Checklist for Advisers Supporting Notes

The following is not an exhaustive checklist but is designed to prompt and complement the sales process.

General guidance:

- Ensure any discussions are fully documented and include any soft facts that capture the customer's voice and thoughts.
- Where appropriate, reference back to the customer in the suitability report using their voice. Examples might include: what was discussed; why the customer held a certain view or made certain decisions; the alternatives/challenges discussed; the information provided to inform their decisions, effects and risks and how the recommendation meets the customer's financial and lifestyle objectives.
- Standard paragraphs are appropriate in some instances but the suitability report should be personally written for the customer, remaining focused so it is not too long and is easily read.
- A strong fact find is not meant to be intrusive, but it allows advisers to make a bespoke recommendation based on the customer's personal circumstances. Customers should be reminded that it is the adviser's job is to ask questions, probe the answers, document the response and make a recommendation based on the customer's short, medium, and long term needs, objectives and personal circumstances.
- The checklist and supporting notes are not a substitute for carrying out a full fact find review or providing full advice to customers on equity release, nor is it a replacement for a suitability report.

Adviser Checklist Action	Supporting Notes
1. ***Have you confirmed that you can advise on equity release products from the whole of the market or that you are a tied or restricted adviser? As a tied or restricted adviser have you clearly explained the limitations and restrictions to your advice?***	The different services that the adviser firm can offer (tied, panel or whole of market) should be explained, including what they mean and whether there is any difference in cost, so the customer can make an informed decision. If the scope of service offered is tied or restricted, it should be made clear that there might be other products that are more competitive, in terms of rate and features. If the adviser can only recommend equity release products, consideration should be given as to whether a mainstream product might be more suitable. If the adviser can only recommend some equity release products, it should be explained that alternative later life lending options might be more suitable and that the customer could be advised to seek wider complementary advice. How the adviser is remunerated should be made clear, including what the customer will pay. If the customer needs wider advice, it should be explained that they will be supported to achieve this.
2. ***Have you confirmed and agreed with the customer how the service delivered to them will be tailored to meet their needs?***	The sales process should be explained to the customer to manage their expectations. Each stage should be set out, from first contact to completion. The number of meetings, timelines, family engagement and the documentation and information the customer must provide should be included. It should be made clear to the customer that the process and the information required is necessary to ensure the advice is personalised and the best solution, which meets the customer's financial and lifestyle objectives, can be recommended. Advisers should explain they will take time to understand the customer's individual circumstances and objectives and will consider alternative solutions, if appropriate. Customers should know how the adviser will keep in contact with them and provide any ongoing support that might be required, particularly with respect to drawdown products.

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3. ***Have you fully discussed with the customer alternatives to equity release including seeking debt advice for shorter term debt solutions, trading down, grants, use of savings and pension income, financial assistance from any family member or other mainstream later life products, both for the current point in time and how any of these alternatives may be relevant in the future?***

Supporting Notes

Fully understand and document the customer's financial position and discuss whether there are alternative ways (see checklist action) to achieve their objectives. Include whether a retirement interest only mortgage (RIO) or alternative later life mainstream product might be more suitable or whether short term debt solutions may be more suitable. Discuss whether a shorter term solution, as opposed to releasing equity now, might be the best option. However, advisers must avoid straying into advice where they are not authorised.

Consider using illustrations with the customer when considering alternatives. For example, illustrate the cost of releasing less equity if the customer might be eligible for things like government grants for essential home repairs, benefits or if they have access to family assistance.

Illustrate the benefits of making ad-hoc voluntary or regular contributions to the interest charged. Illustrate the effect on interest charged for consolidating debts versus shorter term arrangements for debts, such as using surplus income or family assistance.

If a customer has a high net disposable income and they do not want to make payments immediately, explain the benefit of making payments and where possible, provide them with a calculator so they can use it, now or in the future, to illustrate the saving to their estate.

Use any available software to illustrate the effect of releasing equity on means tested benefits and ensure your customer understands that releasing a lump sum could affect their ability to claim in the future. Illustrate the difference between the equity release product compared to a mainstream RIO.

