Equity Release Council

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Equity release borrowers cautious in the face of higher interest rates

Equity Release Council publishes Q4 and FY 2023 market statistics – the definitive measure of equity release activity, using whole-of-market data encompassing all active UK providers and advice firms

1. Summary

- New and returning equity release customers in Q4 totalled 13,651, down from 17,078 in Q3 2023 and 20,597 in Q4 2022.
- Throughout 2023, 26,119 customers took out new equity release plans, with drawdown plans restored as the majority preference – attracting 53% of customers last year and 55% in Q4.
- The average amount borrowed by new customers in Q4 2023 was £79,484, compared to £106,917 a year prior.
- With smaller loan sizes and the ability to make voluntary partial repayments on all new plans, customers are better able to manage their exposure to higher interest rates
- 2023 saw 64,448 active customers taking out new plans, making use of drawdown reserves or agreeing extensions to existing plans, down 31% year-on-year.
- Total annual lending of £2.6bn in 2023 followed a record-breaking £6.2bn in 2022, returning the market to the level of activity last seen between 2016 to 2017 (£2.1bn to £3.1bn).

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

“Every corner of the mortgage market saw rising interest rates put the brakes on activity in 2023, and equity release was no exception with customers and their advisers taking a cautious approach. This resulted in loan sizes shrinking and fewer people borrowing for more aspirational reasons.

“While we’ve grown accustomed to stronger demand in recent years, we shouldn't lose sight of how far the market has matured since activity was last at these levels. New product features and customer protections mean we are well positioned to serve the inevitable demand that will come as confidence returns. Council standards represent the pinnacle of protection for older consumers, which makes it crucial for them to seek out a member firm when exploring their options.

“It’s clear some people are holding out for future rate cuts, but with no timeline as to when this may happen or how sustained this will be, older homeowners will need to continue to consider what is right for their individual circumstances. Many people are relying on their property wealth to retire in comfort, and we are focused on ensuring they can access it confidently and securely.

“Whether the customer wishes to top up their pension, support their family or manage their borrowing in retirement, today’s products offer more flexible options to help manage costs, with voluntary repayments baked into every new plan. Ultimately it is about choice and it is vital that people plan carefully for the future and only commit to long-term products after careful consideration, expert advice and consulting with loved ones.”

1. Key statistics

Overall activity for Q4 2023:

- The number of new and returning customers in Q4 was 13,651, down from 17,078 in Q3 2023 and 20,597 in Q4 2022
- Customers accessed £535m of property wealth via equity release products between October and December. This was broadly in line with the quarterly average from 2016 and made the final quarter the quietest of 2023.
- Across all product types, the average amount borrowed by new customers in Q4 2023 was £79,484, compared to £106,917 a year prior.

Overall activity for FY 2023:

- The year as a whole saw 64,448 active customers either taking out new plans, making use of drawdown reserves or agreeing extensions to existing plans. This was a 31% decrease year-on-year from 93,421 in 2022 [see graph 1].
- Total lending of £2.61bn in 2023 followed a record-breaking £6.2bn in 2022, returning the market to the level of activity last seen between 2016 to 2017 (£2.1bn to £3.1bn).

New customer trends for Q4 2023:

- A total of 13,651 new plans were agreed between October and December 2023. This was the lowest quarterly total of the year, mirroring the seasonal pattern seen in 2022.
- More than half (55%) of new customers opted for drawdown lifetime mortgages in Q4, the highest percentage of the year and up from 47% in Q4 2022.
- New drawdown customers decreased their initial borrowing by 25% year-on-year by taking £62,198 upfront compared with £82,643. They reserved a further £40,962 for future use, giving a total loan size of £103,160, down 22% from £132,861 a year ago.
- New lump sum customers took a similar total amount (£100,978) as a single withdrawal, which was 21% less than the average £128,382 lump sum plan from Q4 2022.

