

The complaint

Mrs T complains that Phoenix Life Limited, trading as SunLife, changed her policy from one with increasing premiums and benefit to a fixed cover option. She's also unhappy she's paid more in premiums than the cash sum payable under the policy.

What happened

In summary, in November 2010, Mrs T took out an over 55s life insurance policy with Phoenix, trading as Sun Life. The policy had an initial cash value of £2310. In April 2023, Mrs T contacted Phoenix asking for clarification about the terms of her policy. She said her policy documents showed that the cash sum would increase by 5% each year, as would her premiums. But her direct debit payments had remained the same since the policy started. Mrs T also asked about cancelling her policy, as by this point, she'd paid more in premiums than the initial cash sum. She was told that if she cancelled, she'd not receive anything back.

Mrs T subsequently complained and Phoenix sent her a final response letter in June 2023. It said the policy had been set up on an escalating option basis with a welcome pack issued in November 2010. But Phoenix realised this wasn't what Mrs T had asked for on her application form. She'd selected the fixed cover option, whereby the cash sum and monthly premium would remain the same throughout the life of the policy. So in February 2011, Phoenix corrected the policy setup. It said an apology and confirmation of the change was sent to Mrs T, along with new policy documentation. But due to not retaining documents and correspondence beyond six years, it couldn't provide a copy of the letter and information sent. It confirmed that the policy had therefore been in place on the correct, requested basis.

Phoenix also explained that the nature of the policy was such that some families would receive a cash sum greater than the premiums paid, and others would not, depending on how long the policy holder lived. It said Mrs T had been covered throughout the life of the policy and that no refund was due in the event of cancellation.

Mrs T remained unhappy with Phoenix's response, so brought her complaint to the Financial Ombudsman Service. But our investigator didn't think Phoenix had acted unfairly, so Mrs T asked for an ombudsman to make a final decision.

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.

Having done so, I'm not upholding this complaint. I appreciate Mrs T has been upset by Phoenix's response and I know my decision will be unwelcome news for her. I'm sorry about that. I'll explain my reasons.

I've seen Mrs T's signed application form, on which the fixed cover option is clearly selected. I've also seen a screenshot, corresponding to Mrs T's policy number, which shows system

entries for the date of commencement in November 2010 and a date in February 2011. The February 2011 entry reads:

'New policy docs & apology letter issued to correct policy set up to Fixed Cover. Policy originally set up as Increasing Cover in error at New Business.'

On balance, I think the screenshot indicates the documents were sent. I accept Mrs T says she didn't receive them, but that doesn't change my decision. I say this because Mrs T clearly selected the fixed cover option on application. So she's had and has been paying the premium for the cover she wanted throughout the life of the policy. Phoenix corrected its setup mistake early on, and I'm satisfied it wrote to Mrs T to explain what had happened. So I don't think it's treated Mrs T unfairly here.

I know Mrs T is also unhappy about the fact she's paid more into the policy than the cash sum and won't receive any refund of premiums. I can understand her frustration. But the cancellation terms of the over 55s policy are clear, as set out in the documents Mrs T did receive in November 2010. The policy schedule states, *'this policy has no cash-in value at any time.'* And the terms reiterate that Mrs T can cancel at any time, but if she does, her cover will stop and she won't get anything back. So again, I don't think Phoenix has acted unfairly in relying on those terms.

I appreciate this is an unsatisfactory situation for Mrs T. But for the reasons given above, I don't think Phoenix needs to take any further action regarding this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 16 May 2024.

Jo Chilvers
Ombudsman