

# Market Report

Autumn 2022



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## Key findings

- 1. UK housing stock has reached a combined £7tn valuation** buoyed by strong demand for property pushing annual house price growth to 12.8% in May 2022. Over £100bn of extra mortgage debt has been taken on over the last two years. However, rising prices have increased owners' equity to such an extent that the average loan-to-value of 22.8% is the lowest since before the 2007/8 banking crisis. UK property owners – including homeowners and landlords – have each gained over £46,000 of equity since summer 2020.
- 2. Over 100,000 new and returning customers may use equity release products during 2022** to tap into this wealth if current trends continue, with customer numbers up by 32% year-on-year in H1. Full-year data for 2017 and 2021 shows that, with the use of lifetime mortgages growing across every UK region, Wales and the North-West have seen sales volumes increase the most over the last four years with every region across the Midlands and North seeing at least 26% growth.
- 3. Product supply and pricing have been impacted by the changing economic climate:** average product rates rose from 4.10% in January to 5.74% in August – a lower increase than for many other mortgage products. The average equity release customer during H1 secured a significantly lower rate of 3.71%. House price growth also means that many customers' equity will have grown faster than their loans in recent times. Despite dipping from 661 in January to 595 in August, the product range remains almost eight times larger than it was just five years ago.
- 4. Lump sum products have been growing in popularity with new customers** to the extent that uptake edged ahead of drawdown lifetime mortgages in H1 2022; this trend is likely to be influenced by gifting and meeting one-off expenses in a challenging environment for many households' personal finances. The majority of new customers (53%) withdrew 30% of their housing wealth or less, while the age of existing customers taking drawdowns or requesting further advances increased.
- 5. Cost-of-living pressures make advice vitally important to ensure products are suitable for both short- and long-term needs:** the Council's Checklist for Advisers sets out the most important points that customers should consider during the mandatory process of qualified financial and independent legal advice that precedes any decision to release equity. Complaints levels remain low: just 35 complaints about equity release products were published by the Financial Ombudsman Service in H1 2022, of which four were upheld.





*When it comes to using property wealth as a source of later life funds, the greater choice of the 2010s needs to translate into greater awareness in the 2020s to ensure it's on every homeowner's checklist to consider. Rising house prices have meant that, while mortgage debt has grown, it is secondary to vast reserves of housing equity which can help multiple generations to achieve financial security by giving them more options and choices in managing their money.*

*Equity release should neither be a default option or last resort; it should routinely be considered, alongside potential alternatives, with both short and long-term financial goals in mind. This can only happen if different areas of the UK's financial services market work much more closely together than they have been used to doing in the past.*

*We must get to a point where a homeowner can be confident that, whether they are making remortgage, pension or inheritance plans for later life, they will be signposted to consider where their property wealth fits into the picture and not miss out on an option that could improve their quality of life.*

**David Burrowes,  
Chair of the Equity Release Council**







# Market overview

## UK housing stock reaches £7 trillion valuation

The annual percentage growth rate of UK house prices reached double digits in three of the six months that made up H1 2022, peaking at 12.8% in May. As a result, the total value of UK housing stock – including owner-occupied properties and those rented out by landlords – broke through £7tn for the first time on record.





Over £100 billion of extra mortgage debt has been taken on during the last two years. However, because growing house prices have increased owners' equity, the average loan-to-value (LTV) across the property market was just 22.8% at the end of Q2 2022. This is the lowest figure since before the 2007/8 banking crisis, and leaves UK property owners having gained over £1tn in property wealth since summer 2020 or over £46,000 per household.

