

The complaint

Mr G complains that the Royal London Mutual Insurance Society Limited trading as Scottish Provident failed to alert him to the risks of the reviewable whole of life policy he took out with it, causing him financial detriment.

What happened

Mr G was advised to take out the policy in October 1994 with a sum assured of £1,000,000 and a monthly premium of £100.71. He has explained that he had a need for life cover for his family in the event that he passed away and he expected to keep the policy for life. As this was an advised sale by a different firm, a separate complaint about the advice has also been raised.

The policy had an indexation benefit which meant the sum assured and premiums increased at regular intervals to keep pace with inflation. At the same time, the policy was also reviewed every 5 years to ensure the premiums continued to be enough to sustain the policy going forward. The policy only failed a review in 2024.

When Royal London reviewed the policy in 2024, it explained that changes were required to it. It gave Mr G four choices:

- Increase the sum assured to £3,294,526 due to indexation and increase his premium from £322.88 to £1,155.67.
- Keep the sum assured at £3,137,644 and increase his premium to £1,081.
- Reduce the sum assured to £1,549,603 and keep the premium the same.
- Keep the same sum assured and the same premium, but the policy would likely lapse without value once the fund was exhausted.

As a result of this review, Mr G complained to Royal London. He raised a number of issues – and also asked for some alternative options which were offered to him. Royal London looked into his concerns. It noted his concerns to do with the sale of the policy and referred those to the adviser it had on file for him. In relation to his concerns about the review and the changes required, it offered to compensate him, in line with this service's approach, as if he had surrendered the policy in 2019 – at the previous review. Mr G accepted this compensation but maintained the policy was mis-sold and that more compensation was payable due to Royal London's failings, so he referred his complaint to this service.

One of our investigators looked into his concern.

He made some further enquiries but concluded that Royal London's offer was fair. The investigator explained that in 2019, Royal London would've known that the premiums weren't enough to cover the ongoing costs of the policy and it ought to have highlighted that information to him. It also ought to have highlighted the likelihood that at the next review significant changes to the policy would be made. The investigator said that Royal London's

offer of compensation was what this service would've offered, if it had concluded that Mr G would've surrendered the policy on receipt of this information. The investigator therefore concluded that Royal London had fairly and reasonably put matters right and it had nothing further to do.

Mr G didn't agree with the investigator that Royal London's offer was fair and reasonable. In summary he said:

- If he had been properly informed of the “structural risks in the policy” he would either not have taken it out to begin with, or surrendered it at a previous review. Mr G said that if Royal London was supposed to provide this information to him in 2019, it should've been providing this information earlier as well.
- By not being alerted at an earlier stage, he had now lost the opportunity of having long-term cover. The replacement cover he's now had to take out won't cover him beyond 80 and the terms were inferior to the plan he previously held.
- Both Royal London and the firm that sold the plan to him have admitted failures in his case – and any redress should take “into account the cumulative consequences of these failings”.
- The investigator had merely endorsed Royal London's offer and therefore did not “represent an independent or enhanced resolution”. Furthermore, placing the “entire burden of hindsight” on him and what he would've done was unfair and didn't properly take into account the impact the matter had on his financial position.
- In his complaint about the advice to take out the plan, another ombudsman has issued a jurisdiction decision saying that he had no knowledge of the issues complained of. If he had “no reasonable basis for awareness prior to 2024” then it “follows that [he] could not reasonably have acted in 2019 to surrender or restructure the policy”. He said that Royal London's redress assumed a level of understanding and awareness that an ombudsman has already concluded he did not have. He said this was a key point and went directly to the fairness of the outcome.
- Focusing on 2019 meant missing “years of missed opportunities” to warn Mr G of the risks associated with his plan. Furthermore, the investigator hadn't considered that the existing guidance required Royal London to “verify” that he was still receiving advice. But it never did.
- This means that Royal London was guilty of a systemic failure, not just an isolated communication failure in 2019.
- The investigator didn't take into account the loss of affordable cover – the policy he had to take out now cost him £365 per month for £900,000 of cover, which was less than his original policy, and with an absolute cut-off when he reaches 80. The compensation based on the 2019 surrender value doesn't take this into account.

As an agreement could not be reached, the case was 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 agree with the investigator and don't have much to add. Mr G's complaint

about the advice to take out the policy is the subject of a separate decision so I won't make any findings about that here. Mr G has provided detailed comments, which I can confirm I've read and considered. However, I've not responded to every point he has made, because that's not the purpose of my decision. Instead, I've focused on the key issues and set out my findings on them.