New customer trends for FY 2023:

- Overall, 2023 saw 26,119 new plans agreed, a drop of 47% from 49,285 in 2022. The majority preference (53%) shifted back towards drawdown lifetime mortgages, reversing the split from 2022 when lump sum lifetime mortgages made up 52% of new product sales [see graph 2].
- This shift demonstrates the additional flexibility that customers are seeking to manage higher interest rates. With interest only applied as money is withdrawn, drawdown plans come with the benefit that, if rates fall, future withdrawals could be charged at a lower rate.
- Comparing 2023 to 2022, new lump sum customers decreased their average loan sizes by 26% from £131,687 to £97,878 – the first time this borrowing has been below £100,000 since 2019.
- New drawdown customers agreed similar reserve facilities in 2023 as 2022 (£43,687 vs. £45,625) but cut back their initial borrowing by 31% from £89,242 to £61,652 [see graph 3].

Returning customer trends for Q4 2023:

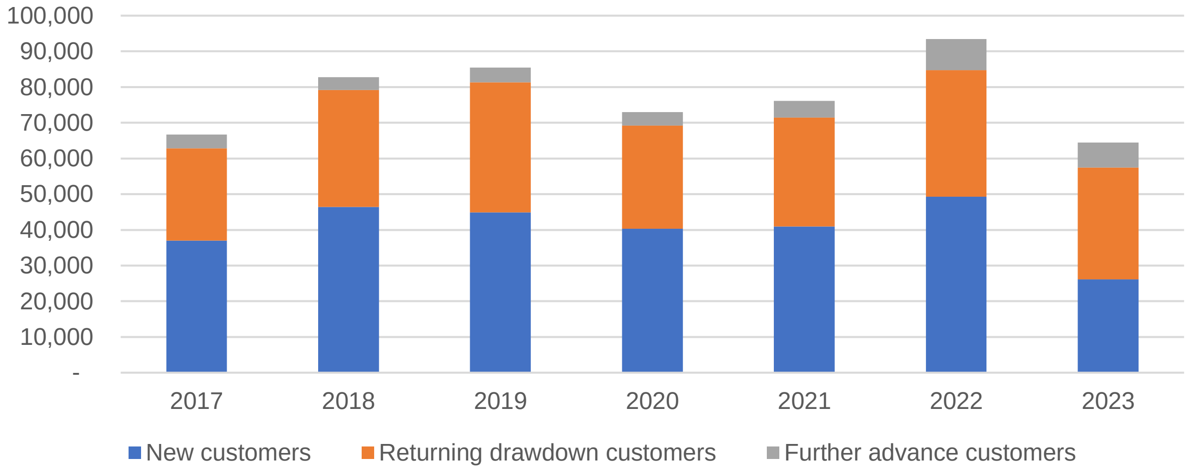
- The final quarter saw 7,314 existing drawdown customers dip into their agreed reserves. While this was down 14% from 8,466 in Q3, it represents a 3% uptick from 7,071 in Q4 2022.
- The average instalment taken by a returning drawdown customer was £11,782 in Q4, down from £12,700 in Q3 2023 and £14,180 in Q4 2022. Taking smaller instalments while rates are higher will again limit customers' exposure to higher costs.
- Further advance activity in Q4 2023 returned to levels typically seen from 2017-2021, with 1,045 extensions agreed to existing plans. This compares to 1,233 in Q3 2023 and 2,352 in Q4 2022.

Returning customer trends for FY 2023:

