Equity Release Council
Celebrating 30 Years of Setting Standards

Market Report
Spring 2022

Contents

Key findings

1. **Rising house prices throughout much of last year** meant the total value of UK housing grew by more than £1 million every minute during 2021, increasing property wealth to £5.2 trillion by the end of the year after mortgage debt is discounted. While UK mortgage debt grew to record levels, homeowners gained £869 of equity for every £100 of new borrowing taken on, with the result that 77% of the average home was owned in cash (equity), equivalent to £207,470.

2. **The equity release market's return to growth** meant it is now six times larger than it was in 2011 and has provided secure finance, backed by stringent protections, to over 318,000 customers in the last ten years alone. However, growth has not come at the expense of consumer choice as lifetime mortgages make a steady contribution to overall later life lending.

3. **While rates have increased over the last year,** the cost of borrowing backed by consumer safeguards remains low by historic standards with the average customer in H2 2021 securing a rate below 3.50%. The ability to repay a loan in full with no early repayment charge when downsizing is also becoming a more common product feature, while penalty-free partial repayments made by customers last year will save them tens of millions of pounds in compound interest.

4. **Growing loan sizes are proportionate and potentially life-changing** – by drawing on less than a third of their property wealth, the average customer can access a sum that is equivalent to over seven years of the typical single pensioner's post-tax income. Product options have trebled in the last three years, giving equity release customers greater choice and flexibility over how best to incorporate property wealth into their later life financial plans.

5. **Equity gains from rising house prices benefit existing as well as new customers,** balancing the impact of compound interest and making further advances an option for some people with existing loans. Activity in this part of the market has risen above pre-pandemic levels and may increase further in 2022 as many people reassess their budgets in light of cost-of-living pressures.

With £1 million added to the value of UK housing every minute last year, there can be little doubt that the options afforded by property wealth will register in many people's thoughts as they make financial plans for the future. The equity release market's return to growth is part of a wider pick-up in later life lending activity, and the flexible features of modern lifetime mortgages give customers more ways to manage their finances and access life-changing sums of money at a lower cost.

While many aspects of today's market have been transformed in the 30 years since consumer safeguards were first established, firm foundations remain in place so no equity release customer need ever worry about owing more than their home is worth and can rest easy in the knowledge they can remain in their home for life with no threat of repossession for not keeping up with repayments.

As we move into an environment of growing cost-of-living pressures, the importance of rigorous advice will be greater than ever so that decisions to release equity continue to provide long-term satisfaction as well as short-term relief.

David Burrowes,
Chair of the Equity Release Council

Celebrating 30 years of setting standards

The Council's **30th anniversary report** explores the evolution of the equity release market since the first standards were established in 1991. It includes views from customers and industry figures about the positive impact of equity release and also sets out the Council's priorities for the year ahead.

From 28 March, a fifth product standard (*) will be added to the four which were established 30 years ago to form the bedrock of the modern equity release market:

- **The right for customers to remain living in their home for life**, with no repayment obligations to create a risk of repossession before they pass away or move into permanent care;
- **A fixed or capped interest rate for life**, so customers' existing borrowing is never affected by interest rate rises;
- **A no negative equity guarantee**, meaning customers will never owe more than their home is worth and can never leave any debt to their families or other beneficiaries; and
- **The right to port (move) their loan to another property** providing it is acceptable under lending criteria
- **The right to make voluntary penalty-free partial repayments*** with no commitment to ongoing repayments, so customers can control their costs and reduce their loans if circumstances change.

The five product standards exist alongside a rigorous process of qualified, regulated financial advice and the provision of independent legal advice for all customers, creating three layers of protection and representing the highest standard of consumer protection for any property-based loan in later life.

Analysis of complaints made to the Financial Ombudsman Service (FOS) during 2021 shows just 6% of complaints relating to equity release were upheld, compared with 18% for interest-only mortgages and 23% for mainstream residential mortgages.