### Housing market trends

		Q2 2020	Q2 2021	Q2 2022
	UK housing stock valuation	£5.76tn	£6.52tn	£7.02tn
	National mortgage debt	£1.47tn	£1.54tn	£1.60tn
	Loan-to-value	25.5%	23.7%	22.8%
	Net property wealth	£4.29tn	£4.97tn	£5.42tn

Source: Equity Release Council analysis of HM Land Registry and Bank of England data

### Average household trends

		Q2 2020	Q2 2021	Q2 2022
	Average house price	£234,830	£265,668	£286,397
	Average mortgage debt	£59,882	£62,963	£65,299
	Loan-to-value	25.5%	23.7%	22.8%
	Net property wealth	£174,948	£202,705	£221,098

Source: Equity Release Council analysis of HM Land Registry and Bank of England data

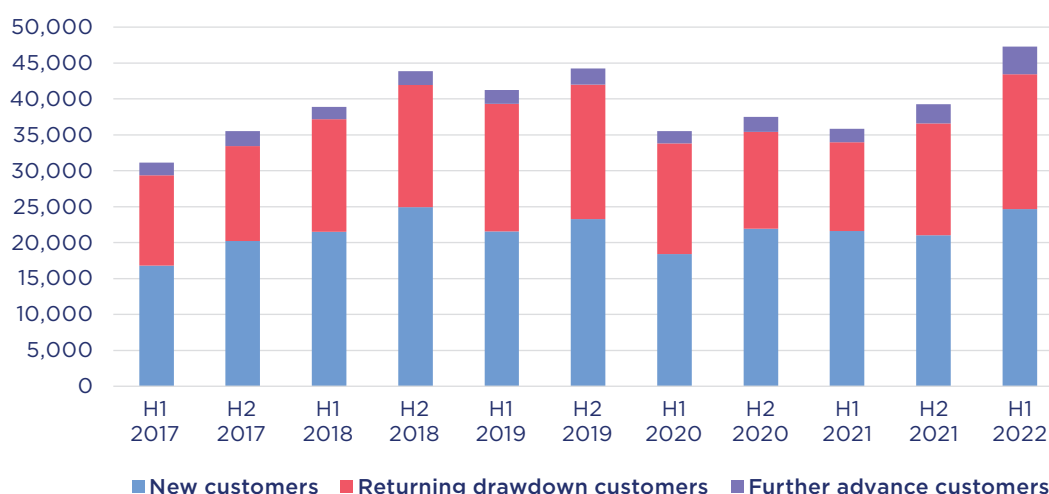


## 2022 may see 100,000 new or returning customers withdrawing property wealth

Over 47,300 new or returning customers used equity release products to access their property wealth in the first half of 2022. This was a 32% increase year-on-year, with the biggest momentum seen in the number of existing customers drawing down funds from agreed reserves (up 54% year-on-year) or customers agreeing further advances (up 104% annually).

With the market typically busier in the second half of the year than the first, the H1 total means that by the end of 2022, over 100,000 new or existing product holders might make withdrawals from their property wealth. If this transpires then it will be the first time in any year this measure of customer activity has reached six figures.

