**Equity Release Council response to**

# DP 25/2 –Mortgage Rule Review: the future of the Mortgage Market

**September 2025**

Equity Release Council

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## Introduction and Summary

The Equity Release Council ("the Council") welcomes the opportunity to respond to the FCA's Discussion Paper DP25/2 on the future of the mortgage and later life lending markets. Our response reflects the Council's principles and the views of our diverse membership, who are at the forefront of delivering safe, practical solutions for consumers.

To inform this response, the Council undertook a wide programme of member engagement. We conducted a Council-wide consultation and held three dedicated workshops with a total of 132 attendees, representing providers, advisers, solicitors, funders, networks, tech firms and surveyors. Their contributions have been invaluable in ensuring that our response captures perspectives from every part of the later life lending market, which the Council uniquely represents.

The FCA's discussion paper comes at a critical time. