

Modern equity release

Property wealth and the UK economy



"Property wealth, which for many people is their largest asset, has a key role to play in not only ensuring a healthy, economically stable retirement for many but also as a key contributor to a vibrant and green economy which benefits all generations."

"For consumers this can mean helping them pay for social care; gifting to younger generations to help them on to the property ladder; paying for home improvements resulting in greener more energy efficient housing; enabling people to stay in their homes independently for longer; or simply ensuring a happy and secure retirement."

"For Government the social, economic and environmental benefits of releasing property wealth into the economy are clear. It is estimated that for every £1 of equity released via a lifetime mortgage or home reversion, £2.12 in gross value added is supported across the UK economy. Research in 2022 found that the equity release sector directly created more than 45,000 jobs. A third of these are in the health and adult social care sector due to the use of equity release for care costs. Taking account of the indirect benefits of equity release pushes the number of jobs created to over 80,000."

"The potential of accessing billions of pounds of unused property wealth safely for the benefit of older consumers, their families, society and the economy, is significant. The Equity Release Council will continue to work in partnership with industry, Government and regulators to ensure that property wealth can play a full role in not only boosting the UK economy but also supporting the later life needs of so many of our population."

David Burrowes

Chair of the Equity Release Council

Key benefits of equity release



Boosting the UK economy through increased spending and job creation



Funding social care and care in the dignity of recipients' homes



Greening the housing stock



A secure and more comfortable retirement



Supporting families on to the housing ladder

Key stats

5.58%

Lowest interest rate
(March 2023)

6.40%

Average interest rate
(March 2023)

£128k

Average lifetime lump sum mortgage
(Q4 2022)

£83k

Average lifetime mortgage first drawdown
(Q4 2022)

£6.2bn

Total equity release lending
(2022)

£5.6tn

UK private property wealth held
(2022)

The Council and its standards

The Equity Release Council has three decades of experience, expertise and detailed knowledge of the market. The Council is not just the representative trade association for the equity release sector, it is also a standards setting body.

Its members have signed up to a raft of industry standards that go beyond formal regulation to ensure that consumers receive the best advice and protection available.

Plans that meet the Council's standards include the following safeguards:



Products must have a no negative equity guarantee. Meaning the amount owed, including all fees and interest, will never exceed the value of the property.



Customers must have secure tenancy for life or until they need to move into long-term care. For couples, this applies to the last person living in the home.



Customers must have the right to move to another property, subject to conditions.



For lifetime mortgages the rate must be fixed for each release or, if variable, the rate must be capped for the life of the loan.



All new customers must have the option to make penalty free repayments, subject to conditions.

Equity release explained

There are two types of equity release, lifetime mortgages and home reversion plans. Both are regulated by the Financial Conduct Authority and both allow older homeowners to draw a lump sum or regular smaller sums from the value of their home, while remaining in it.

Home reversion plans

Customers sell all or part of their home in exchange for a lump sum or a regular monthly income, while remaining in the property typically rent free. Customers know what portion of the property they have parted with and what has been ring-fenced for later use.

The share the customer retains remains the same regardless of changes in property values unless they take further sums. At the end of the plan the property is sold, and the sale proceeds are shared according to the remaining share of ownership. Home reversion

plans are usually only available to people aged 60 and over.

Lifetime mortgages

The most popular type of equity release is a lifetime mortgage. When customers take out a lifetime mortgage, they retain full ownership of their home. All products offer options to make voluntary capital or interest repayments. Otherwise interest can be rolled up with nothing to pay. The loan and any outstanding interest is paid at the end of the plan. Lifetime mortgages are only available to people aged 55 and over.



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