Market overview

UK property wealth reaches record heights in 2021

Despite the UK facing economic uncertainty and rising cost of living pressures, the property market maintained its strong performance in the second half of 2021. **Annual house price growth** during this period peaked at 12.1% in September 2021 – the second highest figure of the last 15 years after June 2021 (13.5%) – and ended the year at 10.8% with the average home worth £275,000.

This growth increased the property wealth available to customers taking out new equity release plans, while reducing the impact of compound interest for any existing customers whose property values grew faster than the rate of interest on their loan.

The pandemic property boom in 2021

£6.7tn
The total value of UK housing at the end of 2021, a £569 billion increase in one year

£1.6bn
The daily increase in the total value of UK housing in 2021 – more than £1 million a minute

11%
Annual increase in property wealth to £5.2 trillion, after mortgage debt is discounted

£58.9bn
Extra mortgage borrowing taken on by homeowners last year, increasing debt to a record £1.6 trillion

£869
For every £100 of new mortgage borrowing last year, owners gained £869 of equity thanks to house price rises

76.9%
The amount of equity in the average home in Q4 2021, a record high equivalent to £211,254 per household

Source: Equity Release Council analysis of data from the Office for National Statistics, Bank of England and Department for Levelling Up, Housing and Communities

The pandemic property boom for the average homeowner

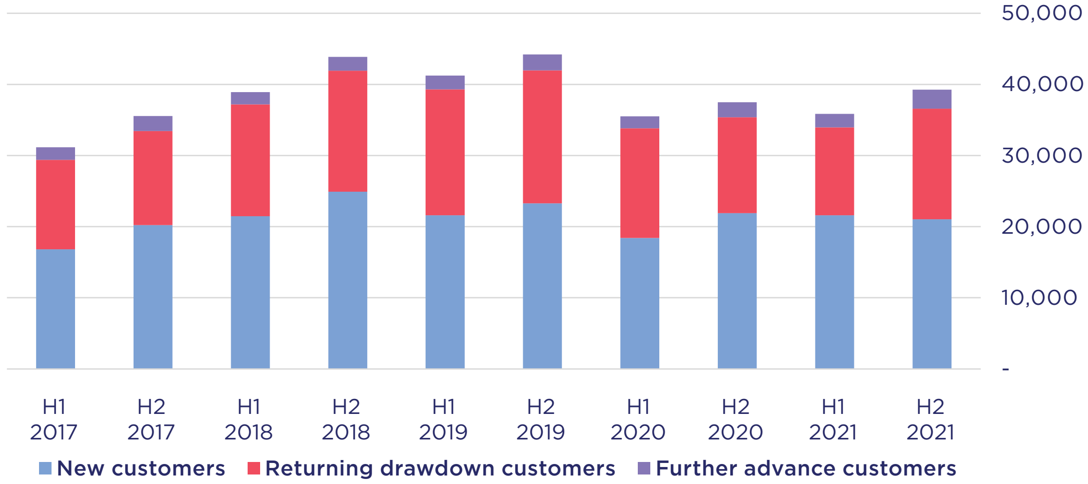
	Q1 2020	Q4 2021	
House price	£233,015	£274,712	+£41,697
Mortgage	£59,652	£63,458	+£3,807
Loan to value	25.60%	23.10%	-2.5 percentage points
Equity	£173,363	£211,254	+£37,890

Equity release market returns to growth

The second half of 2021 was the busiest period for the equity release market since the Covid-19 pandemic broke out. A total of 39,275 customers took out new products or made withdrawals from existing plans, making 76,154 for the year as a whole.

Activity among new customers remained steady in H2 2021, while the number of returning drawdown customers crept back towards pre-pandemic levels. A record number of further advances were agreed on existing plans, made possible by customers having sufficient equity left in their homes.

