Equity Release Council
Celebrating 30 Years of Setting Standards

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Equity Release Council: Q2 2022 equity release market statistics

1. Summary

Over 200 customers per day choose equity release to manage their finances as £1.6bn of property wealth is withdrawn in Q2 2022

- Homeowners aged 55+ took out 12,485 new equity release plans between April and June this year, equivalent to 205 new plans being agreed each working day.
- The launch of the Council's fifth product standard on 28 March means all new plans in Q2 came with the option for customers to make penalty-free partial repayments when they can afford to – allowing them to reduce their future interest costs with no requirement to make ongoing repayments.
- The number of new plans agreed in Q2 increased 26% year-on-year when compared with the subdued market of Q2 2021 when pandemic restrictions remained in place but fell short of the peak of 12,891 recorded in Q4 2018.
- New and returning customers withdrew £1.6bn of property wealth, with new plans sizes largely stable at around £135,000 while returning drawdown customers typically withdrew £13,506 each.
- More new customers opted for lump sum lifetime mortgages over drawdown lifetime mortgages for the first time in 13 years, since Q1 2009, increasing from 45% of new plans in Q2 2021 to 54% now.
- Council emphasises steps consumers can take to manage the cost of later life borrowing[2].

David Burrowes, Chair of the Equity Release Council, comments:

"The need to improve older people's access to housing wealth was widely recognised by industry and policymakers[1] long before the Covid-19 pandemic and current cost-of-living pressures emerged.

"The fact that hundreds of homeowners are now choosing to release equity each day, based on detailed financial and legal advice, is significant progress from the days when the market was considered an under-developed niche rather than the mainstream option it has become.

"Raising awareness of how modern equity release products work alongside other financial solutions is essential so people who are asset-rich but cash-poor can benefit from the wealth they have built up over their lifetimes and also support those around them. The recent trend towards lump sum products is likely to be influenced by customers' continuing desire to gift money to younger family members and share their property wealth across generations, particularly if cost-of-living pressures are starting to bite.

"By making penalty-free partial loan repayments last year, customers reduced their future interest costs by tens of millions of pounds. The flexibility to make voluntary repayments, with no risk of repossession if they can't afford to, is likely to be important to a growing number of people as they look to balance their books. The reality that interest rates have risen from historic lows will also impact people's plans and the Council will monitor this closely as the year progresses. Today's product range leaves a number of avenues open for customers to limit their overall borrowing costs[2]. In every instance, expert advice and careful consideration are essential."

2. Key statistics for Q2 2022

Overall activity

- A total of 23,910 new and returning customers withdrew wealth from their properties between April and June 2022, up 515 (2%) from 23,395 in Q1 2022 and 3,558 (17%) from 20,352 in Q2 2021.
- The total amount of property wealth withdrawn by customers reached £1.6bn in Q2 2022, surpassing the previous high of £1.53bn from Q1 and resulting in a total of £3.13bn for H1 2022.
- With average loan sizes broadly stable over the last year, the increase in lending activity has been driven by more customers in the market and a shift in product preferences towards taking lump sums rather than setting up drawdown arrangements.
- The slowdown of 2019/20 – influenced by the uncertain post-Brexit economic outlook and the outbreak of the Covid-19 pandemic – means that, while the market has now returned to growth, it remains some way below its previous trajectory, with Mintel's annual forecast of 2018 having predicted annual lending would reach £8.96bn by 2022.

Trends among new customers

- A total of 12,485 new plans were taken out in Q2 2022, up from 12,174 in Q1 and from 9,898 a year earlier in Q2 2021 when the market was still subdued as a result of ongoing Covid-19 restrictions. However, despite the 26% annual rise in the number of new plans agreed for Q2 2022, the latest figure remains below the record of 12,891 set in Q4 2018.

- May was the busiest month of the quarter for new customer activity, with 4,436 new plans agreed. This fell short of the 4,560 completions seen in March – the busiest month of the year to date – and dipped to 4,413 in June.

- New customers' product preferences were reversed in Q2, with lump sum lifetime mortgages leapfrogging drawdown products to become the most popular choice. These products accounted for 54% of new plans agreed between April and June, compared with 46% in Q1 2022 and 45% in Q2 2021. This was the first time since Q1 2009 – the last time the Bank of England base rate was above 0.5% – that more new customers have opted for lump sums rather than drawdown products.