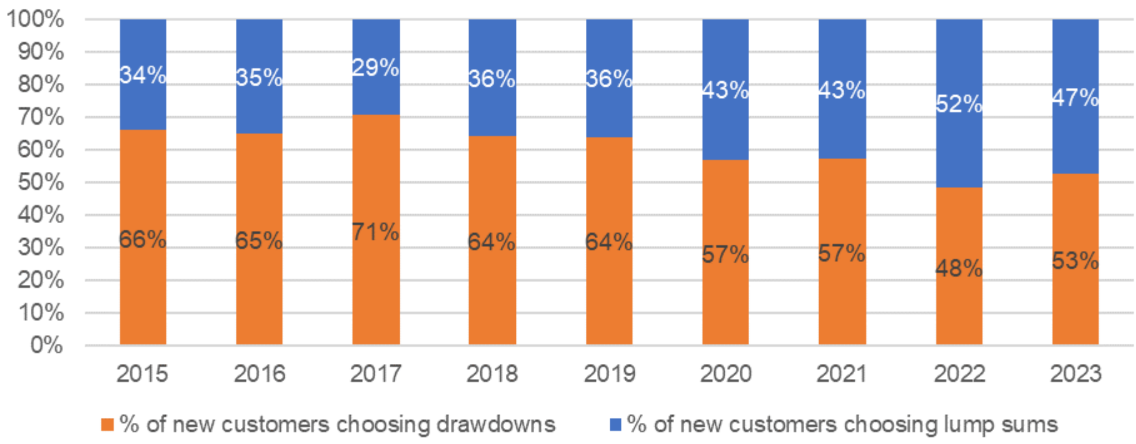
- Across 2023 as a whole, 31,329 returning drawdown customers took funds from their agreed reserves. This was down moderately from 35,474 in 2022 but higher than the 2021 figure (30,521), meaning this area of the market has been the most resilient in the face of higher interest rates.
- For the full year, 7,000 customers agreed extensions to their existing plans. While this was a fall from 8,662 in 2022, it represents a significant increase on 4,669 from 2021. Recent years of renewed house price growth across the UK will have provided some homeowners with more equity in their homes to draw on as they look to offset rising living costs.

2. Market data

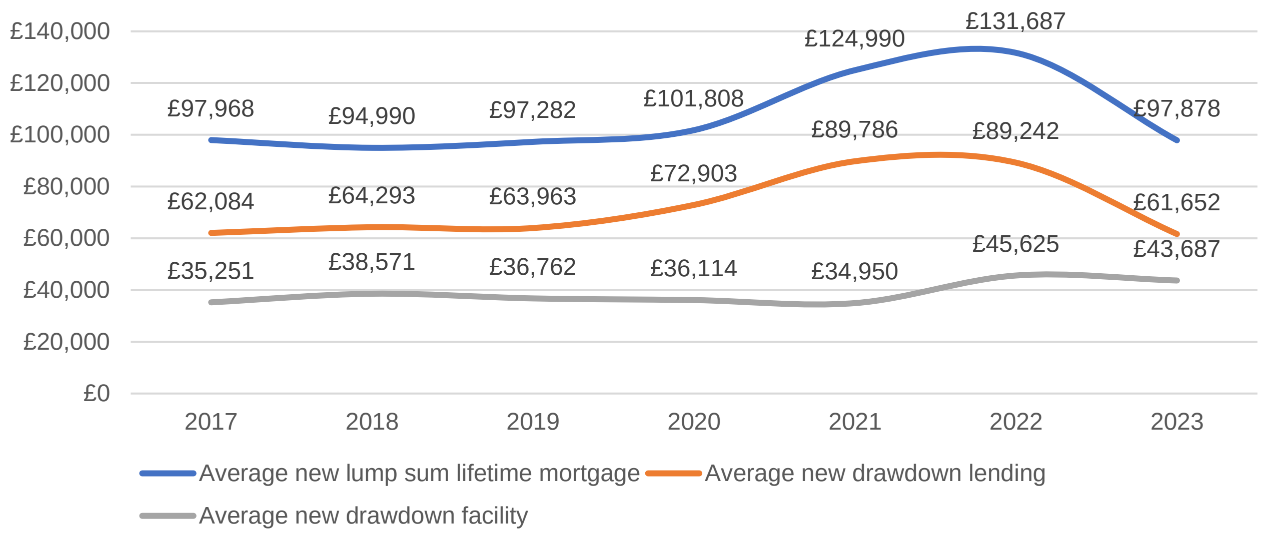
Graph 1: total equity release customers served annually 2017-2023



Graph 2: New customer product choices, 2015-2023



Graph 3: Average size of new equity release plans agreed, 2017-2023



3. About the data

The Equity Release Council's market statistics are the definitive measure of equity release activity, using whole-of-market data encompassing including all active UK providers and advice firms. This latest edition was produced in January 2024 using data from customer activity during the fourth quarter of the year (October to December). 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.

4. About the Equity Release Council

The **Equity Release Council** (the Council) is the representative trade body for the UK equity release sector with more than 750 member firms and 1,800 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, more than 650,000 homeowners have accessed £46bn 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 more information:

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