



Embargoed until Monday 21st September 2020 at 9.30am

Equity Release Council: Autumn 2020 Market Report

1. Summary

Equity release market continues to evolve with average interest rates reaching historic lows

- Average rates for equity release products reached record lows of 4.11% in July 2020, with over half of products offering a rate of 4% or lower, and a fifth offering rates below 3%
- Equity release rates fell further than other personal borrowing products – mortgages, personal loans, credit cards and overdrafts – over both a one- and two- year period
- Product choice for consumers was up 29% from July 2019 and by 88% since the start of 2019, despite a 5% reduction in product numbers from 401 to 379 between January and July 2020
- Impact of Covid-19 felt in Q2, as the first half of 2020 saw an overall 14% drop in customer activity from the same period last year and a 15% drop in new plans agreed
- Recent ONS data shows more than one in three (37%) people aged 65+ are worried they will not be able to maintain their living standards in retirement [y]
- The ONS data also shows more than a third (39%) of baby boomers (aged 65+) believe property would make the most of their money in retirement [y]

David Burrowes, Chairman of the Equity Release Council comments:

“The unprecedented uncertainty of the first six months of 2020 has affected households and businesses alike, with the equity release market no exception. While pent-up demand in Q1 led to a strong first quarter, the impact of Covid-19 and the lockdown dominated Q2 before showing initial signs of recovery in June.

“Despite this uncertainty, the market has shown resilience and consumers considering equity release continue to find a wide range of product options on the market, while the average rate has fallen considerably over the last eighteen months. As the UK’s ageing population seeks to fund increasingly longer retirements, property wealth can play a fundamental role for many people, both now and in the future, as part of a more joined-up approach to planning for retirement. The challenges that lie ahead show no signs of easing, so it is important that people are aware of all the options available to them to help fund later life.

“We believe the robust standards upheld by the Council, which were evolved last year to be outcomes-focused, provide the highest level of consumer protection of any later life property-based loan. Looking ahead, we are committed, now more than ever before, to working with members, industry, government, and regulators to ensure the best possible consumer outcomes.”

2. Key statistics

Market context [page 4]

- 37p of property wealth was unlocked for every £1 of flexible pension payments in H1 2020 [x]
- Recent ONS data shows more than one in three (37%) people aged 65+ are worried they will not be able to maintain their living standards in retirement [y]
- The ONS data also shows 39% of baby boomers (aged 65+) believe property would make the most of their money in retirement, rising to 47% for younger cohorts aged 35-44 [y]

Overall customer activity [page 6]

- The first half of 2020 saw a 14% drop in customer activity from the same period last year, and a 15% drop in new plans agreed

- Q1 saw 11,079 new plans agreed and 21,884 total customers served, falling to 7,341 and 13,617 respectively in Q2
- Fewer customers sought further advances in H1 2020 and those who did typically withdrew slightly smaller amounts than in the previous six months

Product features and pricing [page 7]

- Product choice was up 29% from July 2019 and by 88% since the start of 2019, though the market saw a 5% reduction from 401 to 379 between January and July 2020
- Average equity release rates reached a record low of 4.11% in July 2020, with over half of products offering a rate of 4% or lower, and a fifth offering rates below 3%
- Products priced above 6%, which made up a quarter (25%) of options on the market in January 2019, now account for only 3% of available plans
- Equity release rates fell further than other personal borrowing products – including mortgages, personal loans, credit cards and overdrafts – over both a one-and two-year period
- Increasing product flexibilities are available, as over half (55%) of products allow downsizing protection, a third (35%) enable customers to make full or partial interest repayments, and over half (56%) allow repayments on the loan without incurring an early repayment charge

New customer trends [page 11]

