Equity Release Council

Post completion communications

Guidance for Equity Release Council members

May 2023

Introduction

Much work has been undertaken in the equity release sector to ensure customers understand the products and the advice process, from the outset.

However, as time passes memory and understanding can diminish and vulnerable consumers can be exposed to financial harm due to the absence of regular product and needs reviews.

Following the publication of the report and Financial Conduct Authority's Consumer Duty, the Equity Release Council set up a working group to look at the issues. The firms involved appear below.

The group was tasked with determining the communications a customer should receive in the months and years following the completion of their lifetime mortgage, to support the continued understanding of the product.

Although this guide is aimed at providers, all market participants and especially adviser firms are encouraged to familiarise themselves with it, so the sector can better support consumers post-completion. Doing so will help meet the requirements under outcomes three and four of the Consumer Duty, which are concerned with consumer understanding and consumer support.

Equity release generates relatively few complaints when compared with other parts of the mortgage market. When comparing upheld complaints, the sector performs even better still. Customer satisfaction is high and many thousands of happy customers can be found leaving positive comments on leading peer review sites.

However, according to Financial Ombudsman Service data, 62% of the equity release complaints it investigates are made by family members, suggesting more needs to be done to support not just the customer, but their loved ones too.

This guide covers both regular communications and those issued on an ad hoc basis, such as when an enquiry is made about moving home or borrowing additional funds. In addition, there is a section that covers when a customer moves into long term care, or passes away, intended to remind beneficiaries of their options and obligations at a difficult time.

This guidance is not just about reducing an already small number of complaints. It's about recognising the unique role equity release can play within families. Enabling older people to live independently for longer as well as facilitating 'living inheritances' and the passing of intergenerational wealth.

The final part in each section of this document reflects on the benefits that the guidance is likely to provide and the opportunities for better customer outcomes.

This guidance should be carefully reviewed and overlaid on the firm's current processes, but not without challenge, to see how post-completion customer understanding can be improved and embedded across the organisation.

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How to use this guide

The guide uses icons to indicate the event that will trigger the communication, the requirements under the regulator, the recommended communications and the opportunities for better customer outcomes, if the guidance is followed.

Trigger | **Required** | **Recommended** | **Opportunity**

Initial loan

Required

Customers must be provided with information at the start of the contract that confirms the nature of the contract that they have entered into. This will meet the requirements set out in MCOB 9.7 of the FCA handbook.

Recommended

Providers should consider issuing:

- Additional literature that provides an explanation of the mortgage, its features and how they can be used (which would be issued at completion).
- A guide to help customers inform their families or other beneficiaries of their decision to take out a lifetime mortgage.
- Signposting to sources of other relevant information. For example, guidance on the importance of putting a power of attorney in place and how, as well as will writing services and customer support helplines.

Opportunity

- Supports customers' understanding of their lifetime mortgage.
- Supports customers' understanding of the product features.

Cash release (drawdown)

Required

The customer must be provided with an appropriate offer letter, specific to the drawdown, that meets the relevant MCOB requirements. These may differ depending on the type of contract, so firms should engage with their compliance teams to ensure they meet them. A completion letter should be sent to the customer confirming the drawdown and any other changes, for example interest payment changes.

Recommended

When enquiring about accessing their cash facility, the customer may be provided with an overview of how the process will work and the timelines that will apply.

On receipt of the enquiry providers should consider signposting the customer to their adviser and provide contact details if necessary. Especially if the purpose for the drawdown is outside the scope of the initial advice or the customer's circumstances have changed.

Where providers send reminders to customers about their facility, they may include:

- Notice that the release will be at the prevailing rate, with the current rate displayed in a prominent and fair manner.
- A risk warning about the impact of roll-up interest (where applicable).
- A risk warning that customer should only borrow what they need and when they need to.
- A risk warning to seek advice if the customer needs more help or guidance.
- Where appropriate, notice that the cash facility is discretionary.
- A risk warning to advise that drawdown is not guaranteed.
- A warning to advise borrowers that the provider may request additional information from them before a drawdown is granted.

Opportunity

- Supports customers to understand their cash facility and how to use it, so that they do not withdraw money unnecessarily and needlessly accrue interest.
- Promotes understanding regarding the interest rate that will be applied to a cash release.
- Ensures that cash will be released in the required timeframe.
- Manages customer expectations that drawdown facilities are not guaranteed.

Cash release (further advance)

Required

When a customer enquires about a further advance they must be signposted back to their adviser for appropriate advice. The customer must be provided with an illustration and loan offer that meets the relevant MCOB requirements. A completion letter should be sent to the customer confirming the further advance and any other changes, for example interest payment changes.

