

## The complaint

Mrs P complains about the way Phoenix Life CA Limited has administered a whole of life policy. She's unhappy about the changes that she was advised about after it reviewed the policy – she says that such a drastic change is unreasonable.

## What happened

In October 1992, Mrs P took out a reviewable whole of life plan with Confederation Life (which became Sun Life of Canada and is now Phoenix Life – for ease I will refer to Phoenix throughout) with a sum assured of £50,000 for a monthly premium of £18.98. The policy includes indexation, which broadly meant the cover and premium would increase in line with inflation.

The policy continued and indexation increased the cover and premium annually. The first general review was after 10 years and then at regular intervals afterwards.

The first review letter available is from 2004. This set out that the policy had passed and confirmed “...*that the premium you are currently paying of £22.71 per month together with the current value of the policy, is sufficient to maintain the policy benefits and you need take no further action.*”

From 2007 the review letters started to provide some information about the future of the policy. The 2007 review letter gave an estimation of how long the premium and current plan value can support the current benefits, assuming there are no changes to the plan. The policy continued to be reviewed annually, and it passed each review with no changes required.

In September 2021, Mrs P was sent a review letter. This explained the current premium of £35.74 was no longer enough to maintain the current life cover (£97,671.76) for the whole of her life. So, the cover will reduce to £17,001.00 on 21 October 2021. It did provide some options going forward – including keeping the same level of cover with an increased premium of £286.10.

Mrs P raised some queries following receipt of the review letter. And in October 2021, she complained as she felt the review outcome indicated Phoenix had unilaterally changed the methodology of the reviews.

Phoenix responded but did not uphold the complaint. In summary it said the policy was reviewable and guaranteed for the first 10 years. It was suitable for Mrs P's circumstances at the time of the sale. The review letters issued from 2007 gave information about the future of the policy and it now calculates reviews so that the plan remains in force 'For the whole of your life' to help avoid the need for significant premium increases later in life. From 2015, the costs were exceeding the premiums, but the accrued value has been used to help meet the higher costs until the first failed review in 2021.

Mrs P didn't accept this response and referred her complaint to this service for an independent review.

I issued a provisional decision in March 2026. This is what I said in respect of the mis-sale complaint:

*“The policy was taken out following advice received from a representative of Confederation Life (who Phoenix is now responsible for).*

*There is some evidence from the time, which sets out the circumstances of the sale. I have reviewed some documents including the confidential questionnaire (CQ) which collected details of Mrs P’s circumstances, the illustration, the policy schedule and product particulars document.*

*Firstly, I’ve looked at whether the policy was suitable for Mrs P at the time it was sold. I’ve considered the information available about her circumstances and needs at the time. This confirms the reason for taking the policy was to provide cover for her family in the event of death. The CQ refers to a unit linked plan with ‘money back option preferred’, as opposed to term limited cover that was recommended for her husband. It is also recorded that Mrs P’s only existing life cover was linked to her mortgage. And cover of £50,000 was needed for at least 10 years. There is detail of the household income, and I haven’t seen anything to suggest the premium was unaffordable.*

*Having considered the available evidence, I’m satisfied the policy was a suitable recommendation to meet Mrs P’s needs and aims at the time.*

*But the main reason Mrs P thinks the policy was mis-sold is because she was led to believe the terms of the original policy were always based on her having cover for the whole of her life. And she wasn’t told the sum assured was only guaranteed for a period of 10 years.*

*There is some evidence to suggest that this information was given to Mrs P as part of the advice process to explain the policy. The Product Particulars that Phoenix has provided as relevant to the time of sale does have a section on ‘Reviews’. This explained that regular reviews will take place to ensure the benefits and premiums can continue at their respective levels and you will be advised of any adjustments necessary to the premiums or sum assured. Conversely, I haven’t seen anything that would indicate the premium and sum assured were guaranteed to stay the same or there was a limit to any adjustments. The policy is for whole of life, but after a review, adjustments might be needed to maintain the benefits. While I acknowledge Mrs P’s point that the policy schedule states the benefits provision was £50,000, this was always subject to review.”*

This is what I said in respect of the policy reviews:

*“I’ve gone on to consider the issues relating to the reviews that have taken place on the policy as these are at the crux of this complaint. The size of the premium increase that Phoenix told Mrs P about at the 2021 review was what prompted her complaint.*

*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 Phoenix ought to have provided Mrs P with clear, fair and not misleading information about the policy. What I’ve drawn from the guidance is*