Adviser Checklist Action	Supporting Notes
	If the adviser is unable to provide the breadth of advice on potential alternatives - such as using pensions, investments, means tested benefits, tax, debt advice or mainstream mortgages - advise and encourage your customer to seek this advice before proceeding and provide an easy route to do so. If the customer is reluctant, discuss why and explain the potential effects and risks.
4. ***Have you established or referred for investigation the customer's eligibility for state benefits and the effect equity release benefits may have on them?***	Explain the effects of releasing equity on their existing means tested benefits or possible future means tested benefits. Complete a benefits analysis or refer the customer to an appropriate source for this activity, before proceeding. If the customer is reluctant to seek advice, be sure to understand why and discuss the effect with the customer. Consider illustrating the effect of releasing more equity than required and how compound interest affects the debt. If applicable, explain that releasing equity may affect your customer's ability to claim benefits in the future.
5. ***Have you considered the customer's tax position in making this recommendation?***	Explain how current tax laws mean releasing equity, either by lump sum or drawdown/ income is tax free. Advise that if the client needs full tax advice, including inheritance tax planning, that they should seek advice from a suitably qualified adviser, to understand any wider tax implications. Provide an easy route to doing this.
6. ***Has the customer been advised to speak to their family and any other material beneficiaries of their will, and to consult an independent legal adviser?***	Discuss the customer's attitude to leaving an estate and their reasons for their decisions. Encourage the customer to include beneficiaries, in some or all of the meetings, and explain the potential implications if they do not, such as the distress it might cause if a beneficiary was expecting an inheritance that did not materialise. If the customer does not wish to include beneficiaries in the meetings, discuss alternative approaches such as the adviser providing beneficiaries with information about equity release via leaflets, website links or a call. Retain a note of all communications.

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	In this circumstance the adviser could encourage the customers to write a "letter of explanation", which could be lodged with their solicitor to be passed to the relevant beneficiaries once the customers have passed away.
7. ***Have you explained the impact equity release could have on the customers' estate planning, including the possibility of negative house price inflation?***	Explain that if house prices fall or do not grow as the customer might expect, compound interest will erode the amount they ultimately leave to beneficiaries, reiterating the benefits of the no negative equity guarantee. Remember that it is not appropriate to give a personal view on house prices or future interest rates.
8. ***Have you explained to your customer that they should not release funds to be invested to generate wealth or income, with the exception of being for the purpose of Inheritance Tax (IHT) planning?***	The Council recommends that funds should not be released for investment purposes, with the exception of being for the purpose of Inheritance Tax (IHT) planning. Some Professional Indemnity insurers will also exclude this activity from their cover. With regard to using Equity Release for IHT planning, advisers should first check with their own compliance teams before making any recommendations and to understand their permissions and advice strategies. Equity Release can be used to gift money to loved ones to provide a 'living inheritance' to pass wealth down to the next generation at a time when they most need capital. This can be an option irrespective if the estate is likely to be subject to inheritance tax on the eventual death of the client or spouse. An equity release strategy can be used for IHT legacy planning, and this strategy can be effective where there may be a future inheritance tax liability and there is scope to make use of potentially exempt transfers, or chargeable lifetime transfers within the clients' nil rate band. However, it is ***imperative that advisers providing these solutions have the necessary expertise and qualifications to advise on IHT and wealth transfer.***

