

The complaint

Mrs P complains that Aviva Life & Pensions UK Limited unfairly reduced the sum assured on her policy following a review, despite it being guaranteed.

What happened

In December 1987 Mrs P was advised to take out Flexible Cover Plan with a predecessor firm – for ease I'll refer to Aviva going forward as that is the firm now responsible. The policy was to provide £25,658 worth of cover for a monthly premium of £12.

The policy was a reviewable whole of life policy – this meant that the policy and the benefits it provided were subject to reviews at specific intervals. These reviews were designed to look at the value of the policy, the amount of cover required and the premiums being paid and determine whether this could continue to be maintained until the next review.

Mrs P's policy had its first review in 1997, ten years after the policy began. It was then scheduled to have another review ten years after that, in 2007. Subsequent reviews were carried out in 2013, 2016, 2018, 2019 and 2020.

The reviews in 1997 and 2007 both indicated that no changes needed to be made to the policy and that the benefits could be maintained for 14 years or more.

The review carried out in 2013 indicated that the benefits under the policy could only be maintained for another 5 years – I've not seen a copy of this review letter.

The review carried out in 2016 concluded that the benefits under Mrs P's policy could be maintained for a further 4 years, "*after which time it may be necessary to reduce the level of cover to £4,644.00*" or "*increase the level of premium*".

The letter said that it wasn't "*essential*" for Mrs P to take any action at that time, but it did set out some options for Mrs P to help mitigate the possibility of the policy requiring changes in future:

- One option involved increasing the premium to £40.80 (from £12) in order to keep the same cover for a further ten years.
- A second option involved increasing the premium to £88.16 which would allow the cover to be maintained for life.

Mrs P was also given options to reduce the sum assured in order to maintain the policy benefits for ten years or more.

The review carried out in 2018 concluded that the level of cover could be maintained for a further two years "*after which time it may be necessary to reduce the level of cover to £4,644.00*" or "*increase the level of premium*". As in the previous review, this letter gave Mrs P certain options:

- One option involved increasing the premium to £62.45 in order to maintain the existing level of cover for a further ten years;
- A second option involved increasing the premium to £109.26 in order to maintain the cover for life.

Mrs P was also given options to reduce the sum assured in order to maintain the policy.

The review carried out in 2019 provided much of the same information, except that the quotes for maintaining the cover for ten years or for life had increased to £74.92 and £117.82 respectively. The review letter explained that her benefits could only be maintained for a further year without any changes.

The review in 2020 concluded that Mrs P's level of cover could no longer be maintained. She was invited to:

- Increase her premium to £108.68 to keep her level of cover for another ten years;
- Increase her premium to £144.92 to keep her level of cover for life.

Mrs P was given options to reduce her cover. But she was also told that if she took no action, her cover would automatically be reduced to £4,644.00.

Mrs P did not make any adjustments to her policy in response to these letters.

Mrs P complained to Aviva in 2019 and in December 2021. Aviva looked into Mrs P's concerns – it referred her complaint about the sale of the policy to the relevant adviser as it had not sold the policy to her. In relation to her complaint about the review of the policy and the reduction in its value, Aviva didn't think it had done anything wrong. In summary it explained that Mrs P's policy was unit linked whole of life product which was periodically reviewed to ensure that the premium was able to maintain the life cover. It referred Mrs P to the relevant terms of the product and explained that the value of Mrs P's plan had reduced because it had not received a response following the review carried out in 2020.

Mrs P remained unhappy and referred her complaint to this service. One of our investigators looked into her complaint, but didn't think Aviva had done anything wrong. He set out in detail the relevant standards and rules that applied and considered each review letter that was sent to Mrs P in detail. He concluded that at each review Mrs P was told how long her policy would last for and what she could do to ensure the policy lasted for longer or for life. He thought Aviva did what it was required to do and therefore no compensation was payable.