- Average loan sizes remained relatively stable year-on-year, with the average new lump sum lifetime mortgage totalling £132,331 compared with £129,558 a year earlier. The average new drawdown plan in Q2 2022 featured a first withdrawal of £90,646 (vs. 86,349 in Q2 2021). Both annual increases (2% and 5% respectively) mean these average loan sizes have grown below the rate of inflation (8.2% in June 2022).

- However, new drawdown customers increased the amount held in reserve for future use to £46,833, compared with £34,310 – an increase of 37%. This is likely to have been influenced by house price rises over the last year, which have averaged 12.8% according to the latest official data (May 2022), adding £32,000 to the value of the average home (£283,000).

Trends among returning customers

- The number of returning drawdown customers dipped slightly in Q2 2022, with 9,305 making withdrawals from their existing plans compared with 9,450 in Q1 2022 and 9,382 in Q2 2021. Nonetheless, it was the first time more than 9,000 returning drawdown customers have been seen for two successive quarters since the Covid-19 pandemic took hold in Q2 2020.

- Returning drawdown customers accessed £13,506 on average in Q2, up marginally from £13,056 in Q1 2022 but 33% higher than a year earlier when the Q2 2021 average stood at £10,174.

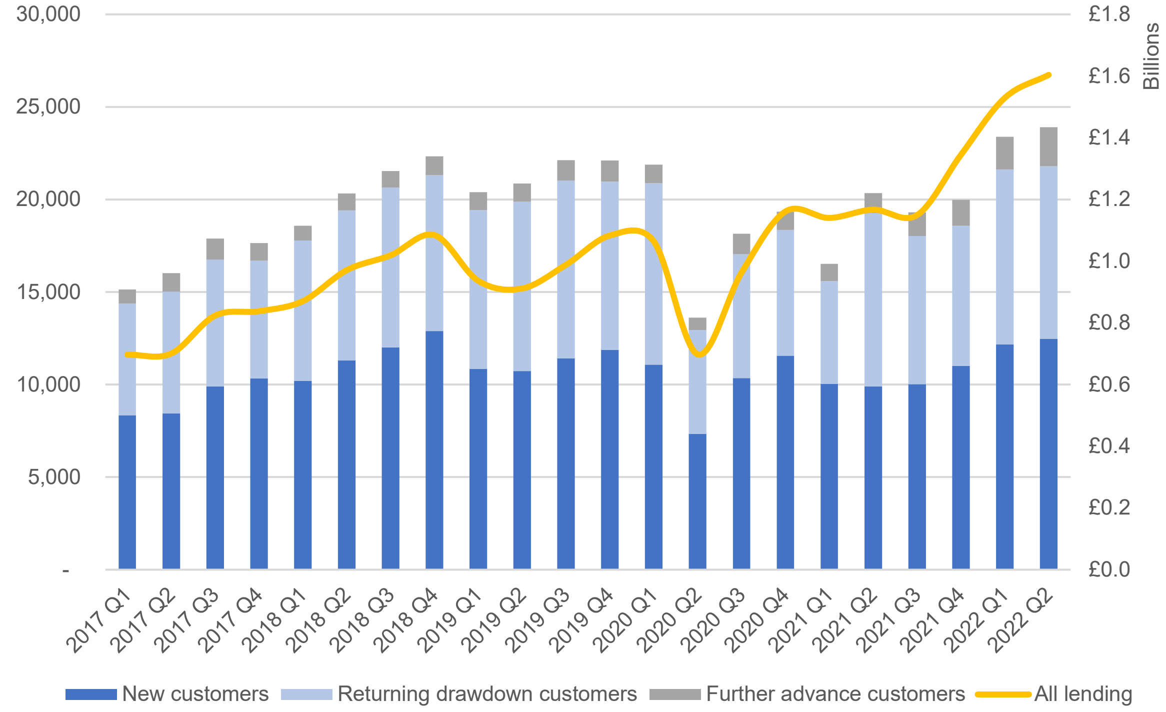
- A total of 2,120 customers agreed further advances on existing plans, with 1,019 extending their borrowing on drawdown plans and 1,099 adding additional borrowing to lump sum plans.