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	Risks are those familiar to advisers using common legacy planning strategies, for example: – The client may not survive long enough to gain the full benefit of any gift. Changes in tax law and practice may make chosen planning strategies less effective. Intergenerational gifting is becoming a key consideration for consumers who are planning for the future and property wealth has a major role to play in this especially as many families no longer want to downsize. This could be to mitigate potential inheritance tax but it is often just to gift family wealth when it is most needed. Direct gifting or gifting into IHT mitigating investment plans with or without a trust arrangement is acceptable from the Council's perspective. Remember If you do not hold investment advice qualifications this should be sought and given by a suitably qualified firm or individual.
9. ***Have you recommended that the customer review their Will or consider making a Will with a suitably qualified person?***	If the customer does not have a will, explain the potential consequences. For example protracted settlement of their estate, distress to family members, how their wealth may not go to the intended beneficiaries and how a partner/spouse could lose their home, particularly if they are not on the mortgage/deeds. If the customer does have a will, discuss the need to regularly review it.
10. ***If your customer does not have a Power of Attorney, have you recommended that they seek advice from a Solicitor or a Suitably Qualified person?***	Explain that a Power of Attorney (POA) is a legal document where one person (the donor) gives another person the right to make decisions on their behalf. If they want someone to act on their behalf, in financial or medical decisions, explain they will need to give them POA over their affairs. Make clear that they can only set up a POA while they still have the ability to weigh up information and make decisions for themselves yourself, which is known as mental capacity. Explain that a lasting POA is the most common form of POA and it is an ongoing arrangement with no expiry date that will allow another person to make decisions on their behalf.

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11. ***Have you advised joint customers that access to the drawdown facility will be removed in the event of either party losing mental capacity, without a registered POA?***	Explain that when there are two applicants with a drawdown plan, if one of the applicants loses capacity to contract further withdrawals may not be possible because both applicants may be required to sign the documentation, unless a POA is in place. Set out that with a registered POA, it gives a third person the right to act as one of the applicants to access the reserve, in the event of one of them losing capacity. One example might be if the drawdown facility is required to pay for care.
12. ***Have you discussed the customer's health and life expectancy and how any released funds may impact on their ability to fund for later life financial requirements such as long-term care?***	Explain that long term care is a variety of services that help meet both the medical and non-medical needs of people with a chronic illness or disability. Be mindful that the customer may not have given consideration to their long term needs and the adviser should ensure they discuss the customer's short-medium and long term objectives, ensuring they consider how they will fund long term care if required.
13. ***Have you established if the customer has suffered from physical or mental health problems, a bereavement, divorce, emotional or financial difficulties, literacy, numeracy, or any other traumatic event, that may leave them in a vulnerable position?***	At the beginning of the meeting, explain that the questions the adviser will ask are not intended to be intrusive and explain that they have been designed to enable the adviser to provide the most appropriate advice. Asking customer's personal questions, in relation to vulnerability, is difficult but remember that the customer's wellbeing and the right outcome is of paramount importance. Vulnerable customers need care, patience, support and guidance. The adviser should ensure they have friends or relatives present, at the customer's request. Consider shorter and more frequent meetings at a time of the day that suits the customer. Ensure that vulnerable customers are given time to consider the adviser's recommendations and ensure that there are several days' grace between recommendations and any applications.

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Supporting Notes

Ask the customer how they would prefer to engage with the process. Consider face-to-face meetings, telephone or possibly video appointments. Look out for vulnerability training guides such as the comprehensive guide to 'Recognising Vulnerability' provided by Just. **www.justadviser.com**

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14. ***Are you confident that your customer is entering into a commitment which they fully understand, and they are not being coerced into taking a plan which may not be in their best interests?***

Consider how long the customer has been planning and thinking about equity release. Determine if they have the support of friends and family. Find out if they have conducted their own research and if they already have an understanding of equity release.

Be wary if the customer lacks an understanding of how equity release works and is unclear why they want to release equity in the first place. Provide the customer with sufficient paperwork such as a provider guide, key facts illustration and suitability report. Ensure the customer can understand the short, medium and long-term risks associated with the product that is being recommended. Check the customer can broadly explain back to the adviser the key facts, risks and commitments they are making.

Ensure that anyone who is assisting the customer has their wellbeing in mind and there is no risk of coercion. Be wary if they appear pushy, agitated, or irrational, or they are a beneficiary of the funds, which might create a conflict. Be sure that the customer is confident and relaxed in the company of the friend or family member that may be helping them. If there is any suspicion of coercion, leave the meeting and discuss the next steps with an appropriate colleague before returning. Consider making an interim call with the customer, when they may be on their own, to discuss their plans before proceeding with any follow up work.

If the customer is gifting capital, make sure the customer has considered their personal circumstances and the effect the gifts might make on their own plans, both now and in the future.

