

complaint

Ms B's daughter has complained, on her behalf, that the sum assured on her whole of life policy with Friends Life Services Limited was decreased and she wasn't given reasonable opportunity to make a decision regarding the change. She feels that Friends Life has not followed the correct process prior to reducing the sum assured

background

Ms B took out a reviewable whole of life policy in 1989. The policy passed its reviews in 1999, 2004 and 2009. When the policy was reviewed in 2014 it failed as the annual premium was insufficient to sustain the level of cover that was in place at that time until the next review date.

Friends Life wrote to Ms B on 1 September 2014 to inform her that the review had failed and to set out her options. This letter said that if a response wasn't received by 10 October 2014, the sum assured would be reduced from £382,029 to £188,502.

As Friends Life didn't receive a response, the sum assured was reduced and a letter was sent to Ms B on 10 October 2014 confirming this.

Ms B didn't receive the notification of the failed review until 21 November 2014. At this point, she spoke to a representative of Friends Life, who gave her the opportunity to pay the higher premium to maintain the previous sum assured. However, Ms B declined to pay the increased premium. Ms B also found the reduction unreasonable as the cover had been reduced by over half. She also didn't feel Friends Life was legally or contractually entitled to make the reduction.

The adjudicator who investigated the complaint didn't recommend that it be upheld. She explained that the reviewable nature of the policy was explained in the terms and conditions and this said the sum assured could be reduced.

She explained the calculations used in order to conduct a policy review and to decide how much cover can be provided are a matter of Friends Life's commercial judgement. As such, this Service wouldn't generally comment upon or review these decisions.

The adjudicator therefore didn't think that Friends Life had acted unreasonably in reducing the sum assured.

Ms B's daughter disagreed, however, saying the following in summary:

- It was understood that Friends Life was contractually obliged to reduce the sum assured.
- But the actual level of reduction seemed to be unreasonable and Friends Life had provided no data as to how this calculation had been made.
- If the matter was pursued in court, Friends Life would be required to justify the level of reduction. This same test should be applied by this service.
- Ms B wasn't given enough time to consider her options. Due to the letter being posted overseas, it didn't arrive until 21 November 2014. Friends Life had no record of safe receipt of the letter before it reduced the sum assured.
- Although Ms B was given the opportunity to make a decision at that point, she couldn't have been expected to do so there and then. She was still at that point considering the contractual legality of the reduction.

- Had Ms B been given appropriate time, she would have opted to increase the premium to sustain the sum assured.

The adjudicator responded, saying that Friends Life had given information on what factors were considered when determining the level of premium increase or reduction in sum assured. But she said that more detailed information would be commercially sensitive and so it would be expected to release this.

The adjudicator also said that Friends Life wouldn't have been required to send its letters by recorded delivery or ensure that they had been received.

As agreement's not been reached on the matter, it's been referred to me for review.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I acknowledge Ms B's disappointment with what has happened with her policy, but having reviewed the chain of events, I can't see that Friends Life has acted incorrectly here. To explain, the terms of the policy did allow for the reviews to take place on the policy and if it was determined that the performance of the policy's investment element and the premium being paid was insufficient to sustain the sum assured, a reduction could be made. Alternatively, the premium could be increased. These were the options set out to Ms B in Friends Life's letter.

I also appreciate that the level of reduction will have come as an unpleasant surprise and that it's natural to want to know why this has been necessary. But as explained by the adjudicator, the actual methodology and calculation used by Friends Life will include commercially sensitive information which it would be reluctant to be made public. It may be the case that a court would seek to test whether the calculations are reasonable, but given that the policy allows for the actuary's discretion in determining such aspects, it's not information I think is necessary for this service to decide the case. And this service couldn't in any case require Friends Life to use a different set of data or calculation methodology to produce premium amounts and sums assured.

To address the manner of the notification, I understand that postal delays resulted in Ms B not receiving the letter until 21 November 2015. By this time, the sum assured had been reduced, in line with the policy terms. But the adjudicator was correct in saying that Friends Life wouldn't have been required to send the letter by special or recorded delivery or ensure that it had been received. I note in any case that when Ms B contacted Friends Life in November 2014 that she was given the option to pay the increased premium and have the sum assured reinstated. But she chose not to do so. Other than requesting that the review be postponed for a year – which wasn't possible under the policy terms – I can't see that Ms B requested more time to think about her options before making a decision. And even if she had, I think Friends Life might have reasonably declined, given the existing concession of giving Ms B the opportunity to decide over a month after the deadline for notification of her wishes.

Ms B's daughter has since confirmed that Ms B would have agreed to the required increase in the premiums, but unfortunately this wasn't the decision made at the time, and so the sum assured was reduced. It may be the case that Friends Life would still be prepared to

increase the sum assured if a higher premium is now paid, but I wouldn't be able to require it to do so. And so I leave it to Ms B to decide whether she wishes to propose this to Friends Life.

Overall, therefore, whilst I appreciate Ms B will be disappointed with this outcome, for the reasons given I don't think Friends Life has done anything wrong here.

my final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 30 December 2015.

Philip Miller
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