

complaint

Mr Y and Ms N's complaint concerns the reviews of their whole-of-life policies carried out by Phoenix Life Limited. In brief, they say the business didn't notify them at the start that the premiums for the policies may significantly increase following the reviews.

background

In 2001 Mr Y and Ms N took out two whole-of-life policies with Phoenix Life on the advice of an independent financial adviser (IFA). Since the policies' tenth anniversaries the business has carried out regular reviews to determine whether the premiums are sufficient to maintain the level of cover. These reviews have indicated that the cover can't be maintained and Mr Y and Ms N have had to take out additional policies to make up the difference.

At the heart of their complaint is the *amount* of additional cost they have incurred in doing this, and which they look set to incur in future if they wish to keep the same level of cover. They say that the documentation explaining how the policies would operate doesn't make clear just how significant future increases in cost could be. Had they known there was a risk this could happen they would've sought alternative ways of meeting their protection needs.

Phoenix Life didn't uphold Mr Y and Ms N's complaint. It was of the view that it had administered the policies correctly (although acknowledging one error in producing a duplicate additional policy) and carried out the reviews properly. So, Mr Y and Ms N referred their complaint to this service.

Our adjudicator didn't recommend the complaint should be upheld. She explained that the setting of premiums is generally a matter of a business' commercial judgement. This service wouldn't normally interfere with that judgement if we consider it has been exercised legitimately.

The adjudicator found that policy literature was provided to Mr Y and Ms N's IFA, which explained that following policy reviews the premiums could increase. She concluded that we couldn't investigate the *suitability* of the policies as they weren't sold by Phoenix Life. She was also of the view that the business legitimately exercised its commercial discretion when it increased the premiums.

Mr Y and Ms N disagreed, maintaining that Phoenix Life had a responsibility to inform them at the outset that the premiums for the policies would increase significantly following the policy reviews.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I have come to the same conclusions as the adjudicator and for broadly the same reasons.

I think it's important to reiterate the point that Phoenix Life was not responsible for the sale of the policies. And, as such, it wasn't responsible for deciding whether they were a suitable way of meeting Mr Y and Ms N's needs and objectives. The business' responsibility is limited to administering the policies correctly, part of which is carrying the policy reviews in line with the terms.

In this respect, aside from the error of the duplicate policy (which has been addressed), I've not seen that Phoenix Life has acted incorrectly or unreasonably. The policy terms explain that reviews will be carried out and the potential consequences of this. They say that the level of cover may change or that the premiums may need to be revised.

I appreciate there is nothing said about how large these revisions of premiums might be. But I think it's reasonable that the terms don't go into that level of detail. They explain that there are a number of factors that can affect the level of premiums. But it would be very difficult to give a meaningful indication of the likely size of any required change so many years in advance.

I've noted the copies of the original illustrations that Mr Y and Ms N have provided. I can see that these quote the premium payable at the start of the policy without any suggestion that it may change in future. But in my view these are not *incorrect* in saying what they do. I think they would have been intended to be read in conjunction with the policy terms, and in the context of an explanation of how the policies worked.

I would have expected that in recommending the policies to Mr Y and Ms N their adviser would have drawn attention to the reviews and potential consequences. And in doing so he would have expanded upon the terms to explain in more detail the practicalities and risks involved.

But, as noted, that would have been the adviser's responsibility, not Phoenix Life's. While I recognise Mr Y and Ms N will be disappointed, I am satisfied that, in general, Phoenix Life carried out its responsibilities correctly.

my final decision

For the reasons given, my final decision is that I do not uphold the complaint.

James Harris
ombudsman