Mrs P didn't agree with the investigator and asked for an ombudsman's decision. She said that she found it beyond belief that firms could offer a guaranteed service and final outcome, and then change that to suit themselves, as well as changing her policy to another company without seeking her permission. She said Aviva had acted illegally and this had had a profound impact on her.

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'd first like to extend my sympathies to Mrs P and the difficult circumstances she finds herself in. It's clear how distressing her current situation is and this has been exacerbated by what has happened to her policy.

However, in looking at Mrs P's complaint, my role is to remain impartial and decide the matter based on what is fair and reasonable. This includes taking into account the relevant rules which applied to Aviva (and predecessor firms for which it has taken responsibility), industry good practice and any terms and conditions that applied to the policy Mrs P took out. I should also make clear that this decision isn't about the sale of the policy to Mrs P – and so I make no finding about whether this policy was suitable for her needs. This is because Aviva was not responsible for the sale.

The investigator has already comprehensively set out the relevant standards that applied to the communications which Aviva was required to send Mrs P under the policy, so I won't set them out again.

I'm satisfied that the policy was never in fact designed to guarantee Mrs P's specific sum assured (£25,500), for the same premium (£12 per month), for life. I acknowledge that this is Mrs P's understanding – but the evidence I've seen, including the terms and conditions of the product, make it clear that this policy was reviewable and that the terms of the policy, including the premium payable and the sum assured, would be subject to periodic reviews – and therefore subject to change. This is what Aviva did at the relevant times. So I'm satisfied that Aviva didn't mislead Mrs P – and I'm not persuaded it would be fair and reasonable to ask Aviva to honour the original sum assured in these circumstances.

So I've considered the review letters that Aviva sent to Mrs P very carefully.

In looking at the review letters, it's clear to me that key information was conveyed to Mrs P. From 1997 the reviewable nature of Mrs P's policy was made clear to her and the 2007 review clearly indicated that the sum assured was not going to be guaranteed for life – albeit at that stage Aviva considered it could be maintained for a considerable period of time.

The review letters from at least 2016 onwards also told Mrs P how much she needed to increase her premium by in order to maintain her life cover for longer than was being anticipated. These letters gave specific options to Mrs P to change her premiums or her sum assured and invited her to get in touch with a financial adviser to consider her options. They also gave Mrs P a timeframe for when she'd be required to make changes to her policy.

I understand that Mrs P did not respond to those letters on the basis that her understanding was that her sum assured was guaranteed for life – but as I've said above, I'm satisfied Aviva did not give Mrs P this understanding. Instead, the review letters in my view clearly gave Mrs P sufficient information about what she needed to do to make her policy last for life.

And even if I thought there might have been further information which Aviva could've shared with Mrs P at an earlier stage (for example a more detailed breakdown of the charges of the policy compared to the premium she was paying), I'm not persuaded this would've made any difference to her decision-making at the relevant times.

It's clear to me that Mrs P did not agree that she needed to make changes to her policy because her firm understanding was that the sum assured was guaranteed for life.

All this means that once Mrs P took no action after the various reviews, the 2020 review became inevitable.

I fully sympathise with the shock Mrs P was faced with at that time – but in my view this review was the result of her policy being administered properly and in line with the terms and the relevant standards. I'm not persuaded there's anything which Aviva did wrong in carrying out this particular review.

For all these reasons, although I sympathise with Mrs P's difficult situation and with the distress and upset she is currently experiencing, I'm not persuaded it would be fair and reasonable to ask Aviva to pay any compensation. I've seen sufficient evidence that it administered the policy in line with the relevant rules and communicated key information to Mrs P at relevant times to enable her to make informed decisions about her policy.

Mrs P's primary dissatisfaction is about her understanding that the sum assured on her policy was guaranteed for life, and therefore her belief that the policy was mis-sold to her – but this isn't something Aviva was responsible for.

For all these reasons, I'm not persuaded Mrs P's complaint about Aviva should be upheld.

My final decision

My final decision is that I don't uphold Mrs P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 3 October 2024.

Alessandro Pulzone
Ombudsman