Recommended

At enquiry stage, the customer should be provided with an overview of how the process will work and the timelines that will apply. Where firms have 'orphan' customers, they should consider signposting to a source where the customer can find a new adviser, for example the Equity Release Council's online member directory.

Opportunity

- Helps customers understand when a further advance may be unsuitable.
- Avoids customer confusion over interest rates applied to further advances.
- Ensures that cash will be released in the timeframe required by the customer.
- Reminds customers that further advances are not guaranteed.
- Ensures clients have access to advice in the future.

Annual statement and certificate of continuing occupancy

Required

The customer must be provided with an annual statement in line with MCOB 9.8. If the provider has changed its fees and charges, a copy of the latest tariff of charges must be included.

Recommended

Providers could use the annual statement as an opportunity to obtain a certificate of continuing occupancy. They should also consider including a guide on how to complete it and a prepaid envelope to return it, alternatively an online solution could be offered.

Providers should consider referring customers back to the original terms and conditions to signpost key benefits, features and risks and encourage them to refer back to their provider for more information, if needed.

Providers may also consider including a customer feedback questionnaire that collects feedback on the quality of firm's literature and communications, with a prepaid envelope or link for online completion.

Providers may include their tariff of charges regardless of whether they have been amended. They should also consider signposting the customer to their adviser and provide contact details.

Opportunity

- Reminds lifetime mortgage customers about the effect of roll-up interest.
- Promotes understanding of the fees and charges that can be applied.
- Reminds people of their responsibilities around keeping the property occupied.

General enquiry

Required

Providers must ensure that they have a process in place to answer enquiries from existing customers and not put unreasonable barriers in the way of customer accessing services.

Recommended

Providers should consider whether their communications provide clear explanations to enquiries raised by customers. They should refer back to the original completion literature that explained the processes and features, or include it.

Opportunity

- Enhanced customer satisfaction and better and better management of lifetime mortgages.

Setting up, removing or changing third party access

Required

Providers must ensure that third party access to information is provided in accordance with the customers' instructions. They must ensure controls are in place so information is not provided to unauthorised parties. In addition, they must ensure that customers understand the implications and restrictions that apply to third party access.

Recommended

Providers should consider providing guidance that explains the implications and restrictions of third party access.

Opportunity

Enables third parties to better support customers.

Power of attorney (POA)

Required

When adding a new POA, the provider should ensure the attorney has sufficient understanding of the mortgage to be able to effectively discharge their responsibilities.

Recommended

Providers should consider providing the attorney with a document that explains how the lifetime mortgage operates and provide copies of key documentation, such as a key facts illustration, offer document and the terms and conditions.

They should consider what information is needed to enable the attorney to meet their obligations.

If the attorney needs additional information they should refer to the original adviser or seek on using the Council's website www.equityreleasecouncil.com/advisers.

Opportunity

- Enables the attorney to understand the lifetime mortgage and how it operates and better support the customer.
- Manages attorney's expectations about when access to the facility may be restricted.

Partial repayments

Required

Providers must supply a change notice before a change is made to the mortgage in line with MCOB 9.8.9/9.8.10.

Recommended

Providers should consider supplying a confirmation letter when the partial payment is applied to the loan which sets out the impact.

Opportunity

Reminds the customer of the benefits of making partial repayments and avoids early repayment charges.

Customer death/long term care enquiry

Required

Providers must consider the information needs of their customers and their representatives, in line with the firm's obligations under the Consumer Duty. When firms are notified of the death of a customer or informed of a long-term care event they should ensure that the representative or attorney has everything they need to maintain the loan until redemption. These include:

- Providing details of the loan, outstanding balance and any associated fees or charges, including interest roll-up.
- Notifying the representative of attorney of their obligations, such as keeping the property insured and not renting it out.
- Dates by which the loan must be redeemed and repayment options.
- Any early repayment charges.

Where providers offer a compassionate window, an appropriate reminder should be issued, sensitive to customer vulnerabilities.

Recommended

Providers should offer additional support to the representatives during this time. They should consider the following:

- Logging the representatives or attorney as vulnerable to allow others within the firm to be mindful of this when speaking to them.
- Signposting to bereavement support services.
- Notifying the adviser of the event.

Providers should consider signposting or supplying representatives or attorneys with a guide that explains how the lifetime mortgage operates. Copies of key documentation such as the original key facts illustration, offer documents and terms and conditions may also be provided. Providers should also consider periodic reminders where a compassionate window remains available.

Opportunity

- Promotes awareness of the product features available on first death or long-term care event.
- Avoids additional distress or inconvenience at a time of potential increased vulnerability.
- Assists executors or the customer's other representatives in understanding how the lifetime mortgage works.