### Equity release customer numbers



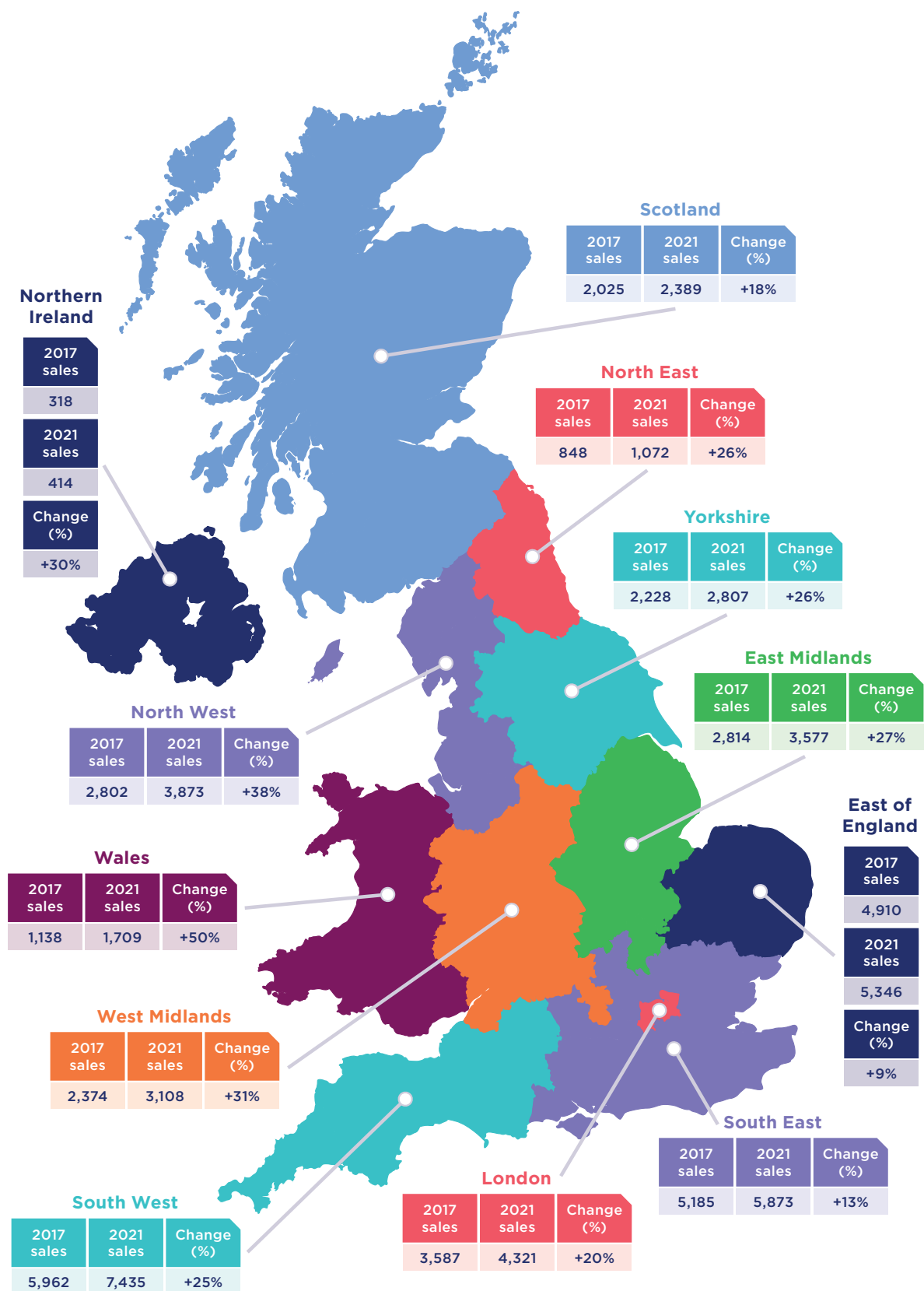
Source: Equity Release Council

As customer numbers have grown since 2017, regulatory data shows a slight shift in the regional spread of new lifetime mortgage sales as older homeowners draw on property wealth across the UK.

Comparing from 2017 to 2021, the East of England, South-East, London and Scotland all saw their share of new customer activity decrease while all other regions grew their share. Wales and the North-West saw new sale volumes and their share of all UK sales increase the most.

The most recent full-year figures (2021) show two in five (42%) of new plan sales were in London and the South, with 29% in the Midlands or East of England, 18% in Yorkshire and northern regions and 11% in Wales, Scotland and Northern Ireland.

