

The complaint

Mr Z took out insurance with Vitality Corporate Services Limited (“Vitality”) and complains that recent increases in premiums are unfair and a breach of the terms of insurance.

What happened

Mr Z applied for insurance cover on 13 March 2024 and completed the Application Form. The policy applied for included guaranteed level life cover of £195,000 for a 25-year term at a monthly cost of £9.66, guaranteed level serious illness cover of £195,000 for 25 years costing £60.15 per month, and guaranteed income protection providing £1,400 per month until age 67 for £16.06 per month (with indexation). He also selected the Vitality Plus at an additional cost of £4.75 per month. This resulted in an initial total monthly premium of £90.62.

The Personal Protection Plan Provisions (the “Plan Provisions”) were issued to Mr Z’s adviser on 15 March 2024.

Subsequently, Mr Z increased the monthly Income Protection Cover to £1,928.02, which raised the premium for that element to £22.07 per month. On 29 April 2024, Vitality issued a Personal Protection Plan Schedule (the “Plan Schedule”) which stated the new premiums would for the current cover year would be £91.88.

Ahead of the insurance plan anniversary, Vitality wrote to Mr Z on 10 January 2025 to confirm that his income protection benefit would increase, taking the new monthly benefit to £1,995.50. It also said his monthly premium would increase from £91.88 to £93.67 from 15 March 2025 (i.e. from the next cover year).

On 31 January 2025, Vitality emailed Mr Z to explain that the £4.75 monthly Vitality Plus fee had not been charged in the current cover year due to a system error when his previous policy was cancelled. Vitality accepted responsibility for the mistake and confirmed that the fee would not be backdated, but that the corrected premium of £96.63 per month would be charged going forward.

On the same day, Vitality issued two further letters. The first confirmed that the monthly premium direct debit would increase from £91.88 to £96.63 with effect from 15 January 2025. The second explained that, once both the Vitality Plus fee and annual premium increases were applied, the new monthly premium would be £98.42 from 15 March 2025.

On 9 February 2025, Mr Z complained about the premium increases as he did not understand why they had occurred and expressed frustration at having to spend hours trying to understand the basis of the increases.

In its final decision letter, Vitality partially upheld Mr Z’s complaint on the basis of the error it made with respect to the Vitality Plus fee but reiterated that Mr Z would not have to pay the backdated premiums and that a revised anniversary letter was or would be issued explaining the premium increases.

Mr Z was unsatisfied with this response and lodged a complaint with this Service about the matter. Specifically, Mr Z complained that the premium increases were in breach of the quote and agreed terms (and that Vitality had allegedly admitted this error). Mr Z complained he had been affected in terms of extra cost of paying increased premiums and by the stress and worry this had caused him.

The Investigator reviewed Mr Z's complaint but did not uphold it on the basis that (1) the premium increases were consistent with the terms of the agreement and (2) the Vitality Plus fee was an error that was remedied by not charging Mr Z for backdated premiums even though he had the benefits that came with Vitality Plus.

Mr Z did not accept the Investigator's view, reiterating his original position that the increases in premiums were in breach of the agreed terms, and also stating that he would not have increased the Income Protection Cover in 2024 had he known about the Vitality Plus fee. Mr Z requested that his complaint be reviewed by an Ombudsman, which is why the complaint has now come to me for a 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.

As this is an informal service, I'm not going to respond here to every point raised or comment on every piece of evidence Mr Z and Vitality have provided. Instead, I've focused on those I consider to be key or central to the issues in dispute. But I would like to reassure both parties that I have considered everything submitted. And having done so, I will not be upholding this complaint. I'll explain why.

In summary, I don't think Vitality has acted unreasonably or unfairly with any of these price increases. As I set out in more detail below, the communications Vitality sent to Mr Z to explain the increases were clear enough to understand their basis and the increases were consistent with the contractually agreed terms for Mr Z's insurance.

The £4.75 Vitality Plus Fee

I can see from the Application Form Mr Z completed in March 2024, that he opted for the Vitality Plus with Optimiser. Critically, the Application Form clearly stated that the premium fee for Vitality Plus was £4.75, which means he agreed to pay this for the Vitality Plus feature.

When Vitality sent out the Plan Schedule in 2024, this stated that "*We have identified that this individual is already paying Vitality Plus on an existing plan, therefore will not be charged for Vitality Plus on this plan.*" Had Mr Z read this wording, it would have made clear that the fee was still payable and since he was aware he was not paying for this on an existing plan he ought to have been charged that fee on the current plan. In other words, it would have been evident this was an administrative mistake. Whilst I accept it may be the case that neither he nor his adviser picked up this discrepancy, I think it would have been reasonable for Mr Z or his adviser to have read the Policy Plan carefully, identified the issue and raised it with Vitality. Unfortunately, it appears this did not happen.

When Vitality learned of its mistake, it notified Mr Z (on 31 January 2025) of this and fully explained the increase from £91.88 to £96.63 was to ensure Mr Z was paying for the benefits of Vitality Plus. Moreover, it stated that it would not charge Mr Z for backdated premiums, even though he benefited from Vitality Plus for nearly a year at that point. And that he instead would only be charged for Vitality Plus going forward.

