



FCA Call for Input: Open Finance

Response from the Equity Release Council – 18th September 2020

Introduction

- The Equity Release Council ('The Council') is the trade body for the UK equity release sector. The Council represents over 450 member firms and nearly 1,300 registered individuals, including: funders, providers, regulated financial advisers, solicitors, surveyors, intermediaries, and other industry professionals. Every member is committed to the [Council's Statement of Principles](#) and associated standards, rules and guidance, which aim to ensure consumer protections and safeguards.
- In addition, the Council works to boost consumer knowledge and awareness of equity release as a solution to financial challenges facing people over the age of 55 across the UK, particularly those in retirement. Since 1991, nearly 500,000 homeowners have accessed over £29bn of housing wealth via Council members to support their finances.
- We welcome the opportunity to respond to this discussion paper and make the following headline points, informed by our experience and member views:
 - The Council is supportive of the collaborative approach to develop open finance principles with the wider financial services sector.
 - The Council supports the increased interconnected nature of the finance industry and believes that if managed correctly with adequate oversight, this will greatly benefit and streamline the entire financial services industry.
 - Access to a consumer's data must not be taken for granted and consumer protections must be clear and enforceable.
 - Increased access to data should not lead to an increase in the unethical targeting of consumers with inappropriate products.
 - Vulnerable consumers and those without detailed financial / technological expertise must not be disadvantaged or put at risk.

Equity Release

Equity Release refers to a range of products which enable individuals to access the equity tied up in their house provided they are over the age of 55. Consumers can take the equity released as a lump sum, instalments or as a combination of both. The Council is the industry body for the UK equity release industry and represents a consumer-focused UK market by setting authoritative standards and safeguards for the trusted provision of advice and products. Every member of the Council is committed to its Statement of Principles, Rules and Guidance which aim to ensure consumer protections and safeguards.

Drivers for the popularity of equity release

Equity Release has increased in popularity over recent years. Drivers for the growth of this sector have been:

- **Meeting consumer needs.** The UK is ageing rapidly – by 2050 it is estimated that one in four people will be aged 65 or above, and by 2068 the ONS has anticipates there being 8.2million people aged 65 or above¹. People are facing multiple challenges as they approach old age. Increasing care costs, coupled with longer life expectancy and inadequate retirement savings, means that individuals are increasingly using significant levels of property wealth to secure or enhance their quality of life in old age.

¹<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/overviewoftheukpopulation/august2019>

- **Innovation in the equity release sector.** There has been significant innovation in recent years by the UK equity release sector, with the range of product options that met the Council’s standards surpassing 300, up from 86 in January 2018². In addition, the market is increasingly offering flexible products to the market such as products that allow consumers to make voluntary or partial repayments with no early repayment charges.
- **The Equity Release Council.** The Council exists to promote high standards of conduct and practice in the provision of, and advice on equity release, which has consumer safeguards at its heart. Product standards include; a right to remain in your property for life or until you need to move into long-term care; a no negative equity guarantee; a right to move to another property, provided it offers acceptable security for the equity release loan; and for lifetime mortgages, interest rates must be fixed or, if they are variable, there must be a ‘cap’ which is fixed for the life of the loan. Advice must be provided by a qualified and regulated financial adviser and all customers must receive independent legal advice. Family members are encouraged to engage in this process.

Response

The Council welcomes the FCA’s wish to establish a coherent and industry advised framework for the future development of the open finance market. The financial services industry must be encouraged to continue innovating to make access to finance increasingly simple for the consumer, whilst also pushing traditionally more “old-fashioned” markets to catch up with the growing digitisation of services.

However, the Council agrees that the digitisation of services and the increasing use of technology must not disadvantage those people who are less familiar with technology or those who might not have the same access to it. As the equity release market is targeted at those in later life, our consumers are primarily older generations (at least 55+ with the average age of new customers being 70 for drawdown plans and 68 for lump sum plans) who prefer a more personalised approach to their finances, particularly when making a long-term financial decision such as taking out an equity release plan. We believe the Council’s standards and safeguards represent the best-practice standard for home-based later life advice and any future open finance proposals should ensure that they are not impacted. These include that advice must be provided by a qualified and regulated financial adviser and all customers must receive independent legal advice. The Council also encourages consumers to engage with their family members during the process.

The Council is encouraged to see the FCA make this point in chapter four of the call for input.