## Regional distribution of new lifetime mortgage sales



Source: Equity Release Council analysis of Financial Conduct Authority data



# Product trends

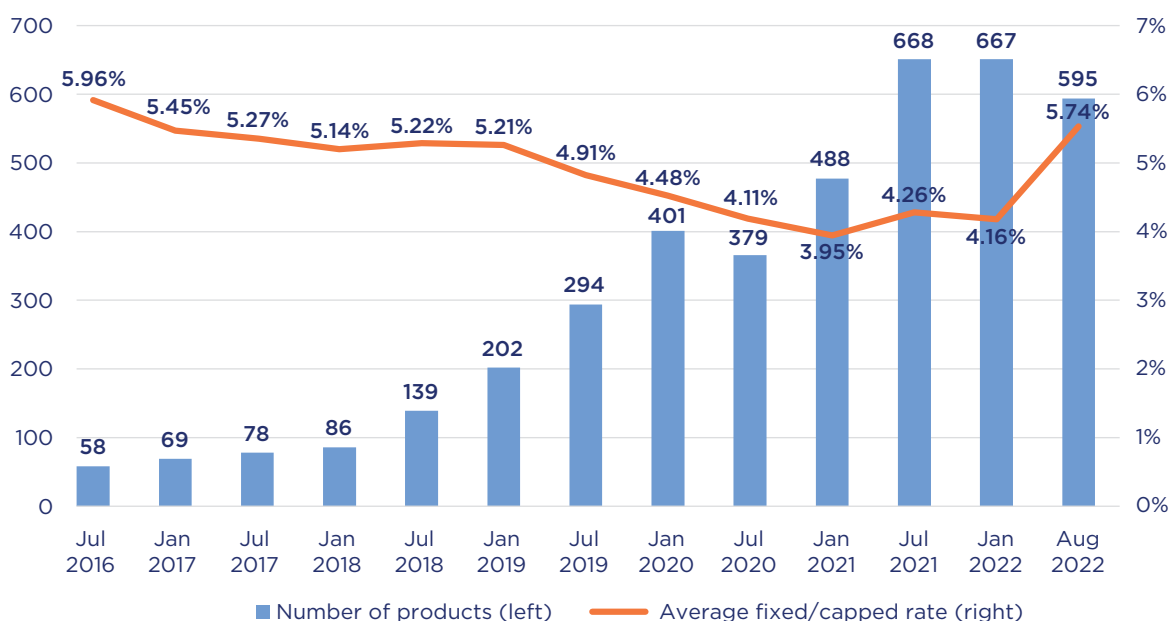
## Product numbers dip as customers track down low rates

The equity release product range has stabilised in recent years following exponential growth from 2016-7 to 2021. While customers in July 2022 had a slightly reduced choice compared with six or twelve months earlier, the product range remains almost eight times larger than it was five years ago.

Many providers are continuing to add choice and flexibility within the boundaries of the existing product range – for example, giving customers the option of fixed or gilt-linked early repayment charges.

While this means overall product numbers may not grow in the same way moving forwards as in recent years – and may even shrink if some products are consolidated – it still allows scope for the increasing customisation and personalisation of product design to meet customers' needs.

### Evolution of equity release product range and average pricing



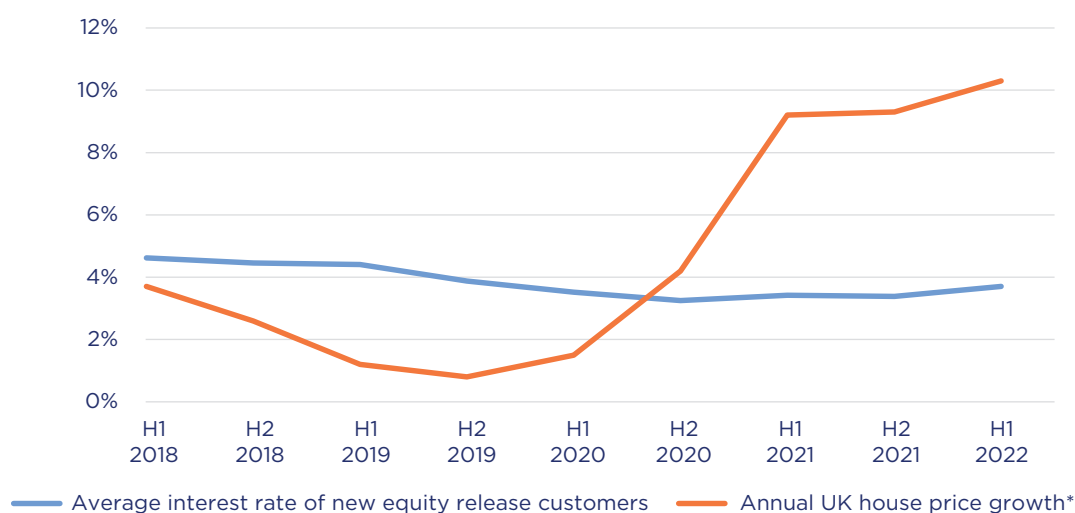
Source: Equity Release Council analysis of data from Moneyfacts plc, July 2022