*that the communications to Mrs P 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 it should have provided this information within a reasonable time frame.*

*Phoenix has provided limited information in relation to the early reviews of the policy. The first information relating to reviews I've seen is from 2004. This means it hasn't been able to show how it met its obligations in terms of meeting Mrs P's information needs up to this point.*

*I've considered the information available from the time of the 2004 review. As noted above this review set out that the policy had passed and Mrs P didn't need to take further action, and the benefits and premiums will remain unchanged until the next review. A policy valuation was also given showing the value of the units held. But there was no information about the costs of the policy, or anything about the future of the policy. The 2005 and 2006 letters also showed the policy passed the reviews, and provided similar information.*

*The 2007 review also passed. From this review letter, Phoenix started to provide some information about the future of the policy. The 2007 review letter gave an estimation on how long the premium and current plan value can support the benefits, assuming there are no changes to the plan, based on current assumptions. But there was still no information given about the costs of the policy, and the impact this might have on the future of the policy. The review letters from 2007 to 2018 all contained similar information. And the outcome of each of the reviews was that they all passed with no changes required.*

*In 2019, the format of the review letter changed. And there was additional information that was provided to Mrs P about the policy's performance. It informed Mrs P the latest review "...found that the premium you pay is enough to maintain your current life cover. This means that you do not need to make any changes to your plan now unless you want to." But it also warned, at the next review in 2020 "...it is likely that you will have to either increase your premium to maintain your current life cover or reduce your life cover." There was also information to estimate how long the cover could last for if no changes were made based on three growth rate assumptions. The annual statement was also provided with the review. This provided additional information compared to previous years. It set out both the premiums paid in over the last year (£380.93) and the charge for providing life cover over the last year (£629.52) – showing a significant difference. There were also values given for the policy last year compared to the current value – which showed a reduction in value year on year. The 2020 review contained the same information. So it does appear from 2019 onwards Phoenix was now providing more information so that Mrs P was in a better-informed position to understand the performance of her policy and the likely need for future changes.*

*The 2021 review was the first failed review. This set out that there had been a change in how Phoenix calculates the cover the policy can provide. It stated the review was now looking at maintaining the cover for Mrs P's lifetime, rather than until the next review date. As a result this did indicate a large increase was required to maintain the current sum assured, or a large reduction in benefit. This is what prompted Mrs P to complain.*

*Having considered the review letters Phoenix has provided to show how it communicated to Mrs P, I think the level of information has been insufficient – particularly prior to 2019. For example, whilst the reviews carried out before this date weren't misleading when telling Mrs P where changes weren't required, they weren't clear because they didn't set out any of the key information about the costs of the policy or how those costs were increasing.*

*Phoenix has provided details of how the costs of the policy were increasing in comparison to the premiums being paid. From the information provided, it seems as early as 2015 the costs*

*of the policy were starting to exceed the premiums being paid. This information should have been provided to Mrs P soon after this tipping point was reached, and on an ongoing basis. As this wasn't provided until 2019, I do think Phoenix has failed to meet its obligations in terms of Mrs P's communication needs.*

*I've gone on to consider the likely course of action Mrs P would've taken if she'd been put in an informed position at the 2015 review. However, before commenting further, I acknowledge our investigator had been exploring the possibility of reconstructing the policy on alternative terms. But no agreement was ever reached with Phoenix on the basis for a reconstruction. If Phoenix is prepared to work further with Mrs P 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. As no resolution was agreed, I return to the question of the likely action (if anything) Mrs P would have taken if Phoenix had provided clearer information.*

*Having considered the matter, I'm not persuaded that clearer information would've made a difference to Mrs P. I'll explain why. Mrs P has provided information about her circumstances since taking out the policy. She has explained the policy was taken out to give financial security to her family in the event of her death. So, it seems the need for cover remained important to her for estate planning reasons and to provide security post her retirement, so the cover provided by the policy was still important. Mrs P has also been clear that surrendering the policy wasn't an option, and she didn't see value in the amount that could be received when compared to the sum assured. In my view, the need for cover remained at the points of the policy reviews. I think this supports Mrs P still valued and wanted to keep the life cover going while there was a benefit of value for her family. So, it seems more likely to me she would have kept the policy in place in 2015 too if she was given clearer information, rather than lose the cover completely as she still had a need for the policy.*