By encouraging and supporting the market to implement and collaborate towards an open and interconnected financial system, the Council believes that the consumer will benefit. In our sector in particular, advisers build up a detailed picture of a consumer’s financial background and history before advising on a product. Advances in Open Finance would allow for a greatly streamlined way to develop this picture and would undoubtedly speed up the fact-finding process. This does not remove the importance of a personal discussion with the consumer but would enable a financial adviser to have the confidence that they have a complete and accurate picture of an individual’s finances.

The Council has below responded to the questions where we feel we can add value to the work of the regulator.

Q3. Do you agree with our definition of open finance?

Yes. The Council agrees with the FCA’s definition and overall approach to open finance and its development.

Q4. Do you agree with our assessment of the potential benefits of open finance? Are there others?

The Council agrees with the FCA’s analysis of potential benefits. In particular allowing consumers to access a personalised financial management dashboard would present individuals with a more holistic view of their finances throughout their lifetime. By giving consumers greater vision of their finances, individuals will be able

² https://www.equityreleasecouncil.com/wp-content/uploads/2020/04/Equity-Release-Council-Spring-2020-Market-Report_FINAL.pdf

to better plan for their future and be more informed when taking long-term financial decisions. This will also support constructive discussions between financial advisers and consumers as both will have access to a full picture of the individual's financial history.

Q5. What can we do to maximise these benefits (given the considerations set out in paragraphs 3.12 to 3.17)

The Council is supportive of the FCA's wish to ensure open finance is enacted in a manner that benefits consumers and the market and is setting out principles and standards for the market to behave within. To maximise the opportunity the Council believes the FCA should champion the following areas:

- Encourage industry wide take up – the system requires a high level of take up to provide the maximum benefit to consumers. The FCA should encourage and assist firms seeking to take advantage of open finance, whilst ensuring that markets are operating in the best interests of consumers.
- Engage with the industry – the Council is supportive of the FCA's consultation process and would encourage the FCA to continue to listen to the market to ascertain what is working well and what isn't to understand areas of potential improvement or intervention.
- Create clear boundaries and safeguards – as the FCA outlines in the consultation, there is a clear need for defined and enforceable boundaries and consumer safeguards to protect consumers.
- Clear process of giving / withdrawing consent – Consent to access an individual's data is of paramount importance and it must be a simple and straightforward process for individuals to give or remove their consent, with clear processes for firms when consent is withdrawn.

Q7. Do you agree with our assessment of the potential risks arising from open finance? Are there others?

The Council agrees with the potential risks that the FCA has outlined in the consultation and would encourage that consumer protections, particularly around vulnerable consumers, are built into the open finance process.

The Council is recognised as a leading standards setter in its sector. Equity release products are among the most highly regulated financial services products in the UK and can only be sold via a qualified financial adviser. Customers of Equity Release Council member firms receive three levels of protection: a structured financial advice process; independent legal advice; and clear product safeguards. This ensures they are fully informed on their plan and understand the risks that are associated. Independent legal advice – ensures that the customer understands the contract they are entering into and the lawyer can assess whether that person has capacity to act and is not under any duress to enter into the contract. Normally the Council insists on face to face legal advice but during this unprecedented time has introduced a temporary modification to provide this safeguard for consumers while respecting the need for social distancing.

Our standards are recognised by other representative organisations and the Council has contributed to the development of the European Pensions and Property Asset Release Group's (EPPARG) European wide standards to promote the growth of the equity release market internationally. The Council's standards have evolved from inception in 1991 and go above and beyond statutory regulation and legislation to ensure that members' products and services conform to best practice when helping customers to make financial decisions in later life.

Q19. What are the specific ethical issues we need to consider as part of open finance?

The FCA needs to be mindful of how businesses target consumers, particularly around attractive introductory offers which may not be in a consumer's long-term interests. With open finance making the switching of accounts/providers increasingly easy, consumers must be fully informed about what they are switching to so that they know the risks/rewards of moving their account.

Q20. Do you have a view on whether the draft principles for open finance will achieve our aim of an effective and interoperable ecosystem?

The Council agrees that the principles outlined cover the main points that will hopefully lead to an effective and interoperable open finance ecosystem.

Q21. How should these set of principles be developed? Do you have views on the role the FCA should play?

The Council is encouraged by the FCA's approach to involve the industry as it seeks to develop this set of principles and would suggest the FCA should continue to take active and ongoing input from all sectors that are concerned. Going forward the FCA must take an active oversight role to ensure that the proposals and developments of the market are in the best interests of consumers and no groups are being disadvantaged as a result.

Submitted by the Equity Release Council
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