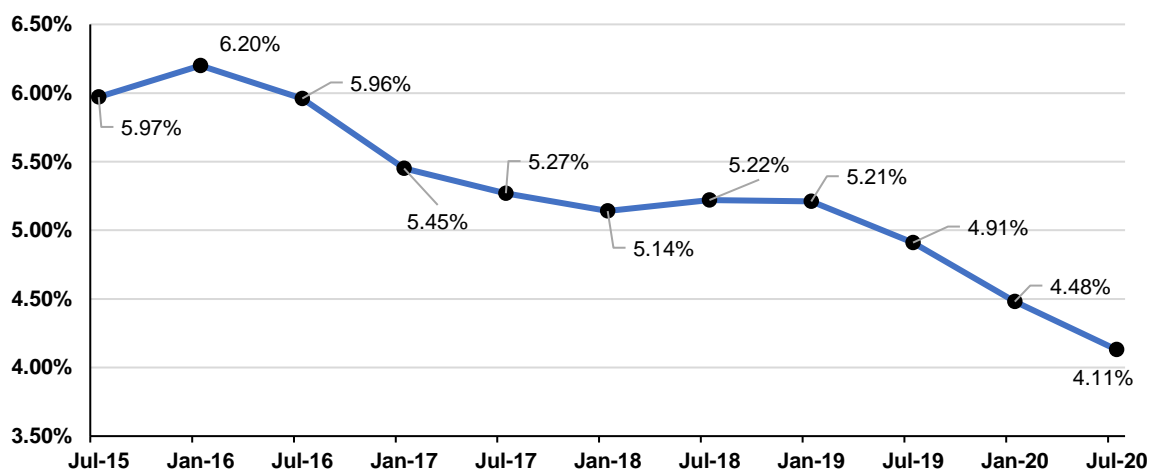
- Jointly held plans continue to make up the majority of new customer activity: 58% of new drawdown plans and 59% of new lump sum plans in H1
- The percentage of new drawdown plans taken out by women rose from 27% in H1 2019 to 29% in H1 2020
- Average house prices rose for both new drawdown (£378,749) and lump sum (£346,157) lifetime mortgage customers, both above the UK average of £234,612 – keeping loan sizes in proportion [z]

Returning customer trends [page 13]

- New and returning drawdown activity was similarly impacted by the pandemic
- The 15,413 returning drawdown customers figure in H1 2020 was down 13% year-on-year to the lowest number seen since H2 2017 (13,209) as people paused to assess the impact of Covid-19 before making use of agreed reserves

3. Data tables

Average equity release interest rates, July 2015 to July 2020 [see page 9]



Source: Moneyfacts Group plc

Percentage of equity release products at different price bands [see page 9]

Product pricing	Jan 2019	July 2019	Jan 2020	July 2020
4.00% and lower	7%	21%	42%	50%

4.01% to 5.00%	40%	37%	28%	23%
5.01% to 6.00%	28%	23%	14%	23%
6.01% and above	25%	19%	15%	3%

Source: Moneyfacts Group plc.

Please note: The figures do not always add up to 100% due to rounding.

Equity release product features [see page 7]

60% of products are available to customers living in sheltered or age-restricted accommodation	35% of products allow customers to make regular full or partial interest payments
56% of products allow voluntary or partial repayments of capital with no early repayment charge	55% of products enable downsizing repayment options, so the loan can be repaid with no early repayment charge if the customer opts to downsize in future
39% of products offer fixed early repayment charges	56% of products offer drawdown facilities
14% of products offer an inheritance guarantee, to ringfence part of the property's value as a minimum protected amount to leave behind	3% of products allow customers to receive regular income payments

Source: product data supplied by Key, August 2020

Please note: At the end of 2019, Key launched a new advice delivery platform which alters how product data is collated and provides a more in-depth look at product specifics and variants. As such this year's figures are slightly different compared to last year's figures due to the use of this new system. Any queries please get in touch with Key's Press Office.

4. About the data

[x] HMRC flexible payments from pensions, Equity Release Council property wealth withdrawals

[y] ONS: Early indicator estimates from the Wealth and Assets Survey: attitudes towards saving for retirement, pensions and financial situation, April 2018 to March 2020

[z] ONS UK House Price Index, April 2020

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 Autumn 2020 using data from new plans taken out in the first half of 2020, 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 equity release sector with over 500 member firms and nearly 1,300 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 £30bn 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.

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