Adviser Checklist Action	Supporting Notes
15. ***Are you sure the contract you have recommended is the most suitable lifetime mortgage or reversion plan?***	To be sure they have recommended the most suitable plan the adviser must complete an in depth fact find. The fact find should capture all notes and personal comments made by the customer. The adviser must consider the customer's short, medium, and long term plans. For example, the adviser must discuss foreseeable issues, such as retirement lifestyle, moving and grandchildren, as well as the things that people may not want to consider, like the death of a spouse or other family member, long term care and ongoing maintenance of their home. The adviser should ensure that the customer has received information about both lifetime and home reversion plans and recorded the customer's preferences and reasons behind them. All alternative lending options must also be ruled out, such as a shorter term solution or such as a RIO mortgage or conventional mortgage.
16. ***If your customer is consolidating unsecured debt, have you explained that they are spreading the cost over a potentially longer term, which although may reduce their monthly outgoings, will result in the overall cost of the debt increasing, if no payments are made?***	Customers that are consolidating several credit cards or unsecured loans might be better served if they are advised to negotiate with creditors and reconstruct their arrangements into one affordable payment, via a short-term personal loan. Advisers should consider whether the customer could benefit from seeing a debt adviser if they are unable to offer this advice. If consolidation is appropriate, advisers should recommend which debts the customer should and should not consolidate. For example short term debts, low value debts and depreciating assets, which are affordable, are unlikely to be suitable. Equity release advisers have debt counselling permissions that permit this type of advice. Do not forget to make a note of the different lending options that were dismissed and why. These should recorded in the fact find. The advice may be to dismiss any form of borrowing or equity release but the adviser must make this clear once they have conducted a full review of the customer's individual circumstances.

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	If debt consolidation is being recommended, the adviser must provide the customer with a detailed analysis of short term borrowing converted to long term borrowing and the effect on the customer's estate. It should also be explained to the customers that they may be replacing unsecured debt with secured debt, and that debts held in single names may be being moved into joint names, resulting in joint liability.
17. ***(Prior to any recommendations) have you provided the customer with a fair and balanced overview of the pros and cons of all later life lending options including lifetime mortgages and reversion plans?***	Consider mainstream lending, if the customer can afford to service the loan, and explain the differences between mainstream lending and later life lending. Provide the customer with sufficient information regarding all later life funding options to allow them to understand the products available. Conduct in depth research into the product that is to be recommended and compile sufficient information to support your recommendation. Be sure to obtain provider guides, key facts illustrations and any other information to support the recommendation. Provide the customer with a balanced view including all the risks, features, and benefits of the types of lending available to them.
18. ***If you are recommending your customer re-mortgages to secure a new fixed rate of interest or further additional capital have you completed an analysis comparing the new plan versus their existing plan, including the implications of any early repayment penalties/charges, set up fees, and any potential positive or negative changes in features and benefits between the two plans***	Complete a full switch analysis, using a calculator and include the break even points such as: • Current interest rate and the old interest • Costs of re-financing including any set up fees • Early repayment charges • Number of years before the costs of refinancing start to become positive, if applicable • The features of the new plan compared with the old plan, matched to the customer's current circumstances, evidenced in the fact find and the suitability letter • Confirmation as to why the new plan is more appropriate, not just the cost savings.