Product pricing has continued to rise as 2022 progresses, reflecting the rise in borrowing costs across wider financial services markets. However, data from Moneyfacts and the Bank of England indicates that average equity release rates have increased less than many other mortgage product categories. As many equity release loan portfolios are linked to annuity funding, it is also worth noting that annuity rates have increased in 2022, benefiting savers seeking to convert some or all of their pension savings into a fixed income for life.

The Council's analysis shows lifetime mortgage customers continued to benefit from low rates in H1 2022. Despite the average advertised product rate rising from 4.16% in January to 5.74% in August 2022, the average customer secured a rate of 3.71%: lower than at any point in 2018/19.

Since summer 2021, house prices have also been growing at a faster average rate than interest rates on new equity release products. Although house price growth appears to be slowing and a period of low growth or decline may follow (annual changes have averaged +3.6% since 2006), the combination of low borrowing rates and high house price growth means many customers' equity will have grown faster than their loan in recent times.

## New customers' average interest rate and annual UK house price growth



Source: Equity Release Council, UK House Price Index \*Average of monthly figures for period in question





## Impact of rising interest rates on personal borrowing products

Equity release rates have risen, in common with many secured lending products, albeit to a lesser extent than various other categories of mortgage.

Change in average product rate (percentage points)	YTD change	One year change	Two year change
Overdraft	1.45	1.54	3.54
2 year (75% LTV) fixed rate mortgage	2.00	2.35	2.19
2 year (60% LTV) fixed rate mortgage	2.09	2.35	2.19
3 year (75% LTV) fixed rate mortgage	2.11	2.23	2.07
5 year (75% LTV) fixed rate mortgage	1.98	2.16	1.91
2 year (85% LTV) fixed rate mortgage	1.97	1.55	1.70
Equity release	1.58	1.48	1.63
2 year (95% LTV) fixed rate mortgage	1.42	0.62	1.57
2 year (90% LTV) fixed rate mortgage	1.97	1.13	1.42
10 year (75% LTV) fixed rate mortgage	1.39	1.15	1.41
Credit card	0.36	0.30	1.23
£10k personal loans	0.44	0.58	0.95
£5k personal loans	0.59	0.39	0.57

Source: Equity Release Council analysis of Moneyfacts plc and Bank of England data, July 2020-August 2022

## Flexible equity release product features

**100%**



All products recognised by the Council now provide the option to make voluntary penalty-free partial repayments, to reduce customers' borrowing costs

**98%**



The majority of plans offer a compassionate repayment window, whereby the loan can be repaid early for a period of time following the death of a partner or a move into permanent care

**89%**



Almost nine in ten products come with fixed early repayment charges (ERCs) which typically decrease to 0% over time on a sliding scale

**63%**



More than three in five products provide downsizing protection, so customers can repay their plan with no ERC when moving to a smaller property

**62%**



More than three in five products provide drawdown facilities, so customers can make withdrawals in stages over time to reduce their overall interest costs

**45%**



Almost half of products are potentially available on sheltered or age-restricted accommodation, subject to lending criteria

**33%**



One in three products provide inheritance protection, so customers can ringfence a guaranteed minimum amount of property wealth to leave behind to loved ones

**24%**



Nearly one in four products allow customers to make regular monthly interest repayments, with no risk of repossession if repayments become unaffordable

Source: product data supplied by Key.