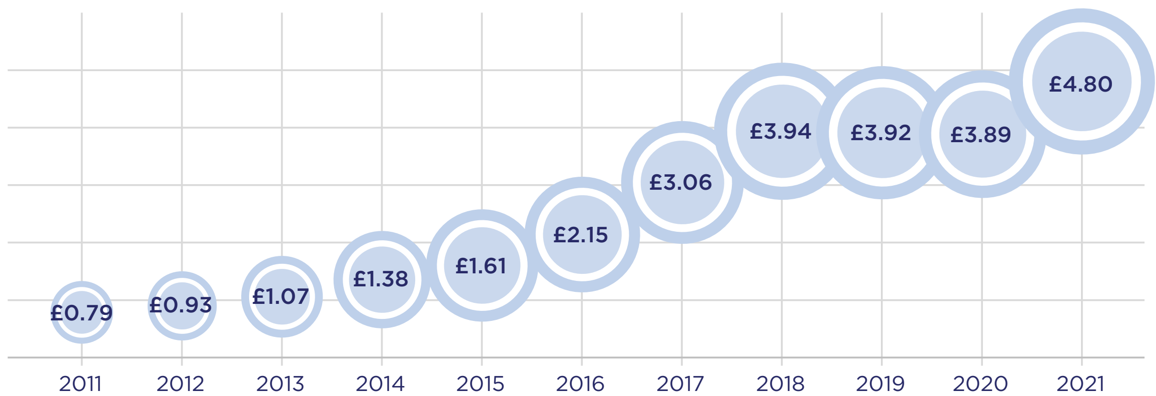
Equity release customer numbers



Source: Equity Release Council

Overall 2021 represented a return to growth for the market for the first time since 2018. New and existing customers accessed £4.80bn of property wealth via lifetime mortgages or home reversion plans. Today's market is six times larger than it was in 2011 and has helped almost 318,000 new customers access secure finance backed by robust safeguards and guarantees over the last ten years.

Property wealth released each year (£bns)

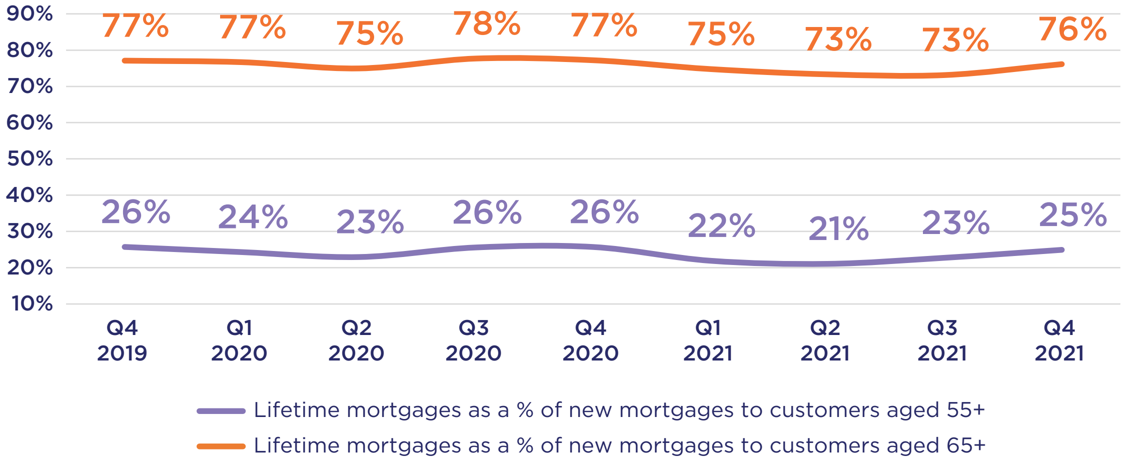


Source: Equity Release Council analysis of data from the Office for National Statistics, Bank of England and Department for Levelling Up, Housing and Communities

Significant yet stable contribution to the later life mortgage market

While the equity release market has long been predicted to grow and reached new heights in 2021, its contribution to the later life mortgage market has been stable in recent years with no indication of a spike or sudden change in consumer uptake during the pandemic. Lifetime mortgages account for around one in four new mortgages taken out by customers aged 55+ and three in four among those aged 65+, which has been the case for the last two years.

