

The complaint

Mr C complains that Phoenix Life Limited (“Phoenix Life”) mis-sold him life cover in 1999 and he would like compensation for that mis-selling.

What happened

Mr C believes Phoenix Life mis-sold him life cover in 1999. He states he thought he was entering a mortgage endowment policy but has since come to learn it was in fact a whole-of-life plan (the “Policy”).

The Policy provides for a fixed assured sum of £1,847 in the event of the death of Mr C. The Policy has no cash-in value and should Mr C cease paying the premiums (£8 a month) he will lose any entitlement to that assured sum.

Mr C also mentioned that the policy was arranged over the phone and that he did not receive any documentation at the time. He feels the type of policy he was sold is not something he would have knowingly agreed to – particularly given the risk of paying more into the policy than he could get out of it, which has in fact materialised in his case with him having surpassed the ‘break-even’ point some seven years ago.

Mr C raised a complaint with Phoenix Life about the alleged mis-selling. Phoenix Life did not uphold the complaint. In its final response, it confirmed that the policy sold was a whole-of-life plan, intended to provide lifelong cover.

- It stated that documentation (including the terms and conditions) that it would have provided Mr C at the time the Policy was taken out, would have contained sufficient information to allow him to make an informed decision about whether to take out the Policy.
- It explained that whilst there was a risk that the premiums paid could have exceeded the fixed assured sum, Mr C nevertheless still benefited from the policy as (1) there was a significant period of time during which if a payout had been made the fixed assured sum would have been more than had been paid in premiums, and (2) Mr C’s continued premium payments meant the benefit of the assured sum was still available to his family should he pass away.

Mr C did not accept Phoenix Life’s position and so referred his complaint to the Financial Ombudsman Service.

Mr C reiterated that he received no documentation. Phoenix Life said that it does not have the original documentation that was sent to Mr C, but has indicated (as implied in its final response) it would have sent Mr C the terms and conditions and a Key Features Document (“KFD”) that would have set out key information about the Policy and which would have made clear to Mr C that he was taking out a whole-of-life policy. It has provided us with a copy of the KFD that would have been sent to Mr C.

In addition, Phoenix Life has also claimed that it sent Mr C letters in 2015 and 2016 about

the Policy which would have made its nature clear. Mr C denies receiving these letters.

Our Investigator did not uphold Mr C's complaint on the basis that it was likely Mr C was given sufficient documentation (particularly the KFD) to make an informed decision about whether to take out the Policy.

As Mr C didn't accept our Investigator's conclusions, the complaint was referred to me for an Ombudsman decision. I issued my provisional decision on 22 January 2026 upholding Mr C's complaint. I've included an extract below.

"Mr C has been unable to provide any evidence to substantiate his claim that he believed, requested or was told he would be taking out a life endowment policy and I'm satisfied Mr C did receive sufficient information in 1999 and certainly by 2015 and 2016 to understand that he was in fact taking out (and had taken out) a whole-of-life policy (with a fixed assured sum and fixed premiums) as opposed to an endowment.

This is evident from the fact the information provided would have indicated there was no maturity date for the whole-of-life policy, which is a key distinguishing feature between a life endowment and a whole-of-life policy. In particular, the KFD that Phoenix Life has provided a) has a prominent subheading which states "cover for life", b) makes clear that the "Plan term" was "Throughout life", and c) states that a payout could only take place upon the death of Mr C – thereby providing a good indication this was a whole-of-life policy and not a life endowment policy.

As mentioned, Mr C has denied receiving any documentation in relation to the Policy, however, given these events happened some time ago it is understandable that Mr C has forgotten receiving them. In respect of the KFD, providing such documentation was standard practice at the time, and I have been given no reason to doubt that Phoenix Life provided Mr C with the KFD and standard documentation that would have confirmed the fixed assured sum and premiums for the Policy.

That being said, whilst I am satisfied Mr C was given enough information to understand he was taking out a whole of life policy (including its fixed assured sum and fixed premiums), I'm not satisfied he was given sufficient information to make an informed decision about whether to enter the Policy.

Under the Adopted LAUTRO rules that applied at the time, Phoenix Life was under an obligation to ensure the information it provided was clear, fair and not misleading and to provide a KFD. This document needed to set out key information about life assurance for customers, including the benefits and risks to allow them to make an informed decision about whether to take out the life assurance.