# Customer trends

## Lump sum plans grow while one in four customers withdraw less than 20% of their equity

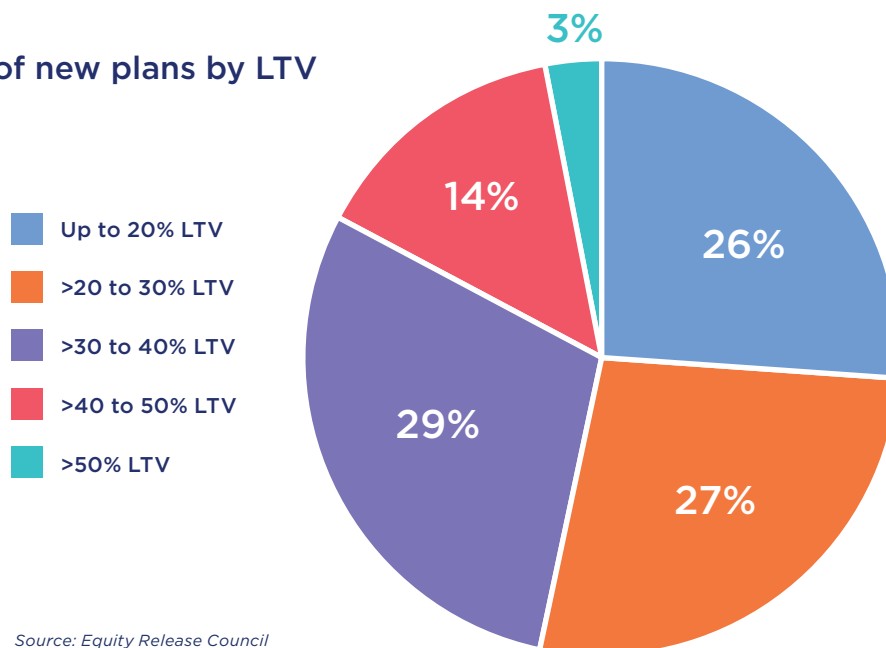
As the Covid-19 pandemic has waned, economic uncertainty and cost-of-living concerns have become emerging factors in many people's financial planning, both for themselves and for family members. One notable shift in equity release customer behaviours over the last 12 months has been the increasingly 50/50 approach taken between choosing lump sums or drawdown lifetime mortgages.

The take-up of lump sum plans has increased over the last year to the extent that new customer preferences in H1 2022 were split almost equally (51% vs. 49%) between these products and drawdown products, having been split 41% vs. 59% a year earlier. Gifting and meeting large, one-off expenses are likely to be among the factors influencing this trend.

Both average loan sizes and average property values have also increased among new customers since H1 2021 – a trend which is likely to be influenced by growing house prices, which have given people more equity to draw on. The typical customer has a higher value property to draw on than the average UK home, and typically draws on less than a third of their property wealth with an LTV of 30-31%.

The majority of new customers (53%) start with an LTV below 30%, including one in four who withdraw 20% of their property wealth or less.

### Breakdown of new plans by LTV



## Average house price comparison



Source: Equity Release Council, UK House Price Index \*Average of monthly figures for period in question

The average age of new customers has been broadly stable over the last year, with 68 remaining the key age for releasing equity for the first time. A basic life expectancy calculation suggests a 68-year-old man would typically live to 85 while a 68-year-old woman would on average live to 88.

Using the female estimate and the average lump sum loan profile (right), taking out equity release would mean this average customer would have £20,000 of equity remaining after 20 years to leave behind as part of an inheritance if they secured August's average product rate of 5.74%. If they secured the average customer's rate of 3.71% from H1 2022, this figure would rise to almost £150,000.






Both these examples assume zero house price growth; if house prices averaged just 1% growth per year over that period, it would increase the customer's remaining equity by more than £90,000.