Contribution of lifetime mortgages to the later life mortgage market



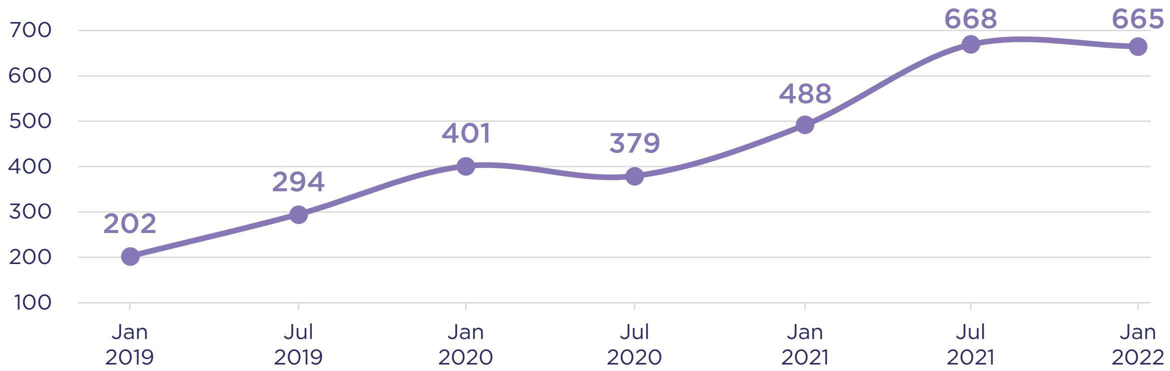
Source: Equity Release Council analysis of UK Finance data

Product trends

Product range holds steady at three times the size of January 2019

Consumers exploring the equity release market at the start of 2022 were greeted with a similar variety of options as six months earlier. The number of product options dipped marginally from 668 in July 2021 to 665 in January this year. Comparing back to 2019, there are now more than three times as many products available to suit different customers' needs.

Number of equity release products available



Source: Equity Release Council analysis of data from Moneyfacts plc, January 2022

Rates rise but customers can still save £30,000 compared to 2016

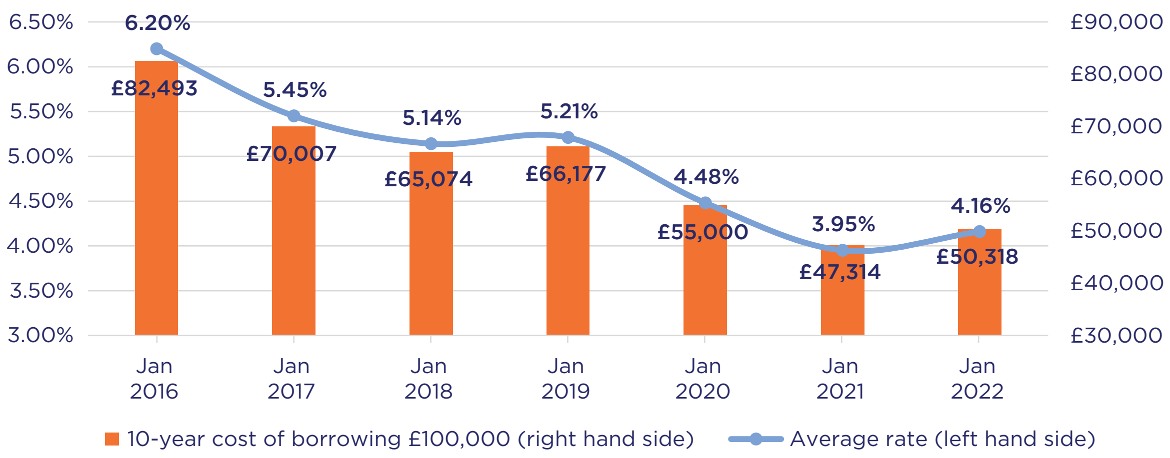
Product pricing began 2022 marginally higher than a year earlier (4.16% vs. 3.95%), reflecting an environment where the Bank of England base rate increased in December 2021 for the first time during the pandemic, with a second rise following shortly after in February 2022.