I think this was the right approach by Vitality. It is important to look at the circumstances in the round and not solely focus only on the document with the administrative error. Overall, I don't think it would be fair that because of a clear administrative error, Mr Z was now able to benefit for free from a feature that Vitality charges a fee for. Whether or not Mr Z and his advisor picked up on the error, the fact is Mr Z had wanted Vitality Plus, was aware of the fee from the Application Form and had agreed to pay it (and indeed had benefited from it). I think it was therefore right that Vitality said it would charge for the feature going forward.

The Premium Increases

Leaving aside the error in respect of the Vitality Plus fee, Mr Z has suggested that the other premium increases were not permissible under the agreed terms, but this is not accurate. There were two contractual routes to increasing the premiums on an annualised basis (1) increases related to an indexation mechanism and (2) increases related to Vitality Status – both of which Mr Z agreed to when he agreed to Vitality's standard terms (i.e. the Plan Provisions).

Mr Z's March 2024 Application Form indicates that he wanted indexation in respect of his Income Protection Cover. This was confirmed in the Vitality Plan Schedule which stated that the Income Protection Cover would be "*Indexed Cover*".

The terms of indexed cover are set out in sections B and D of the Plan Provisions. Specifically, section B3 states that:

"Indexation means that your cover amount and your claims in payment will increase annually in line with the Retail Prices Index rounded to the next 0.25%..."

"Any annual increase in your cover will result in an increase in your Income Protection Cover premium. The amount by which your premium will increase will depend on the percentage rise in the Retail Price Index at the time your cover increases."

It then further elaborates that with respect to indexation, if the Retail Price Index increases between 2% to 7.75% the premium will increase by the applicable Retail Price Index percentage plus 2.5% (there were two other Retail Price Index scenarios covered which would lead to different premium increases).

Section D1.3 of the Plan Provisions confirms that the indexation premium increases will occur "*on each anniversary of your plan*".

Thus, because Mr Z agreed to indexation in respect of the Income Protection Cover, this was a contractually agreed mechanism by which premiums could increase on an annualised basis.

The second contractually agreed mechanism for premium increases was through the Vitality Status mechanism. Section D1.4 of the Plan Provisions states that:

"Your premium may change as a result of your Vitality Status. We will apply these changes on your plan anniversary in addition to any other changes that are due."

Further section D2 states that even Guaranteed Premiums (which apply to Mr Z's cover) can vary depending on an insured's Vitality Status (and whether indexation was requested). Section E2 specifies the Vitality Status could be one of four categories, each resulting in its own potential percentage change in premiums. Vitality Status is determined by how much effort an insured undertakes to remain healthy – with Bronze being the lowest category with the largest premium increase (2.5%) and Platinum being the highest category which results

in no premium increase.

These two mechanisms explain the premium increases about which Mr Z complains.

The new monthly premium of £93.67 which Vitality communicated to Mr Z on 10 January 2025 reflected these two contractually agreed mechanisms. First, with respect to indexation, as the Retail Price Index had been calculated at 3.5% this led to an increase in Income Protection Cover of that same percentage. Further, as it fell in the 2% to 7.75% range, this meant an increase in premiums due to indexation of 6% (i.e. the 3.5% reflecting the Retail Price Index figure plus 2.5% per section B3). Indexation is clearly referred to in the letter as one of the reasons for the increase.

There was then a further increase applied of 0.5% on the total cover due to the Vitality Status mechanism. The 10 January 2025 letter states that Mr Z's Vitality Status was the "Gold" category, which required a 0.5% increase in total premium costs.

Having done the calculations myself, I can see that both these mechanisms explain the increase from £91.88 to £93.67. Importantly, these increases were stated to take place at the next cover year i.e. from March 2025. These were not to take effect during the current cover year (which started in March 2024).

The letter from Vitality on 31 January 2025, stating that Mr Z's premiums would increase to £96.63 concerned premiums for the current cover year (i.e. from March 2024 to March 2025), and as explained in the accompanying correspondence that was sent to Mr Z on the same day, this increase was due to the Vitality Plus fee error (Mr Z was paying £91.88 and as a result of the £4.75 Vitality Plus fee, this was to increase to £96.63). Contractually, this was not an increase in premiums, but rather the incorporation of a fee that Mr Z and Vitality had agreed would be payable. As I have said before, I think the approach by Vitality here was reasonable.

The further letter from Vitality with the £98.42 premium did not relate to the current cover year, but to the next cover year. Further, this was merely an amendment to the 10 January 2025 letter which stated £93.67 in total premiums for the next cover year (after applying indexation and Vitality Status based increases), as that quote was issued before Vitality had realised the Vitality Plus fee error. It now merely added the £4.75 Vitality Plus fee to the £93.67 figure, to give the corrected total premiums of £98.42 for the next cover year (i.e. from March 2025).

Thus, I'm satisfied that the premium increases about which Mr Z complains are fair and reasonable and consistent with the agreed terms.

Administration of the insurance contract

Whilst I am satisfied that Mr Z is not entitled to compensation for any financial loss arising from the increased premiums as they were consistent with the agreed terms, I do think that Vitality could have administered the insurance agreement better than it did.

Vitality's error in not charging the Vitality Plus fee from the outset likely caused some initial inconvenience for Mr Z, as I believe he may not have remembered what had been agreed and had assumed he was paying the correct premiums throughout this time. However, I think Vitality's decision to not charge for the missed premiums (even though Mr Z had the benefit of the Vitality Plus feature for the best part of a year) is sufficient compensation for any distress and inconvenience Mr Z may have suffered.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Z to accept or reject my decision before 16 March 2026.

Zaib Malik
Ombudsman