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19. ***Have you advised that any other outstanding mortgages would need to be redeemed before the lifetime mortgage contract can be entered into?***	Consider the options and the benefits of the customer keeping their mortgage. Compare the interest rates and discuss the effect on their estate, making a note of the conversation. If the customer has a capital and interest arrangement, explore whether they could convert it to an interest only loan or RIO. However, only consider this if the customer has the ability to repay the capital within term and there is an option to reduce the payments if the customer is struggling to maintain current payments. Advisers who are not authorised for mainstream lending, should consider referring the customer to **www.unbiased.co.uk** or **www.vounchedfor.co.uk**
20. ***Have all fees and risks associated with the product recommended been fully explained, for example:*** • ***Impact of any compound interest and impact on estate*** • ***Any early repayment charges*** • ***If reversion not receiving the full market value for the percentage sold*** • ***If the product is not from an ERC member and the product does not comply with the ERC Statement of Principles, what protections the customer is foregoing*** • ***That the opportunity to move the mortgage in the future will be restricted to properties acceptable to the lender. This may rule out moving to age restricted or sheltered accommodation, depending on the lenders policy at the time.***	Advisers should make use of online tools and calculators to supplement their recommendation and obtain PDF copies to provide to provide their customers. When making a recommendation where a plan has the option to include or exclude an application fee, ensure the customer is aware of the long term effects of a higher interest rate and lower set up fees. When adding application costs to the loan, explain that these fees will attract compound interest. Consider the early repayment charges and explain, in detail, how they will effect the customer's estate, if they repay the plan early. Be sure to discuss whether the customer is likely to move and when. Discuss porting and transferring the recommendation to another property and the providers terms and conditions. Explained to the customer all of the potential charges they will have to pay including their legal fees, the provider's legal fees, valuation fees, application fees, removal fees and possible stamp duty.

Adviser Checklist Action	Supporting Notes
21. ***Have you reviewed the customer's needs and objectives, future plans and ongoing commitments including moving home? (this includes income requirements as well as property maintenance and insurance)***	All the customer's needs and future plans must be captured and personalised in the fact find taking. Take a note of the features and benefits that are the most important. If the customer plans to move in the future, consider how fixed early repayment charges, for a limited term, or down sizing protection could help.
22. ***Have you set out the drawdown schedule anticipated at the point of sale and shared the information within the lender application form to help them assess the validity of future drawdown requests?***	Include a future drawdown schedule in your fact find. Capture the customer's future requirements for the drawdown in the fact find and suitability letter, providers may ask for evidence/advice at a later stage. Probe and challenge the customer to ensure the drawdown amount they require matches their expected needs. Remember, initial fixed interest rates can rise if there are higher cash reserves than required.
23. ***Have you ensured that the amount released does not exceed the customers current requirements and is appropriate to their attitude to risk? This includes debt consolidation if applicable?***	Check the customer is aware of the effect of later life lending on their estate. Explain the effects of compound interest or selling part of their home. Ensure your customers fully aware of the consequences of their actions and the reduction in their estate. Evidence the discussions in the fact find with your customer's personalised comments and views. Provide a personalised break down in the fact find setting out the total amount of capital required and what it is being used for. Thoroughly discuss any debt consolidation and the long term effects on the customer's estate. Provide a clear analysis with illustrations on the long term effects of debt consolidation on the customer's estate.
24. ***Has the customer put together a realistic expenditure budget plan for the funds released? This includes making use of drawdown facilities, if applicable.***	Consider the customer's short term needs over a maximum term of 12 months. For capital above this timeframe, probe and consider drawdown plans and options. Capture any initial objectives but be sure to discuss and probe future objectives and document and discuss potential requirements, such as long term care.

Adviser Checklist Action	Supporting Notes
	When you are discussing long term potential borrowing, clearly explain that adding a drawdown cash facility may increase the initial interest rate and can be expensive, should the customer not require or use additional funds placed in reserve in the long term.
25. ***Has the customer been given a Suitability Report, outlining all of the information above?***	Check there is nothing in the report that is not in the fact find. They should both contain detailed personalised, notes capturing the customer's voice and opinions. If a report is issued, encourage the customer to comment on its content, invite amendments and add an acknowledging receipt. Offer to send a copy of the report to family members, with the customer's permission. Make sure the report is short and personalised. Play back the alternatives that have been dismissed and how the recommendation meets the customer's needs.
26. ***Have you fully discussed, documented, assessed and, where necessary, (for example for mandatory payment lifetime mortgages) verified the customer's current and potential future income and expenditure?***	Income and expenditure information should be collected from customers for both current and potential future income.
27. ***Where the product recommended requires regular payments, are you satisfied that payments are affordable and likely to remain affordable to the customer(s) and fall within their proposed budget?***	For mandatory payment products only, discuss and agree affordability with customer(s), ensuring they are comfortable with required payments over the payment term. This should be documented and noted on client file.

Equity Release Council