I should start firstly by addressing Mr G's understanding of an ombudsman's jurisdiction decision on his other complaint and the investigator's conclusions on this one. They are not contradictory.

The issue of jurisdiction in Mr G's other case is exclusively about a consumer's knowledge to bring a complaint within a certain timeframe. That is all the ombudsman was reflecting on.

The issue in this case isn't about Mr G's actual knowledge – in fact, it's about the opposite. It's about the fact that in 2019, when Royal London wrote to him to explain that no changes were required to his policy, it should also have told him that changes at the next review were likely. It should've set out, clearly, the monetary costs of the policy and the premium he was paying, and this would've shown that the policy was costing more than he was paying in – so it was more and more reliant on the underlying fund. It should've set out options that were available to Mr G so that he could make an informed decision about what to do with his policy going forward. It is not in dispute that Mr G did not have this knowledge. The failing by Royal London is that it *should* have given him this information.

Therefore, the two issues are completely and fundamentally different.

Once it is established that Royal London ought to have given Mr G more information, then the issue becomes what Mr G would've done differently, if anything. It's important here to highlight that this additional information wouldn't have required Mr G to do anything – and it still would've been open to Mr G to keep the policy on what were very favourable terms and deal with any potential premium increases when they arose.

So my role would ordinarily involve considering what Mr G would've done differently in the particular circumstances of this case. But since that compensation has already been paid, I'm not going to make a finding on this point. I'm only deciding whether that offer is fair and reasonable.

On the assumption that having received more information in 2019, Mr G would've surrendered his policy, the way Royal London has calculated and paid compensation is fair. It has paid him the surrender value as it was then, it has added interest to that, and it has refunded his premiums. There is nothing further that I would ask it to do.

Mr G has argued that compensation should run much further back. But I don't agree that would be fair and reasonable here. First of all, it's important to emphasise that there is nothing inherently wrong with the policy Mr G had. There is no "systemic failure" in the policy. It has worked as intended. For 30 years, it has provided Mr G the benefit of a very significant sum assured for a low monthly payment.

Before 2018, the premiums were covering the policy charges and being invested in an underlying fund. Although I agree Royal London continued to have disclosure obligations in preceding years, the nature of that information would've been different.

This is because during the period when the premiums were enough, on their own, to meet the policy charges, the rules *did* require Royal London to continue to give Mr G important

information about how his policy was performing, but this would've showed that the policy was in fact working as intended – with the premiums paying the charges and any surplus being invested.

And the review letters *did* have some warnings – for example I can see that the letter in 2014 does say that at the next review a “premium increase or a reduction in benefits may be necessary” – so if Mr G was unaware of the reviewable nature of the policy or the risks to it, this ought to have prompted some concern. But it didn't. I note that in 2014, Mr G was paying £204 per month for a sum assured of £1,983,580 – in my view, it's unlikely, given the protection need he says he had, that he would've surrendered this policy then, particularly given that alternatives would almost certainly have been much more expensive.

This means that there isn't a specific point, prior to 2018, when more information would've given Mr G much greater knowledge about the future. So there's no basis for suggesting he would've surrendered the policy any earlier – bearing in mind that I need to weigh any assessment of Mr G's actions in light of the protection which Royal London has continued to provide. The fact that no claim was made on the policy during this time is not relevant.

Mr G has said that the investigator only endorsed Royal London's offer and didn't consider his consequential losses – in particular the policy he now has. The investigator endorsed Royal London's offer because, for the reasons I've given above, it was consistent with what this service would've awarded had it made the same finding. Our role isn't to punish firms or take regulatory action, but to try and resolve the individual complaint by putting the consumer back in the position he would've been in, but for the failing. And in relation to Mr G's new policy, he didn't have to take it out. In fact, he could've continued with the existing policy and paid a lower monthly premium (£322), for a higher sum assured (£1,549,603), until 2029. So I'm not persuaded that Royal London's failings have led to him taking out a worse policy – this is a decision he made based on his own assessment of his needs and circumstances.

For all these reasons, I'm therefore satisfied that this complaint shouldn't be upheld, because Royal London has already put matters right.

My final decision

My final decision is that I don't uphold Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 23 February 2026.

Alessandro Pulzone
Ombudsman