

The complaint

Mrs R and Mr C complain on behalf of the C Trust about the way Aviva Life & Pensions UK Limited has administered a whole of life policy. They say there have been repeated breaches over a number of years causing significant worry, stress and anxiety. They also complain about the information provided on the magnitude of future changes needed on the policy.

What happened

Mrs R took out a reviewable whole of life policy in 1991. The original monthly premiums were £360 yearly, and the sum assured was £240,000. The policy included an increasing benefit and over the first few years the sum assured and premium increased until 1997. By this point the sum assured was £306,308 and the premium was £451.15. The policy was held in a trust. Mrs R and Mr C are the current trustees, and I will refer to them throughout as they are bringing the complaint on behalf of the trust.

In November 2023, Mrs R raised a complaint about a number of issues she had encountered with Aviva's administration of the policy, this included inconsistent information provided about premium increases needed following the 2023 policy review. She said this caused her significant distress and worry.

Aviva responded to the complaint. It accepted providing misleading information in its letters at the time of the most recent review. It agreed to cover £789.72 of premiums to bring the policy up to date, and refund this amount to Mrs R. It also paid her £500 for the worry, stress and anxiety it had caused her over the last few years.

In January 2024 Aviva sent Mrs R a policy summary indicating the cover on the policy was £259,480. This prompted Mrs R to raise further concerns as she believed this to be a further administrative error. At the same time, she also referred her concerns to this service for an independent review.

Our investigators began to look into the complaint and confirmed that the complaint also covered the information provided at historic reviews and the magnitude of the premium increases required. We set out the aspects of the complaint that we would be considering.

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

“The complaint was initially brought by Mrs R following errors and confusing information she had with communications she received from Aviva over a number of years, which had caused her upset and distress. I will cover these issues later in my findings, but the crux of the issues that remain unresolved relate to the reviews that have been carried out on the policy during the time it was in force. The features of the policy taken out meant it was always subject to reviews – and this was set out in the policy documentation – with the first review after ten years and then at regular intervals afterwards.

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 Aviva ought to have provided Mrs R with clear, fair and not misleading information about the policy. What I've drawn from the guidance is that the communications to Mrs R 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, at the very latest, within 12 months of the point where the costs of the policy overtook the premiums being paid.

The policy was first reviewed in 2001. Aviva said the review indicated that based on current predictions there is enough money in the plan to keep the benefit level at £306,308. It said it couldn't guarantee growth of investment funds and provided some surrender values based on the growth assumptions.

The next review was due in 2006, but I haven't been provided with any communications that were sent to Mrs R at this time. It's assumed the review passed as no changes were indicated at the next review in 2011. The 2011 review letter sent to Mrs R confirmed the outcome was the policy can maintain the benefits and it is unlikely that any action is needed now. There was some further information given about the future of the policy along with surrender values, Mrs R was given information, based on growth rates, how long the benefits could be supported for. But no information was given about the cost of the cover, or the likely need for changes in the future.

The 2014 and 2016 review outcomes were passes and no changes were suggested, and the letters provided similar information to the 2011 letter. The 2016 letter does say alterations can be made, and it can quote for a premium to estimate what would be needed to maintain the benefit throughout life. But it didn't proactively give any specific information that would allow Mrs R to assess the type of premium needed.

2017 was the first failed review. The letter sent to Mrs R confirmed changes were needed and gave her the option to increase her premium from £451.15 to £464.25 per year, or alternatively keep the premium the same and reduce the benefit to £297,065. Further growth rate assumptions were also given. But no information was given about the costs of the cover or the likelihood of further significant changes being needed. Mrs R agreed to increase the premium.

The 2018 review was also a failed review – Mrs R was given the same options to either increase the premium or reduced the sum assured. But this time the changes were more significant – a premium increase of over 600% to £2,813.42 or a reduction in the sum assured from over £300,000 to £44,680. While it was now apparent the policy needed significant changes, Mrs R agreed to increase premium to maintain the cover.

The 2019 review was a pass, but the 2020, 2021 2022 and 2023 reviews were all fails. On each occasion Mrs R accepted the premium increases. Around the time she complained, the premium had increased to £4,729.92. And since the complaint has been with this service, the 2024 and 2025 reviews have also indicated further premium increases were needed.

Looking at the review letters available, I have concerns about the level of information that was provided – particularly those that were sent before the significant changes were highlighted at the 2018 review. The letters set out whether or not the policy had passed the

review. They also provided some context around how Aviva were making their projections for the policy until the next review, and from 2011 how long it expected the cover to be maintained for. But crucially, it didn't provide any information about the specific costs of the policy and how they were likely to increase in the future or the level of premium that might then be required to maintain the policy's sum assured. Because this information wasn't provided, I don't think Mrs R was put in an informed position about the policy or any possible steps that could be taken to mitigate future risks.

We have received further information from Aviva as part of our investigation regarding the costs of the policy and how they were increasing. I've not seen any statements which showed this information, and without it, the policyholders were unable to see how the policy was performing and, importantly, how the costs of the policy were increasing. From the information provided to this service by Aviva, it seems in around late 2005 the costs of providing the life cover for the policy were starting to exceed the premiums being paid. In my view, this information should have been provided to the policyholders soon after this tipping point being reached – in this case by the time of the November 2006 review.

I acknowledge our investigator had been exploring the possibility of reconstructing the policy on alternative terms. But no agreement was ever reached with Aviva on the basis for a reconstruction. If Aviva is prepared to work further with Mrs R and Mr C to reach an amicable position on a reconstruction, they are free to do this outside of the outcome of this complaint and this services involvement.