This added around £3,000 to the cost of borrowing £100,000 via the average lifetime mortgage over a 10-year period, assuming no interest or capital payments are made.

However, the average customer in H2 2021 secured a rate of 3.39% on their loan, showing the importance of advice to identify the best deal to suit an individual customer's needs.

Moreover, with the average interest rate for equity release products still more than two percentage points lower than in January 2016, today's customers will save more than £30,000 in interest costs when borrowing £100,000 over a decade than they would have done six years ago.

Average rates and the cost of borrowing £100,000 for a decade



Source: Equity Release Council analysis of data from Moneyfacts plc, January 2022

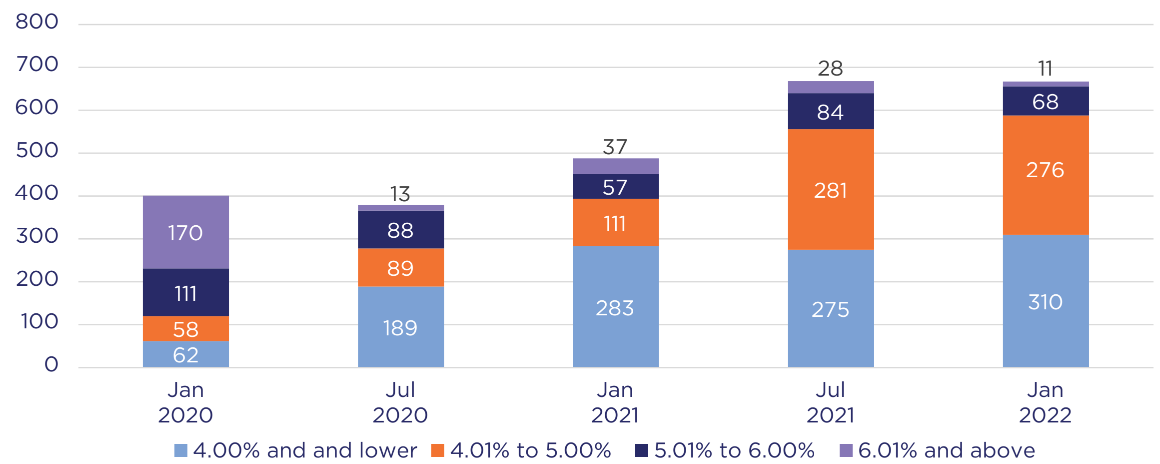
Over 300 products priced at 4% or below for the first time

The number of products offering an interest rate of 4% or less now exceeds 300, a five-fold increase from 62 in the space of two years.

Only 11 products are still available with interest charged at more than 6%, compared with 170 products which fell into this category in January 2020.

There are now 29 products available with interest fixed or capped at 3% or less, extending the period of time before the original loan doubles in size due to compound interest to 24 years or longer.

Equity release product range by price band



Source: Equity Release Council analysis of data from Moneyfacts plc, January 2022

More products offering downsizing protection and penalty-free repayments

At the turn of the year, more than four in five (85%) products available allowed equity release customers to make ad-hoc, penalty-free partial capital repayments of their loans, up from 68% six months earlier. Effective from 28 March 2022, Equity Release Council standards require this feature to be offered on all new plans.

The Council's data suggests that over 125,000 penalty-free partial capital repayments were made by customers last year worth a combined £78m. Assuming they were paying an average rate of 4.16% on the original loans, these partial repayments add up to a combined saving of £39m in interest costs over the next 10 years or £99m over a 20-year period.

During the second half of 2021, the market also saw more products appearing with built-in 'downsizing protection', allowing customers to repay their loans in full in the event of downsizing after a certain period of time with no early repayment charge involved.

