

The complaint

Mr S complains that ReAssure Limited ("ReAssure") didn't give him adequate notice about the cost of extending his term life assurance policy.

What happened

Mr S took out a term life assurance policy in October 2010, following advice from his independent financial adviser. At the time Mr S was in his late 50s and wanted to provide protection for his family.

The policy provided life cover of £100,000 at a monthly premium of £114.80 and was described as a ten year rolling policy. That meant the premium was guaranteed for ten years after which it would be reassessed and ReAssure would provide revised terms if Mr S wanted to extend the cover for a further ten years. The policy was a guaranteed plan that would pay out a cash sum upon the death of the life assured. There was no investment element to the plan.

In some years during the ten year term, Mr S took up the option of increasing his cover and premiums by 5%. By 2020 Mr S's policy provided cover of £115,762.50 at a monthly premium of £144.41.

In September 2020 ReAssure wrote to Mr S to tell him that the ten year term of his policy was ending and asking him to decide what he wanted to do. ReAssure said that if Mr S wanted to continue the policy at the same premium then the sum assured would reduce to £38,364. If he wanted to keep the same level of cover Mr S would have to increase his monthly premium to £379.24. In either case, the premium and cover would be guaranteed for the next ten years. Mr S also had the option of ending the policy.

In late September 2020 Mr S contacted ReAssure to say he would like to keep paying his existing premium of £144.41. About a month later however Mr S told ReAssure he would like to cancel his policy as he couldn't afford the premium and had made another arrangement. ReAssure wrote to Mr S to confirm that his policy had been cancelled.

Mr S complains that he wasn't put on notice about the extent of the change that would be required in either the premium or amount of cover to renew the policy. He says he has paid premiums of over £16,500 but has now had to cancel the policy as he can't afford it. He is not asking for a refund of his premiums but compensation for being kept in the dark and the stress that has caused him.

ReAssure said Mr S's plan had been run in accordance with the terms and conditions and they were therefore unable to uphold his complaint.

Our investigator looked into Mr S's complaint and didn't think ReAssure had done anything wrong. He said:

- The premium and sum assured were only guaranteed for the ten year term after which a renewal quote would have to be calculated. He was satisfied that ReAssure had

administered the policy in line with its terms and hadn't seen any evidence that they had made errors during the renewal process.

- He didn't think ReAssure had needed to do more to make Mr S aware of the changes required before they sent the renewal quote in September 2020.

Mr S didn't accept our investigator's findings and asked for an ombudsman to make a final decision. He said there was no transparency about the change in cost of the policy and he feels he was taken for a ride.

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.

ReAssure were not responsible for advising Mr S to take out the policy. So, it wasn't for them to decide whether the term life assurance policy was suitable for him. Any complaint about the suitability of the recommendation would lie against the provider of that advice.

From what I've seen I think it would have been clear to Mr S when he took the policy out that it had a ten year rolling term. A key features document provided to Mr S at the time he applied for the policy said:

“Premiums are guaranteed throughout the term and have been calculated assuming the life assured is accepted on standard terms.

Rolling term offers guaranteed insurability for life, with premiums guaranteed for 10 years at a time. If the client chooses to increase the cover at any review date or to extend the term, a new guaranteed premium will apply.”

Mr S chose to increase his cover by 5% on several occasions during the ten year term and so a new guaranteed premium was applied. But, allowing for those increases, Mr S had the benefit of life cover at a guaranteed premium for the initial ten year term of the policy.

ReAssure wrote to Mr S at the end of the term to explain the options available to him for the next ten years. I think ReAssure's letter set out clearly the options available to Mr S and the costs associated with those options – both the monthly cost and a total cost for the next ten years. The letter explained that Mr S also had the option of ending his cover.

The factors that a business takes into account when setting premiums, including how they choose to assess and price risk, are a matter for their commercial judgment. I note that ReAssure have said their premiums would be calculated based on a policy holder's age, the level of cover required and their charges.

I appreciate that Mr S is concerned about the extent of the change in either the premium or amount of cover that ReAssure said would be needed to renew the policy. But the cost of life cover would generally be expected to increase with age. And in this case, it would be expected that the cost of Mr S's cover, at a guaranteed premium for ten years, would be significantly higher when he was in his late 60s than when he was in his late 50s.

Mr S has complained he wasn't put on notice about the changes. As I've already found, I think Mr S would have been aware that the policy had a ten year term. I also think that ReAssure acted correctly by providing him with clear information about his options before the end of the term.

I accept that Mr S was only given a short time to decide what option to take. The ten year term ended on 30 September 2020 and ReAssure only wrote to Mr S on 7 September. The letter said Mr S should let ReAssure know what he would like to do by completing and returning a review form at least 14 days before 30 September. It went on to say that if Mr S didn't reply by 30 September, they would automatically extend his cover for a further ten years at the same premium.

However, Mr S was able to contact ReAssure before 30 September to say that he wanted to keep his premium the same and then to cancel the policy the following month. I'm satisfied that Mr S was able to exercise his choice about what option to take and I don't think he has been disadvantaged by the short timescale set by ReAssure.

Overall, I'm satisfied that ReAssure administered Mr S's policy correctly and I won't be asking them to do anything further.

I realise this will be a disappointing decision for Mr S, but I won't be upholding his complaint.

My final decision

For the reasons I've explained, my final decision is that I don't uphold Mr S's complaint against ReAssure Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 18 September 2023.

Matthew Young
Ombudsman