- The typical lump sum further advance was £31,367 – roughly equivalent to the increase in value of the average UK home over the last year – while the typical drawdown further advance weighed in at £29,843, with £22,754 taken up front and £7,089 held in reserve for future use.

- Further advance activity remains significantly smaller than activity among new customers or returning drawdown customers. However, it has increased for the last five quarters with approximately twice as many people now taking further advances per quarter than pre-pandemic.

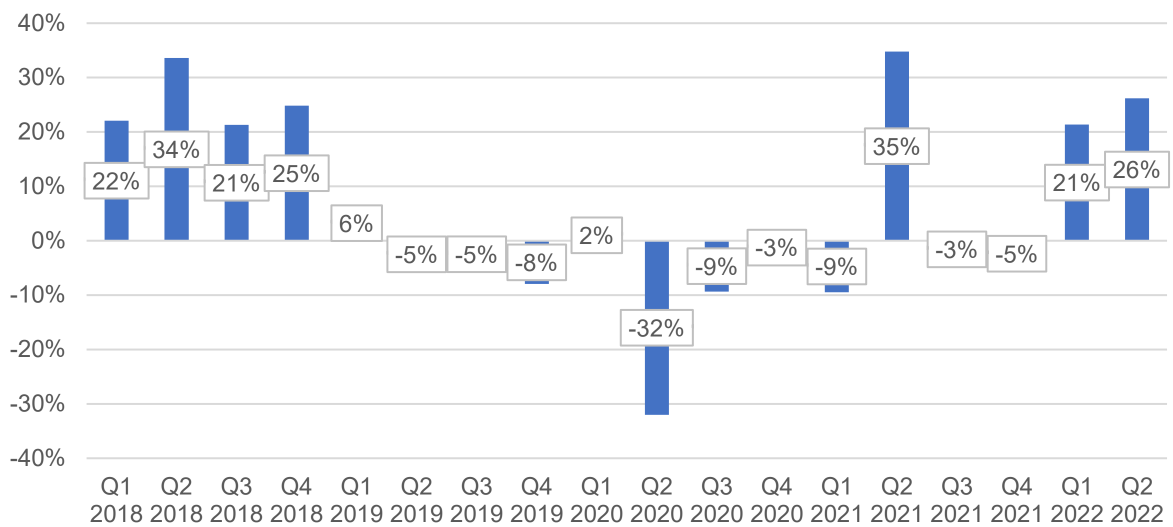
3. Market data

Graph 1: Equity release customers numbers, by type of customer, Q1 2017 to Q2 2022



Source: Equity Release Council

Graph 2: Annual change in the number of new equity release plans agreed, Q1 2018 to Q2 2022



Source: Equity Release Council

4. About the data

The Equity Release Council's market statistics are compiled from member activity, including all national providers in the equity release market. This latest edition was produced in July 2022 using data from customer activity during the second quarter of the year (April to June). All figures quoted are aggregated for the whole market and do not represent the business of individual member firms.

Equity release products are available to homeowners aged 55+, enabling them to release money from the value of their home following a regulated process of financial advice and independent legal advice to determine whether this is suitable for their individual circumstances and long-term needs. Funds released are typically used for a range of purposes including providing additional retirement income, funding one-off expenses and lifestyle purchases, consolidating debts, meeting homecare costs and gifting a 'living inheritance' to family or friends.

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 with almost 700 member firms and almost 1,700 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 610,000 homeowners have accessed almost £42bn of property 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.

For further information, please contact:
Email: Instinctif Partners at EquityReleaseCouncil@instinctif.com
Phone: Rosie Cohen, Libby Wallis, Lizzie Mackarel and Andy Lane at Instinctif Partners on +44 (0) 207 427 1446

[1] The *Ready for Ageing?* report from the House of Lords Select Committee on Public Service and Demographic Change in March 2013, based on its 2012-13 session, argued "an effective equity release market to unlock the housing assets held by older people is important", while observing at the time that "some equity release schemes exist, but they are little used".

A speech by the FCA in September 2015 on the future of the UK mortgage market similarly observed that, for supporting "an older population that is increasingly asset-rich but cash-poor…. one tried and tested possibility is to unlock the value of your home", while also noting that "the UK and EU equity release markets are relative minnows".

[2] **Five considerations for consumers to manage later life borrowing costs**

- **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.

- **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.

- **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.

- **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.

- **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.