Products with flexible features

	July 2021	Jan 2022
Fixed early repayment charges	89%	86%
Ad hoc penalty-free repayments	68%	85%
Downsizing protection	50%	63%
Available in sheltered or age-restricted accommodation*	53%	48%
Drawdown facilities	55%	63%
Interest-served	39%	25%

*Source: product data supplied by Key. *Subject to lending criteria*

Customer trends

Average new customer unlocks over seven years of income

Customers' product preferences in H2 2021 were consistent with recent trends as drawdown lifetime mortgages continued to make up around three in five (59%) new plans agreed. The remaining 41% were lump sum lifetime mortgages, with fewer than 1% of new sales made up of home reversion plans.

More notably, rising house prices were among the factors contributing to an increase of £30,000-£40,000 in the value of the average customer's home between H2 2020 and H2 2021. There was a corresponding rise in the amount of equity withdrawn, but the average customer still unlocked less than a third of their total property wealth across both drawdown and lump sum products.

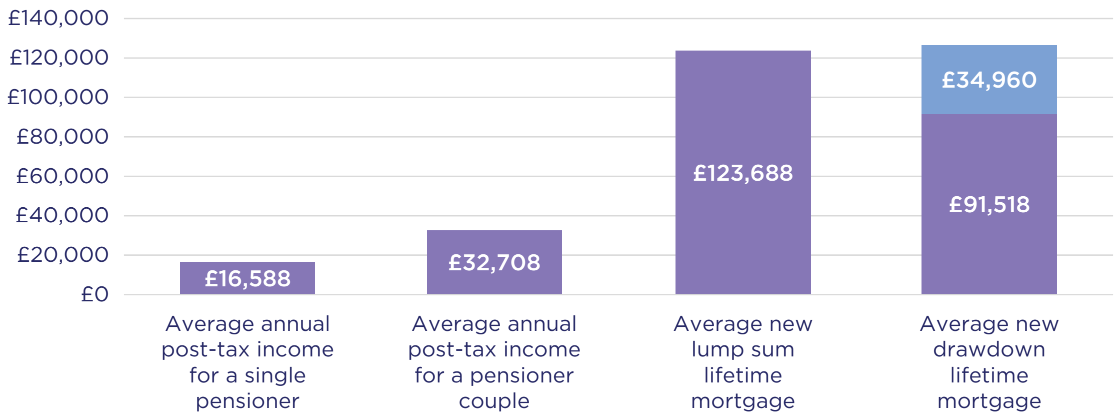
New customer trends

	The average customer taking a new lump sum lifetime mortgage	The average customer taking a new drawdown lifetime mortgage
	Aged 68 years and 7 months The oldest seen since 2015	**Aged 68 years** The youngest seen since 2015
	Owned a home worth £403,650 Up from £363,232	**Owned a home worth £426,439** Up from £394,956
	Secured a rate of 3.65% Up from 3.54%	**Secured a rate of 3.19%** Up from 2.99%
	Agreed a one-off withdrawal of £123,688 Up from £102,143	**Agreed access to £126,478 including £91,518 upfront** Up from £110,591 (£76,453)
	Giving them a loan-to-value of 30.6% Up from 28.1%	**Giving them a loan-to-value of 29.7%** Up from 28.0%

All changes shown are on an annual basis unless otherwise specified

This approach was sufficient to access life-changing sums of money to meet a range of personal and family needs. The average new drawdown lifetime mortgage provided customers with £126,478 in total: equivalent to three years and ten months of pensioner couples' average annual income after tax (£32,708) or seven years and seven months of a single pensioner's average net income (£16,588).

