

The complaint

Mrs S is unhappy with the administration of the Reviewable Whole of Life (RWOL) policy she holds with Aviva Life & Pensions UK Limited (Aviva).

What happened

I understand Mrs S made an application for a Reviewable Whole of Life (RWOL) policy with General Accident Life Assurance Limited in March 1995. I understand Aviva are responsible for the administration of Mrs S' policy and so I will refer to them only throughout this decision. The original benefit was £26,000 payable on death or critical illness.

In 2015 Mrs S' RWOL had a review, the review letter strongly suggested Mrs S take some action. Mrs S was offered the option to either increase her monthly premiums to £37.53 per month or reduce the sum assured to £12,421. It set out that if no change was made then the policy may be unsustainable for its full term. I understand the sum assured was reduced.

In 2020 the RWOL failed another review, Mrs S was offered the option of reducing the sum assured to £9,218 or increasing the premium to £42.10 to maintain the current level of benefits. The sum assured was reduced, and the premiums remained at £18 per month. In 2021 the review also failed, Mrs S chose to reduce the benefits to £6,270. In 2022 the policy passed its review, but in 2024 it failed again, the benefits were reduced to £4,530.

Mrs S' husband referred a complaint to Aviva on her behalf – he said that she was unhappy with the sale of the policy. And she was unhappy that the sum assured had reduced, she said she couldn't stop contributing as she had already paid a lot of money to Aviva and she was only offered a small amount if she surrendered the policy.

Aviva sent Mrs S their final response letter on 5 November 2024. They didn't uphold her complaint. In summary they said that they had reviewed her policy in line with its terms and conditions.

Mrs S was unhappy with the response and so referred her complaint to this service. An investigator let Mrs S know that this service couldn't consider the sale of the policy – because it hadn't been Aviva who sold it to her.

The investigator provided their assessment, they upheld Mrs S' complaint. In summary the investigator said that Aviva hadn't provided Mrs S with sufficient information for her to make an informed decision about what to do with the policy at key points in its lifecycle. And, had they provided this information to her it's likely she would have surrendered the policy in 2006 when the premiums paid stopped covering the costs of the benefits and administration. The investigator asked Aviva to pay redress on this basis.

Aviva didn't respond and so the complaint was passed for an ombudsman to consider. I issued my provisional decision, within which I explained why I wasn't upholding Mrs S' complaint. Aviva agreed with the outcome. Mrs S' representative spoke to the investigator, he asked some questions about sale of the policy. I understand the investigator has explained how Mrs S could make a complaint about the sale if she wanted to.

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 appreciate this will come as a disappointment to Mrs S, but having done so I'm not upholding Mrs S' complaint. I've not been provided with any further evidence or information to consider since my provisional decision and so the reasoning set out below is largely a repeat of its contents. Whilst I have reconsidered 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.

Mrs S' representative asked about the sale of this policy and the investigator has explained how a complaint can be referred about the sale if Mrs S feels it necessary. I'm not able to comment on whether or not this policy was adequately sold to Mrs S within this decision because I can only consider the actions of Aviva. Aviva did not sell this policy to Mrs S.

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 Mrs S has made about her policy is that she is unhappy that the sum assured has decreased 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.

So, most of the premiums that Mrs S has paid over the years have paid for the life cover she has had for that period. Had she passed away, or there been a trigger for the critical illness benefit during that time, the RWOL policy would have paid the sum assured. A small portion of the premiums were invested, which is why the surrender value has never been very high.

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 Aviva to have provided the following information in a clear fair and not misleading way to enable Mrs S 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 Mrs S 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).

I've been provided with the annual breakdown of total premiums paid and total cost of the life cover of Mrs S' plan. The total cost of the plan between March 2003 and 2004 totalled £216.18, the premiums paid were £216. So, at some point during this year the policy reached its tipping point.

I've not been provided with any correspondence sent to Mrs S within 12 months from the 2003/2004 policy year.

So, I can't agree that Aviva provided Mrs S with clear, fair and not misleading information within 12 months of the tipping point in 2003/2004.

Mrs S received reviews in 2015, 2020, 2021, 2022 and 2024. Aviva ought to have provided her with clear, fair and not misleading information at these key points of the policy too. I have considered the contents of these reviews. Whilst the failed reviews provided some projections based on some options given to Mrs S it didn't provide an outline of what the likely changes would be to the policy in the future. In 2022 the review succeeded and so no options to change the plan were provided to Mrs S. There was no information provided to Mrs S about the costs needed to make the policy sustainable for life or any changes which would be due in the future or the level of those changes.

What would Mrs S have done differently?

I've considered what, if anything, Mrs S would have done differently if she'd been provided with all the information set out above. Had she been given clear information at the tipping point, and then at each subsequent review the options open to her would have been:

- Increase the premiums to maintain the level of the sum assured.
- Cash in the policy at the cash in value.
- Reduce the benefits.

Mrs S' representative has said, had she been provided with information about the future of the plan in a clear format she's not sure what she would have done. They would always look for a surrender value, but felt trapped in the plan due to the amount of money that had already been paid towards the plan.

I appreciate it is difficult to look back in hindsight and think about what might have happened. To do so I have considered Mrs S' testimony, the evidence provided to this service and what actions Mrs S did take.

Thinking about the options available to Mrs S in around 2006, I don't think she would have increased her monthly premiums to make the policy last for longer, or for life. I say that because her representative has explained they wouldn't have been able to afford to. And when the policy failed reviews she was given the option to increase the premium but didn't. I also don't think she would have cashed it in. The surrender value at the time was around £100. Had she been told that the policy would be able to be sustained for another nine years on the same terms, which at the time was £26,000 worth of life assurance for £18 per month I don't think this would have been enough to entice Mrs S to surrender the policy in 2006. And, I can't see any change in her circumstances which meant that she no longer required the cover. Mrs S' representative has explained they asked about surrender values over the years but were always told that there was no surrender value, or very little and so they continued paying the premiums.

I appreciate that Mrs S has said she would have thought very carefully in 2006 had she been given all the information in order to make an informed decision. And I appreciate it's hard not to look back on things with some hindsight. Based on everything that Mrs S has told this service, and the actions she did take when the policy began to fail it's reviews, I can't conclude she would have surrendered this policy. Instead, I think it's most likely Mrs S would have done what she did – which was accept reductions in the benefits over time.

My final decision

I don't uphold Mrs S' complaint about Aviva Life & Pensions UK Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 9 April 2026.

Cassie Lauder
Ombudsman