worried. As such I am suggesting Phoenix Life award £200 compensation which I feel is fair and reasonable in the circumstances.

## **Putting things right**

My aim when awarding redress is to put Mr A into as close to the position he would have been in, had Phoenix Life acted fairly and reasonably. For the reasons set out above, had Phoenix Life acted fairly and reasonably Mr A would most likely have restructured his policy on a non-reviewable basis. As such I direct Phoenix Life to:

- Reconstruct the policy as at the date of this final decision for a sum assured of £6,678.24 with a monthly premium of £35.53 on a non-reviewable basis.
- Award £200 compensation for the distress and inconvenience caused to Mr A by the confusing communications received.

## **My final decision**

I uphold Mr A's complaint about Phoenix Life CA Limited trading as Sun Life Financial of Canada, and direct them to award compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 12 February 2026.

Cassie Lauder  
**Ombudsman**