Financial Ombudsman Service

complaint

Mr G complains that Zurich Assurance Limited should not be able to reduce the sum assured under his whole-of-life policy and that he was not told that the policy was reviewable. He also complains that commission is being paid to an outside broker.

background

Mr G took out an adaptable life plan with Zurich in 1994 which was amended to a lifetime protection plan in 2000. The sum assured was £75,000 with indexation. He complained to Zurich in 2013 that it should not be able to reduce the sum assured. He was not satisfied with its response so complained to this service.

The adjudicator did not recommend that this complaint should be upheld. She concluded that, when the policy was amended in July 2000, the policy terms and conditions had not changed. She noted that the original sum assured of £75,000 had been increased to £103,682 because of indexation over the years but that the policy reviews - and their possible implications - were described in the policy terms and conditions. She also said that she had not seen any evidence that Mr G would need to take out a new policy when he reached an age of 65 and that the commission paid to the broker was not a direct charge on the plan and does not affect the current or potential value of the plan.

Mr G has asked for his complaint to be considered by an ombudsman. He says, in summary, that he was not told that the sum assured can go down and that the terms and conditions changed when the policy was amended in 2000.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I have seen no evidence to persuade me that the applicable terms and conditions of the plan changed when Mr G's plan was amended from an adaptable life plan to a lifetime protection plan in 2000. When the policy was amended the sum assured was £75,000 subject to indexation. I consider that it was clear from the terms and conditions that were provided to Mr G when he took out the plan in 1994 that the policy was reviewable. The key features document for the adaptable life plan clearly describes the reviewable nature of the policy and the terms and conditions refer in paragraph 4 to policy reviews and the provisions of appendix C. Paragraph 5(3) of that appendix clearly says that the sum assured can be reduced but that the policyholder has the option to increase the sum assured by paying a higher premium.

Zurich says that reviews took place on the fifth anniversary of the policy and then every five years until Mr G was 70 when they occurred annually. It says that Mr G was made aware of the outcome of each review and that yearly statements were sent to him. Zurich has provided a copy of the letter that was sent to Mr G in 2009 which said:

> "*We have just completed the latest review on your plan and we are pleased to tell you that the monthly contribution of £299.03 is still sufficient to support your current sum assured of £100,467. As you chose to index your plan however, the sum assured will increase to £103,682 [in June 2009], which means the contribution will increase to £314.11 a month*".

When the policy was reviewed in 2013, Zurich wrote to Mr G and said:

> *"Your plan provides life cover for as long as you need it. The amount can increase or decrease over time in response to changes in investment performance and trends in life expectancy".* It then said: *"At this review the cost of providing the cover is as we expected so your plan will only change due to indexation".*

On the basis of the evidence that I have seen, I consider that the sum assured in 2000 was £75,000 (which has been increased since then because of indexation) and that Mr G was provided with enough information to inform him that the policy was reviewable and that at each review the sum assured could be reduced. However, at each policy review the sum assured would only be reduced if the premium was not increased. Mr G has chosen to index-link his policy and has paid the increased premium on each review to ensure that the sum assured increases. Provided that he continues to do so, it is unlikely that the sum assured will be reduced – although it is possible in limited circumstances that the sum assured could be reduced. Although I cannot be certain what Zurich said to Mr D when the policy was amended in 2000, I consider that the policy has provided Mr G with the protection that it was intended to provide to him.

I am not persuaded that there is enough evidence to show that Mr G was required to take out a new policy when he reached 65 years of age or that Zurich has acted incorrectly in paying commission to a broker. I therefore do not consider that it would be fair or reasonable for me to require Zurich to take any action in response to Mr G's complaint.

my final decision

For these reasons, my decision is that I do not uphold Mr G's complaint.

Jarrod Hastings
ombudsman