Conversion of interest servicing to interest roll-up

Required

When a customer requests that interest service payments are to be stopped, the provider must provide an explanation of the impact on their projected balance in line with MCOB 9.8.

Recommended

Providers should ensure that customers understand the implications of roll-up interest. Providers should signpost to the adviser if the customer needs more support to decide.

They should consider:

- Highlighting that customers are permitted to make partial repayments and any restrictions or benefits that might apply.
- Whether the conversion of interest servicing to roll-up is unexpected and refer back to the adviser if necessary

Opportunity

- Supports customer understanding of the impact of converting to roll-up interest.
- Allows customers to understand that they may be able to make partial repayments and the impact this will have on the roll-up of interest.

Porting/adding or removing a borrower (transfer of equity)

Required

Providers must supply an explanation of the porting or transfer of equity process when an initial enquiry is made. This should include an explanation of the process and likely timescale to manage expectations and other key considerations. The customer should be provided with a revised illustration of the impact of the change.

Recommended

Providers should consider making the customer aware of any fees associated with porting, including valuation fees. They should also consider informing the customer of potential restrictions on the type of property that they can port to.

On receipt of the enquiry firms should signpost the customer to their adviser and provide contact details. Where a new borrower is being added to the mortgage the provider should consider if it requires the customer (and potential new customer) to obtain financial advice and legal before proceeding.

When a new borrower is added to the mortgage, providers should consider signposting a family explainer guide, or where appropriate a document that explains how the lifetime mortgages operates as well as copies of key documentation such as the key facts illustration, offer documents and terms and conditions.

Customers who do not have their own legal representative may be signposted to the Equity Release Council's online member directory to find one.

Opportunity

- Reminds customers of the timeframes for porting a mortgage.
- Reminds customers of any restrictions that might apply when porting a mortgage.
- Allows newly added borrowers to understand the contract and receive financial advice on its appropriateness.
- Reminds customers of the need to inform providers of a change of title (providers are not automatically informed by Land Registry).

Redemption request

Required

A redemption request may come from the customer or their authorised representative, an executor, an adviser or a solicitor. On receipt of a request, a clear explanation of the amount due must be provided.

Recommended

Firms should consider including:

- explanation of the amount owed
- explanation of any early repayment charges
- any timeframes that apply to the redemption amount
- a reminder that roll-up of interest will continue (outside of statement validity)
- a reminder that early repayment charges can change over time (again relevant to validity period).
- what customers need to do to repay and how, including whether they need a new statement on the day.

Opportunity

- Informs or reminds relevant parties how to repay the mortgage.
- Promotes understanding of early repayment charges and helps avoid penalties.

Arrears management

Providers must ensure that where a customer or executor exceeds the maximum period for repayment after a repayment event, they fully understand the process and implications in line with MCOB. They must consider signposting back to the adviser for review.

Recommended

Providers should consider supplying customer representatives with information that clearly explains how the mortgage operates and the options available to them. Where the provider is aware of an annual service charge, customers should be given the opportunity to indicate that they may have difficulty paying it.

Opportunity

Ensures customers or their representatives understand the process that follows a repayment event which may result in a property being repossessed.

Testing

Pre-launch

Providers should establish processes to test communications before deploying them, to identify whether they will support good outcomes. These processes should typically be risk-based depending on the likelihood of the communication influencing customer outcomes and/or causing customer harm. The mode of testing should be appropriate and based on the level of potential harm.

Examples

- Direct testing via randomised controlled trials or A/B tests that compare how customers respond to different versions of the communication or different consumer journeys.
- Research approaches such as:
    - customer questionnaires
    - structured and unstructured interviews with customers
    - customer focus groups
    - testing with employees if they have characteristics of the target market.

Post-launch

Providers should establish processes to regularly monitor the impact of communications once they are deployed, to identify whether they are supporting good outcomes. Monitoring should consider whether communications are supporting customer understanding and helping customers make effective, timely and properly informed decisions.

If a provider has decided before launching a product that it would be appropriate to test a communication for customer understanding once the product has been launched, they should monitor the impact of that communication once it has been deployed. Evaluation methods should be set out in a monitoring plan prior to deploying the communication (or as soon as possible, if the communication has already been deployed).

Providers should also ensure that the broad impact of communications has been considered through other evaluation methods such as complaints handling and root cause analysis, outcome testing and monitoring across the customer journey.

Examples

- Direct customer calls to test understanding
- testing of complaint handling and root cause analysis
- customer outcome testing
- other monitoring across the customer journey.

The examples of pre and post launch testing are not intended to be exhaustive. In addition, providers should consider an annual review to ensure that their customer communications are up to date and fit for purpose.

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