Equity Release Council
Celebrating 30 Years of Setting Standards

Strictly embargoed until 00.01 on Saturday 2 April 2022

Pandemic property boom sees equity release customers draw more than seven years of income from their homes

- **£1m added to the value of UK housing every minute in 2021 as property wealth reaches a record £5.2 trillion**

- **Equity release interest rates creep up, but more than 300 products are priced at 4% or less with more offering penalty-free partial repayments and downsizing protection**

- **Return to growth means the equity release market is now six times larger than in 2011, with product choice having more than trebled in the last three years alone**

The average equity release customer drew the equivalent of more than seven years of retirement income from their home in 2021, according to the Equity Release Council's Spring 2022 market report.

With UK property wealth reaching a record £5.2 trillion by the end of last year, the equity release market saw customers withdraw £125,000 on average as a single lump sum or via incremental 'drawdowns'.

The Council's analysis shows this sum is equivalent to more than seven years of a single pensioner's typical net income and nearly four years for the typical pensioner couple [1].

Low interest rates by historic standards and increasing product flexibilities [2] mean customers can access potentially life-changing sums with more ways of managing the overall cost of borrowing in later life.

The market report shows product pricing [3] crept up year-on-year from 3.95% in January 2021 to 4.16% in January 2022. However, more than 300 products are now available at rates of 4% or less, while the average customer secured a rate of 3.39% on their loan during H2 2021.

Uptick in products allowing penalty-free part repayments and downsizing protection

The second half of the year also saw more products adding the option to make voluntary penalty-free partial repayments, with 85% of products allowing this in January 2022 compared with 68% in July 2021 [4].

From 28 March, this feature has become a fifth 'product standard' or prerequisite for all products recognised by the Council. It enables customers to reduce their loan sizes and borrowing costs where possible if their circumstances change, without committing them to regular repayments or risking repossession [5].

The percentage of products offering downsizing protection – giving customers the freedom to repay their loans in full, with no early repayment charge, in the event of downsizing – also increased from 50% in July 2021 to 63% in January 2022.

Lifetime mortgages make a significant yet stable contribution to later life lending

Overall, equity release lending activity for 2021 was six times greater than in 2011 (£4.8bn vs. £789m) with product choice having more than trebled in the last three years alone (665 in Jan 2022 vs. 202 in Jan 2019).

This forms part of a wider increase in borrowing activity among older homeowners, with lifetime mortgages making a consistent contribution to later life lending activity – accounting for around a quarter of new loans taken out by customers aged 55+ and three quarters of those taken out by customers aged 65+ since the end of 2019.

The Council's analysis of wider property market activity shows the total value of UK housing reached £6.7 trillion at the end of 2021, rising by £1.6bn each day on average or £1m every minute.

When mortgage debt is discounted, it leaves the nation with an unprecedented £5.2 trillion of property wealth, equivalent to £211,000 per household.

As equity release products grow in popularity as a way to access these funds, the Spring 2022 report includes five considerations for consumers to help manage later life borrowing costs [6].

David Burrowes, Chair of the Equity Release Council:

"After years of putting money away in bricks and mortar, older homeowners are turning the tables and taking funds from their homes in order to boost their retirement income, meet one-off costs and gift a living inheritance to family.

"With £1 million added to the value of UK housing every minute last year, the options afforded by property wealth will feature 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 design of modern lifetime mortgages gives 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 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."

- ENDS -

Notes to editors

[1] Based on Equity Release Council analysis of the latest data from the Department for Work & Pensions, which shows the average single pensioner's net income was £16,588 while the average pensioner couple's median income was £32,708.

[2] The modern equity release product range includes the following features and flexibilities:

- **Penalty-free partial repayments –** allows ad hoc voluntary repayments to be made with no early repayment charge (ERC), typically up to 10% of the initial loan amount per year but available up to 40% on some products. Helps customers to minimise the build-up of interest and reduce their borrowing over time.

- **Drawdown facilities –** allows customers to withdraw money in stages rather than taking a single amount all in one go. Interest is only applied when it is withdrawn – keeping costs down.

- **Inheritance guarantee –** reduces the maximum loan amount but enables a fixed percentage of the property value to be ring-fenced as a minimum inheritance, regardless of the total interest accrued by the loan.

- **Fixed early repayment charge (ERC)** – early repayment charges which are a fixed percentage of the initial loan during a set period of time. Typically, they decrease on a sliding scale. Once the fixed period has ended the customer can repay the loan in full without an ERC.

- **Downsizing protection** – allows customers to downsize to a smaller property and repay the loan – either voluntarily or if the new property does not fit providers' criteria – without incurring an ERC. Typically, there is a qualifying period of five years before this feature applies.

- **Repayment flexibilities for significant life events and changes of circumstance** – a feature for joint borrowers whereby, if either one passes away or moves permanently into long term care, the borrower/s can repay the loan within three years if they wish to do so without any early repayment charge.

- **Sheltered/age restricted accommodation** – some plans can be secured against sheltered or age restricted properties, subject to the provider's specific criteria at the time.

- **Interest payments** – allows for either full or partial interest repayments to be made each month, which either stops or reduces the interest being rolled up on to the loan. There is no risk of repossession if payments are missed as customers can stop monthly interest payments and revert to interest roll-up at any time.

- **Regular income –** some lifetime mortgages now provide a regular monthly payment over a fixed period, in place of a larger lump sum, for example to boost income received from pensions and other sources.

[3] Products and rates data provided by Moneyfacts Group plc

[4] Product features data provided by Key Group

[5] The fifth Equity Release Council product standard, effective from 28 March 2022, means all new customers will have the right to make penalty free partial repayments to reduce their loan size, subject to lending criteria. This product feature typically allows customers to repay up to a certain percentage of their loans per year if they choose to, with no obligation to make further repayments until they pass away or move into care. While many products cap penalty-free repayments at 10% of the original loan per year, some products allow up to 40%.

[6] The Spring 2022 Market Report details five considerations for consumers to manage later life borrowing costs:

- Can you make penalty-free partial repayments to reduce your loan over time?
- Can you afford to make regular interest payments to begin with?
- Do you need the full loan amount upfront?

- Have you factored in potential future costs if your circumstances change?
- Do alternatives mean equity release may not be suitable at this moment in time?

Please see pages 13-14 for more information on these points and the process of regulated, qualified financial advice and independent legal advice involved in any decision to release equity.

For further information, please contact:

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About the Equity Release Council

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, homeowners over the age of 55 have taken out more than 592,000 plans backed by Council standards, enabling them to access almost £39bn of housing wealth to support their later life 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.