



Embargoed until Tuesday 21st April 8.30am

Equity Release Council: Spring 2020 Market Report

1. Summary

January 2020 saw equity release average rates drop to record low of 4.48% as product options surpassed 300

- Average equity release rates fell to record low of 4.48% in the second half of 2019, while two out of five products have rates lower than 4%
- Increasing choice of products offering interest-serviced options, partial repayment flexibilities and downsizing protection
- Wider later life market expands as total sales of all mortgage products to customers aged 56+ rose by 25,212 between H1 2015 and H1 2019
- Over-55s account for 75% of UK population growth, projected to increase by 3.7m by 2030
- 63% of new customers opted for drawdown lifetime mortgage products – taking smaller amounts up-front than lump-sum products
- Older homeowners are continuing to recognise the utility of property wealth, as £1.81bn was unlocked in H2 2019
- 2019 market buoyed by strong competition and reinforced by robust safeguards.

David Burrowes, Chairman of the Equity Release Council comments:

“Hopes that the UK would leave behind the political and economic uncertainty of 2019 have been rapidly overtaken in recent weeks by the national and global response to the coronavirus outbreak. Reflecting on 2019, the equity release market remained robust, as for a second year running older homeowners unlocked nearly £4bn of property wealth. While uncertainty becomes the norm, property wealth will inevitably continue to play a role over the months and years to come, to help meet the wide-ranging needs of the UK’s ageing population. The increasing diversity of firms in the market reflects the wide range of consumer needs which property wealth is helping to address. It is also a sign of the greater frequency with which the option of releasing equity is coming up in retirement planning conversations.

“Equity release is a long-term commitment that can only be made after careful consideration, regulated financial advice and independent legal advice. Strong consumer safeguards will continue to ensure equity release is chosen for the right reasons, with applications vetted prudently and carefully by weighing up both short- and long-term needs.”

2. Key statistics

Market context [page 4]

- 49p of property wealth was accessed in Q4 2019 for every £1 of flexible pension payments taken
- Total sales of all mortgage products to customers aged 56+ rose by 25,212 between H1 2015 and H1 2019, as the wider later life market expands – suggesting increasing numbers of consumers are accessing wider options in the residential as well as lifetime mortgage markets to meet their later life needs.
- Consumer appetite for lifetime mortgages remained robust in an uncertain climate in 2019. Comparing activity within the mortgage market, the lifetime mortgage segment has been the fastest growing of recent times. While the number of new lifetime mortgages agreed in 2019 was 3% lower than in 2018, this area of activity fared better against the uncertain economic backdrop than the first-time buyer, remortgage and homemover markets, which saw activity reduce by between 5-7% year-on-year.
- Over-55s account for 75% of UK population growth in recent years and are projected to increase in number by 3.7m by 2030

Overall customer activity [page 7]

- Between July and December, 44,234 customers were served, compared with 41,263 between January and June, mirroring the seasonal pattern seen in previous years
- £1.81bn was unlocked in H2 2019 to support later life planning, resulting in £3.92bn of property wealth being withdrawn in 2019 as a whole
- 63% of new customers opted for drawdown lifetime mortgage products – taking smaller amounts up-front than lump-sum products
- Average withdrawals of property wealth remained in line with preceding years

Product features and pricing [page 9]

- Product options surpass 300 as choice increases 42% in the last year as strong competition combined with consumer demand fostered continued growth of product options. This figure has almost quadrupled in just two years from only 86 in January 2018
- Key areas of focus include interest-serviced options, voluntary or partial repayment flexibilities and downsizing protection. There are over 100 product options now offering inheritance guarantees, where customers can ringfence a proportion of their property to leave behind as a minimum inheritance. This can enable customers to provide both a 'living' and traditional inheritance to loved ones at different life stages
- All products recognised by the Council continue to offer crucial product guarantees such as a fixed or capped interest rate for life, the no negative equity guarantee (NNEG) and security of tenure. This is also underpinned by robust Standards ensuring equity release has the highest level of consumer protection than any later life property-based loan
- Two in five products now offer rates below 4% as the average falls to 4.48% (as of January 2020). Just 7% of products fell into this bracket a year ago in January 2019, an increase of six times over one year alone

New customer trends [page 13]

- Continued growth in new single plans taken out by women over the last year to boost retirement finances, making up 29% new drawdown plans, compared to 27% a year earlier
- The average age of new drawdown customers rose to 70.6 in H2 2019, the highest figure for 2.5 years
- The average house price for new drawdown customers rose 3% to £358,439 and rose 1% to £315,451 for new lump sum customers – both higher than the UK average of £231,185
- The average percentage of property wealth accessed by customers via new drawdown and lump sum lifetime mortgages remained largely consistent over the last year

Returning customer trends [page 15]

- Increasing activity among returning drawdown customers reflects the popularity of these products since 2009
- Average withdrawal taken by returning customers remained stable, broadly consistent across H1 and H2 the year before

3. Data tables

Equity release product options and features [see page 9]

	Product options with this feature – January 2019	Product options with this feature – August 2019	Product options with this feature – January 2020	Six-month change	One-year change
Downsizing repayment options	114	129	187	45%	64%
Interest serviced (regular interest payments)	45	81	81	0%	80%
Drawdown facilities	61	88	91	3%	49%

Regular income payments	n/a	16	16	0%	n/a
Inheritance guarantee	83	96	100	4%	20%
Sheltered/age restricted accommodation	77	155	174	12%	126%
Fixed early repayment charges	89	116	121	4%	36%
Voluntary/partial repayments with no early repayment charge	127	178	210	18%	65%
Total product options	221	287	313	9%	42%

Source: Product data supplied by Key, January 2020

Trends in mortgage availability in later life [see page 6]

	H1 2015	H1 2018	H1 2019	2015-2019 change	2018-2019 change
Sales of lifetime mortgages	11,051	19,840	19,765	8,714	-75
Sales of all mortgages to customers aged 56+	32,269	54,574	57,481	25,212	2,907

Source: FCA product sales data, H1 2019

4. About the data

Please note: the Spring 2020 Equity Release Market Report uses data from new plans taken out in the second half of 2019, and as such does not include any changes resulting from COVID-19. Market statistics for Q1 2020 are due to be published shortly.

The Equity Release Market Report is designed and produced by Instinctif Partners on behalf of the Equity Release Council. It uses aggregated data supplied by all active provider members of the Council to create the most comprehensive view of consumer trends and product uptake across the equity release industry.

The latest edition was produced in Spring 2020 using data from new plans taken out in the second half of 2019, alongside historic data and external sources as indicated in the report. All figures quoted are aggregated for the whole market and do not represent the business of individual member firms.

For a comprehensive list of members, please visit the Council's [online member directory](#).

5. About [the Equity Release Council](#)

The Equity Release Council is the representative trade body for the UK equity release sector with over 400 member firms and nearly 1,200 individuals registered, including providers, funders, regulated financial advisers, solicitors, surveyors and other professionals.

It leads a consumer-focused UK based equity release market by setting authoritative standards and safeguards for the trusted provision of advice and products. Since 1991, over 500,000 homeowners have accessed over £29bn of housing wealth via Council members to support their finances.

The Council also works with government, voluntary and public sectors, and regulatory, consumer and professional bodies to inform and influence debate about the use of housing wealth in later life and retirement planning.

For further information, please contact:

Email EquityReleaseCouncil@instinctif.com or by phone to Amy Boekstein on +44 207 457 2064 / +44 7806 603 376 or George Peele +44 207 427 1446 / +44 7517 539 427 at Instinctif Partners