One of the key risks of the Policy was that Mr C could end up paying (if he lived long enough) more in premiums than he could ever have had paid out on his death. This is because unlike some other life policies a) there was no investment element or 'pot' for Mr C to build up to cover the cost of life cover and b) both the sum assured and the premiums were fixed for life. So, this wasn't about the chance of his accumulated premiums exceeding the sum assured. Phoenix Life was aware when it sold the Policy to Mr C that this was a mathematical certainty at a fixed point in the future, i.e., once the 'break-even' point had been reached. In Mr C's specific case, this was a real risk given the low assured sum amount and given he was 58 years old when he took out the Policy, which meant there was a realistic possibility he would live past the 'break-even' point of the Policy. As such, this risk ought to have been set out in the KFD to allow Mr C to make an informed decision about whether to take out the Policy.

Phoenix Life has claimed that the KFD states in respect of risk that “there is no cash-in value at any time and depending on how long your policy is in force you may pay more in total premiums than your estate would receive when you pass away”. However, having reviewed the KFD that Phoenix Life has provided, whilst I can see that it correctly sets out the risk that there is no cash-in value at any time under the Policy, it does not appear to contain a warning about the risk of paying more in premiums than any possible payout under the Policy.

I have asked Phoenix Life to clarify the position on this, and it has since explained that the KFD sent to Mr C would not have included the risk about paying more in premiums than would be paid out under the Policy. It added, however, that this particular warning was included in KFDs for such policies from 2003 onwards.

Further, the correspondence Phoenix Life sent to Mr C in 2015 and 2016 does not appear to correct this issue. Again, there is a reference to there being no cash-in value at any time, but there is no mention of the risk of paying more in premiums than the fixed assured sum under the Policy.

Thus, although I accept Mr C would have been given documentation and information that likely stated the amount of life cover and the premiums, it did not explain what that fixed benefit meant for Mr C in the context of a policy where premiums would continue indefinitely. The material risk that he might pay more in premiums than the Policy would ever pay out, was likely not highlighted in the information he received when he took out the Policy, as evidenced by the KFD which is a core document where it was mandatory to address product risks. Without that explanation, I don't think Mr C could have appreciated the significance of the fixed assured sum or the long-term financial implications of maintaining the Policy for as long as he did. Moreover, whilst monthly premiums were relatively small at £8, that makes it less likely Mr C would have appreciated the long-term cumulative cost or questioned the value of the Policy. The low premium likely gave the impression to Mr C of a simple, low risk product with little downside to consider. Whilst in theory it would have been possible to work out when the 'break-even' point would be reached, I don't think it's reasonable to expect a normal everyday investor or customer to work that out and extrapolate the consequences – it's something that, as a key risk, Phoenix Life should have highlighted explicitly.

In addition, there's also nothing to suggest Mr C was a sophisticated customer with experience of these types of policies, such that he might have been able to fill in the gaps left by the KFD. In fact, the evidence suggests Mr C had little familiarity of them as he appears to have mistaken the Policy for an endowment.

The evidence therefore appears to suggest that Mr C was not informed of this risk and so was not given an important piece of information regarding the Policy. This meant the information he was given about the Policy was not clear, fair and not misleading, and ultimately resulted in him taking out a policy that he would otherwise not have.

Putting things right

In deciding what fair compensation looks like, I need to consider what Mr C would likely have done if Phoenix Life had given him the information it should have done at the time.

I'm currently satisfied that had Mr C been told in 1999 that there was a realistic risk that he may pay more in premiums than the fixed sum assured under the Policy, he would not have taken out the Policy. Mr C's position has been very consistent on this point and is best summed up by the following passage from his letter to Phoenix Life dated 19 June 2025:

“The policy you are saying that I took out, no one in their right mind, and especially not me,

would take out something where you pay so much into [sic] and receive less in return!"

Rather, Mr C he seems to have been seeking some form of cover which did not involve the risk of paying more in premiums than could be taken out. In other words, some form of policy fundamentally different to the whole of life policy he took out. However, given the limited evidence (beyond that) about his needs and preferences at the time, I can't safely identify a precise product he would have chosen instead.

So I think the fair outcome is to put him back in the position he'd have been in if he hadn't taken out the policy. That means refunding all the premium he paid with simple interest at 8% per year.

I also consider that Mr C would have found it stressful and a genuine shock to learn that he had in fact been mis-sold a Policy that was unsuitable to his needs and objectives in 1999 and that he had been paying into it for some 26 years without knowing this. Further, it has taken some effort on his part to seek to put things right. On that basis, I think Phoenix Life should pay Mr C £250 compensation for the distress and inconvenience it has caused him."

I have not received a response from Mr C following my provisional decision. Phoenix Life has responded confirming its agreement with my findings.

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 reconsidered Mr C's complaint, I've decided to uphold it in line with my provisional decision.

Putting things right

For the reasons mentioned above, Phoenix Life Limited should refund all the premiums Mr C has paid with simple interest applied at 8% per year.

My final decision

My final decision is that I uphold this complaint and direct Phoenix Life Limited to put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 9 March 2026.

Zaib Malik
Ombudsman