But as no resolution was agreed, I've gone on to consider the likely course of action Mrs R would've taken if she'd been put in an informed position at the 2006 review. Aviva should have explained that the costs of the policy were higher than the premiums being paid, the impact of this would be that while the policy wouldn't require any changes at that time, it would likely need significant changes in the future.

This is a difficult decision as it's not completely clear what course of action Mrs R would've taken. Therefore, I must make a decision based on the balance of probabilities i.e. what I think is more likely than not to have happened in light of the available evidence and a consideration of the wider circumstances.

When Mrs R first received a notice of premium increases being needed in 2017, she agreed to the increase. And then when a much more significant increase was required to maintain the level of cover in 2018, she again agreed to meet the increase and has done so on several occasions at subsequent failed reviews. This has resulted in the premium increasing from just over £450 in 2006 to the current premium of over £7,000 per year. In her submission to this service, Mrs R has been clear she values the cover and it is very important to her to provide the existing level so that the beneficiary of the trust receives this amount on her death. It therefore seems most likely, even if Mrs R was given clear information in 2006, she would have still wanted to keep the policy due the benefit it provided. So, I don't find it is likely she would have surrendered the policy at an earlier point, even if she'd been put in an informed position about what the future might hold for the policy.

I've gone on to consider whether Mrs R would have made other changes to the policy in 2006. For similar reasons as referred to above, I don't think she would have been seeking to reduce the level of cover. She has been clear that she wanted to maintain the cover as it was important to leave this amount to the beneficiaries of the trust and for tax purposes.

In terms of whether it is likely she would have increased her premiums. We know from the information recently provided by Aviva that the premium would have increased significantly (from £451 to £8,732) in 2006 if Mrs R had sought to pay the premium based on whole of life projection. While, I note Mrs R has provided evidence that she and her ex-husband held

significant savings at the time of the 2006 review, this is an extremely large increase in premiums (nearly 2000%) that no doubt would have been unexpected. I also note Mrs R's circumstances have changed now, and my considerations need to be based on what it is likely she would have done in 2006 had she been better informed, not what she would do now. In my view, it is unlikely Mrs R would have agreed to this level of increase in premiums in 2006, and it is more likely she would have continued with the policy without increasing the premiums while it was still able to provide the existing benefit. Also despite a number of failed reviews since in recent years (six before she raised her complaint and further two since), I haven't seen Mrs R hasn't sought to reduce the policy benefit or inquire about paying more than the minimum increase in premium required to maintain the policy to the next review, despite her being in receipt of more information about the policy performance and the likelihood of it being able to maintain the benefits without further changes.

I am also conscious that recommending this type of reconstruction from 2006 as a fair resolution would not only lead to much higher premiums, the deficit in the policy that Aviva would make up would also be significant. Based on the information I have, I estimate this could be over £100,000. This amount would need to be deducted from any claim on Mrs R's death (or to avoid a deduction at claim it would need to be back paid from funds provided by the trust or Mrs R). So even if the policy was reconstructed on this basis, the beneficiaries would receive much less than the sum assured once the deficit had been repaid to Aviva. On top of this the increased premiums of over £8,700 per year would need to be paid going forward.

In conclusion, I haven't been persuaded it's likely Mrs R would have made any changes to the policy or surrendered it even if she had been provided with sufficient information earlier. My finding is therefore that despite the information failings I've identified, I don't think Mrs R would have taken different action even if she had been given clear information in 2006.

Lastly, I note that Aviva offered Mrs R compensation after it admitted errors with its communications on a number of occasions up to the time of the 2023 review. As part of its final response to the complaint it confirmed it would be sending Mrs R a cheque for £500 and refund some premiums. It is clear these errors caused her upset and worry when she was unclear what was required for the policy to be maintained. Having considered this offer, I'm satisfied it is fair and reasonable in the circumstances.

But Mrs R raised a further issue after the final response. She was sent a letter in January 2024 suggesting the sum assured on the policy had been reduced. This caused further confusion and upset as it was contrary to what Aviva had advised in its previous communications. So, I find that Aviva should pay further compensation to Mrs R to reflect the continued impact of this error. I'm minded to say a further £100 in compensation is a fair and reasonable way to resolve this issue."

Mr C responded on behalf of the C trust to express disappointment and frustration that despite fault being acknowledged, the compensation suggested is only £100. He also explained they have received further communication from Aviva to say the benefit level for the policy has dropped but despite having paid the full premiums.

Aviva responded to confirm there is nothing further it would like to add.

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 reviewed the responses to my provisional decision, but I haven't found reason to change my findings. I acknowledge the disappointment and frustration Mr C has expressed.

For the reasons I set out in my provisional decision, despite the communication failings I identified, I haven't been persuaded it's likely Mrs R would have made any changes to the policy or surrendered it even if she had been provided with sufficient information earlier. So my finding therefore remains; I don't think Mrs R would have taken different action even if she had been given clear information in 2006.

In settlement of the complaint, I haven't found that Aviva needs to do anything further beyond paying the £100 compensation I set out in my provisional findings for the impact of the erroneous letter sent to Mrs R in January 2024 suggesting the sum assured on the policy had been reduced.

My final decision

Aviva Life & Pensions UK Limited has already paid £500 in compensation, but it needs to pay a further £100 to settle the complaint and I think this is fair in all the circumstances.

So, my final decision is that Aviva Life & Pensions UK Limited should pay a further £100 to settle the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Mrs R as Trustees of the C Trust to accept or reject my decision before 26 March 2026.

Daniel Little
Ombudsman