Today's products include various ways to preserve remaining equity by reducing interest costs, including the freedom to make voluntary penalty-free partial repayments which is now mandatory for all products recognised by the Equity Release Council.










## Average new lump sum lifetime mortgage

		H1 2021	H2 2021	H1 2022
	Customer age	68 years 5 months	68 years 7 months	68 years 4 months
	Property value	£406,139	£403,650	£423,556
	Rate	3.79%	3.65%	4.00%
	Loan	£113,273	£123,688	£132,085
	Loan-to-value	27.9%	30.6%	31.2%

Source: Equity Release Council

## Average new drawdown lifetime mortgage

		H1 2021	H2 2021	H1 2022
	Customer age	70 years	68 years	68 years 8 months
	Property value	£419,166	£426,439	£441,270
	Rate	3.13%	3.19%	3.43%
	Loan	£119,863 with £85,415 upfront	£126,487 with £91,518 upfront	£134,692 with £92,580 upfront
	Loan-to-value	28.6%	29.7%	30.5%

Source: Equity Release Council

While more customers have been returning to make drawdowns from agreed reserves, or agreeing further advances on existing plans, their average age has increased modestly in recent years, which may suggest people are waiting for longer before dipping back into their property wealth.

The age of the average returning drawdown customer has risen to over 73 years old for the first time, while the average age of further advance customers has increased to over 70 in the last two years across both lump sum and drawdown products.

# Ensuring equity release is a suitable choice

While equity release products have moved closer to the mainstream of later life financial planning, they remain one of several borrowing and non-borrowing options available which people should consider when making decisions about money. This is particularly important in the current climate of cost-of-living pressures, when many people are juggling long-term financial objectives with short-term financial needs.

Taking out an equity release plan first involves both regulated financial and legal advice, making it one of the most rigorous and robust processes that consumers must go through before taking out a retail financial services product. Council adviser members commit to meeting its rules in addition to their regulatory responsibilities, so customers can expect the highest standard of advice from members.

The Council's checklist for advisers highlights some of the most important areas which consumers should weigh up through the advice process to identify whether equity release matches their long-term as well as short-term requirements. Areas covered include: alternatives to equity release; the potential impact on tax and benefit entitlements; the role of a Power of Attorney; considerations of health, life expectancy and potential future care needs; and having a realistic expenditure budget plan in place for any funds released.

In the event of a complaint that cannot be resolved by the customer(s) and firm(s) involved to the satisfaction of all parties, customers can refer their case to the Financial Ombudsman Service (FOS).

Equity release products typically result in a low level of complaints to FOS, with the Council's analysis of published FOS decisions identifying 35 during H1 2022. Of these, four were upheld and found in favour of the customer. Notably, around seven in ten complaints to FOS were from family members or executors, rather than the customer.

The Council strongly encourages all potential customers to discuss their thinking with family and/or other beneficiaries of their Will, wherever possible and appropriate, before taking out an equity release plan.

## H1 2022 trends in FOS equity release cases

Number of complaints relating to equity release	35
Number of complaints upheld	4
Percentage of complaints upheld	11%
Percentage of complaints from family members	69%

Source: Equity Release Council analysis of [FOS decisions](#)

## 2021 trends in FOS home finance cases

Percentage of complaints upheld about equity release	5%
Percentage of complaints upheld about residential mortgages	23%
Percentage of complaints upheld about interest-only mortgages	18%

Source: Equity Release Council analysis of [FOS decisions](#)

## About the Equity Release Council

[www.equityreleasecouncil.com](http://www.equityreleasecouncil.com)

The Equity Release Council is the representative trade body for the UK equity release sector with over 700 member firms and more than 1,750 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, almost 620,000 homeowners have accessed nearly £42bn 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](http://www.equityreleasecouncil.com)

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## 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 Autumn 2022 using data from new plans taken out in the first half of 2022, 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](#).

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