Comparing the size of pensioner incomes and new lifetime mortgages

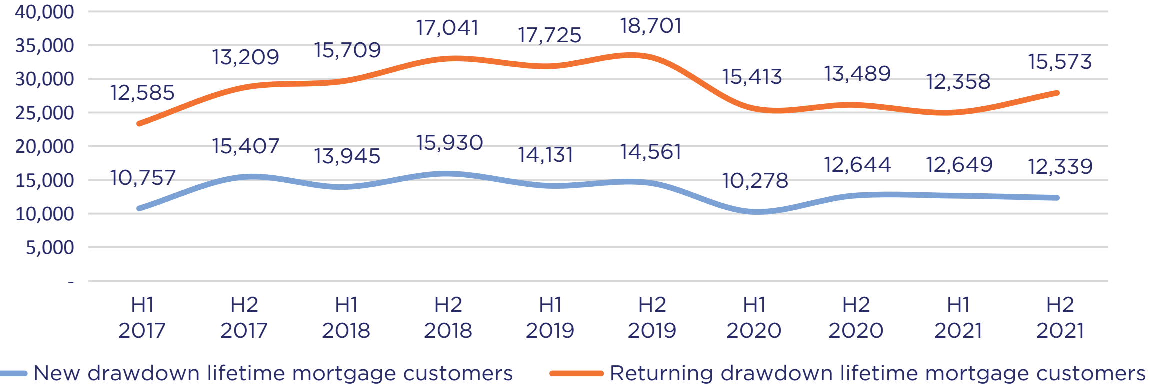


Source: Equity Release Council analysis of 2019/20 data from the Department of Work and Pensions

Returning customers make use of equity gains

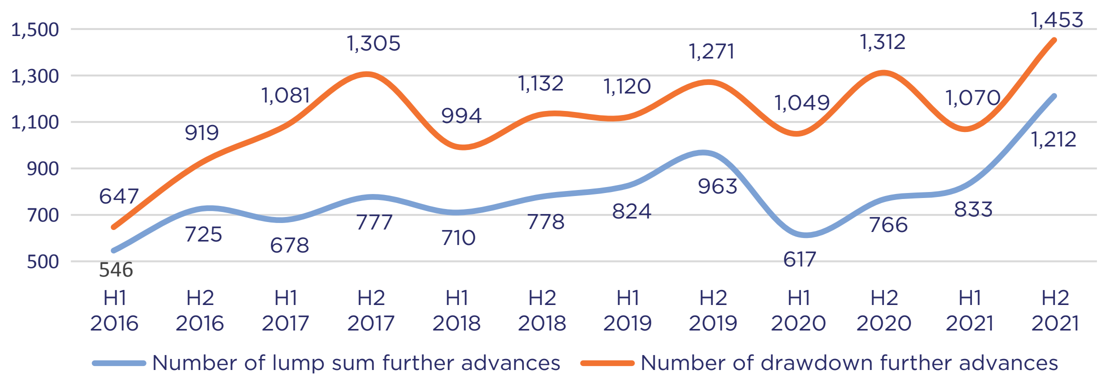
The number of returning drawdown customers has largely tracked the number of new drawdown sales in recent years, albeit at an elevated level as the total number of customers with these plans increases. Having absorbed a bigger impact when the pandemic first emerged, returning drawdown numbers showed signs of a stronger pickup in H2 2021, despite new plan sales dipping slightly compared to H1.

Comparing new and returning drawdown customer numbers



As for further advances, these reached a record high in the second half of 2021 and have passed pre-pandemic levels, although they still make up a small percentage of overall market activity. Rising house prices were again a contributing factor as existing customers found sufficient equity remaining in their homes to access additional funds.

Further advances agreed on existing loans



Returning customer trends

The average returning drawdown customer	The average customer taking a lump sum further advance	The average customer taking a drawdown further advance
Aged 73 years Up from 72 years and 6 months	**Aged 70 years and 6 months** Up from 69 years and 1 month	**Aged 71 years and 7 months** Up from 70 years and 1 month
Withdrew £11,988 from agreed reserves Up from £11,473	**Agreed a one-off withdrawal of £28,379** Up from £26,876	**Agreed access to £33,186 including £25,058 upfront** Up from £24,059 (£19,529)

All changes shown are on an annual basis unless otherwise specified

Five considerations to manage later life borrowing costs

Can you make penalty-free partial repayments to reduce your loan over time?