*I also don't find it likely she would have made any significant changes to the policy by increasing her premiums or reducing the sum assured if she was given better information sooner. She was concerned about the premium increases required in the 2021 review. From what I understand of this type of policy, and the policy's actual performance since it was taken out, I think the premium increase required to keep the policy at the original level would have been higher than Mrs P wanted to pay even from the 2015 review. And even in a situation where Phoenix did provide clear information at the earlier reviews, it would only need to give Mrs P the information and then it would be for her to make proactive changes based on the information. It doesn't seem from the evidence, Mrs P would have made those changes while the existing premium was still able to provide the existing level of cover. Indeed, she didn't seek to make changes after 2019, when there was further information given to her about the cost of the policy and the likely need for changes at future reviews.*

*In conclusion, I haven't been persuaded it's likely Mrs P would have made any changes to the policy or surrendered it even if she had been provided with sufficient information earlier. So, I don't find Phoenix needs to anything in this respect."*

Lastly, I considered the issues with 2021 review calculation. This is what I said:

*"I understand Phoenix now believes that some of the figures given in the 2021 review weren't correct. It hasn't provided detail of any inaccuracies but has provided reassurances that it will seek to review the policy again, so that Mrs P can understand the correct position. I note it has agreed to honour the higher sum assured (and not reduced the cover as set out) until it does complete a further review and will pay Mrs P compensation for distress and inconvenience. So, it does appear Phoenix is considering Mrs P's interests, despite the admitted errors.*

*It is clear Mrs P was concerned about the outcome of the 2021 review, and this admission that the figures weren't correct will compound this for her. So, I think this error has further impacted Mrs P. So, I agree that it is fair and reasonable for Phoenix to pay her compensation for the distress and inconvenience it has caused her due to this. I propose it pays her £250 in this respect. "*

Phoenix responded to say it accepts the decision.

Mrs P didn't agree with the provisional decision. She provided further comments for me to consider. In summary she said:

- The whole point of raising the policy as mis-sold was in relation to the indexation part of the policy. If she had known that the cost of the life insurance was exceeding the monthly payments, then she would have looked into converting the policy to a fixed sum for the whole of life. This option was never offered and was therefore not available.
- It is noted the process undertaken by the review in 2021 was not right and that a new review would now be undertaken. This was one of her concerns. However, she has not received anything from Phoenix regarding this new review.
- She doesn't agree, she would not have sought to make changes earlier. Her view is Phoenix repeatedly said there was no need to make any changes, and it did not provide the information needed for her to make such changes to the policy.

### **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 considered the further submissions Mrs P has made in response to my provisional decision alongside all of the other evidence submitted. Having done so, I haven't found reason to change the outcome. I'll explain why.

Firstly, I acknowledge the comments Mrs P has made in relation to the indexation included with the policy. While indexation has led to the sum assured increasing, it isn't the critical cause of the cost of cover exceeding the premiums. As part of the indexation, the premiums paid were increased proportionally with the sum assured increases. I haven't seen that indexation being included would render the recommendation unsuitable at the time of sale. The cause of the costs exceeding the premiums was due to a number of factors. The performance of the policy and the broader increasing costs of providing cover are the most significant factors.

I also acknowledge the points Mrs P makes about her likely actions if she was given clear information. My finding is that there were failings in the information provided at the earlier reviews and she wasn't given everything she should have been - but even if better information would have been given, I didn't find the evidence supported this would have led to her deciding to make changes or surrender the policy. I reached this finding without using the benefit of hindsight. Mrs P says Phoenix repeatedly told her there was no need to make any changes and failed to provide the information needed for her to make changes. But as I previously explained, it would only need to give Mrs P the information and then it would be for her to make proactive changes based on the information.

For the reasons provided above and those set out in my provisional decision, I don't find the policy was mis-sold. I also find that there were failings in the information provided to Mrs P,

but I don't find that this would have led her to make a different decision about the policy. So, I don't find Phoenix needs to do anything further in respect of these issues

Lastly, I've considered Mrs P's concerns about the accuracy of the 2021 review. As it is now accepted that the calculations were inaccurate, I would expect Phoenix to make it a priority to provide a further review, to allow Mrs P to make a decision about the policy going forward.

Phoenix has accepted my provisional decision, and the proposed compensation. So, it should pay the compensation suggested in recognition of the distress and inconvenience it has caused Mrs P due to the errors made in the calculation of the 2021 review. It should also provide the updated review letter as a matter of priority.

### **My final decision**

I uphold this complaint in part and require Phoenix Life CA Limited to pay Mrs P £250 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 15 May 2026.

Daniel Little  
**Ombudsman**