The facility to make partial repayments every year up with no early repayment charge (ERC) up to a certain percentage of your loan – typically 10% or 12%, with some products allowing up to 40%. This gives you the freedom to reduce your debt if you come into money from another source, such as an inheritance or income from work into later life. There is no ongoing repayment obligation or risk of repossession. From 28 March 2022, this feature will become a fifth ‘product standard’ or prerequisite for all plans recognised by the Equity Release Council and will be available to all new customers.

Can you afford to make regular interest payments to begin with?

If you fall short of affordability tests for repayment or interest-only mortgages, an interest-served lifetime mortgage will keep compound interest at bay until you decide you can no longer afford monthly repayments. Like all equity release products that meet Council standards, this comes with no risk of repossession attached.

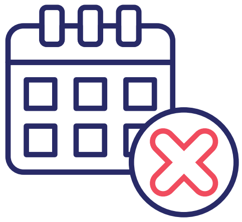
Do you need the full loan amount up front?

Opting for a drawdown lifetime mortgage and taking equity out of your property in instalments over time means you’ll only incur interest on money as it is withdrawn. Drawdown plans have been the majority preference for a number of years, albeit lump sum lifetime mortgages have recently increased their share of new customers.

Have you factored in potential future costs if your circumstances change?

Like most mortgages, equity release products typically come with early repayment charges (ERCs) that reflect the cost to the provider if you exit the agreement voluntarily. As well as choosing between products with either variable (typically gilt-linked) or fixed ERCs, an increasing number of products also allow you to repay the loan early in full in certain scenarios with no early repayment charge – for example, when downsizing or following a bereavement. The most suitable product may not be the one with the lowest rate.

Do alternatives mean equity release may not be suitable at this moment in time?



Equity release products are typically designed as long-term commitments and your adviser will prompt you to consider whether other options – such as savings, benefits, investments, other mortgage products – are more suited to your needs. The Council also encourages customers to involve their family or other loved ones in their decision.

Equity release products can only be taken out after receiving regulated, qualified financial advice to help consider these questions and more. Council standards also guarantee independent legal advice for all customers to ensure they understand the agreement and are happy to proceed. To find a Council member who can explore your needs, please visit **www.equityreleasecouncil.com/find-a-member**

About the Equity Release Council

www.equityreleasecouncil.com

The Equity Release Council is the representative trade body for the UK equity release sector with over 650 member firms and more than 1,550 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 592,000 homeowners have accessed almost 39bn 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.

Read the Council's **30th anniversary report here**.

Contact

Find out more about the Equity Release Council, its members and the products and services they provide by visiting www.equityreleasecouncil.com

Equity Release Council Head Office: 35-41 Folgate St, London E1 6BX

The Old Rectory, Church Lane, Thornby, Northants, NN6 8SN
Tel: 0300 012 0239
Email: admin@equityreleasecouncil.com
The Equity Release Council is a limited company, registered in London, England No: 2884568

For media enquiries, please contact Instinctif Partners:
Tel: 020 7457 2020
Email: equityreleasecouncil@instinctif.com

Methodology

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 2022 using data from new plans taken out in the second half of 2021, alongside historic data and external sources as indicated. All figures quoted are aggregated for the whole market and do not represent the business of individual member firms.

**Data is collected on a quarterly basis so numbers may include some returning drawdown customers twice if they made multiple withdrawals in consecutive quarters*

For a comprehensive list of members, please visit the Council's online member directory.

Call: 0300 012 0239

Equity Release Council
The Old Rectory
Church Lane
Thornby NN6 8SN

Email: info@equityreleasecouncil.com

www.equityreleasecouncil.com

Equity Release Council
Celebrating 30 Years of Setting Standards

Check that your chosen plan will meet your needs if you want to move or sell your home or if you want your family to inherit it. Always seek qualified financial advice.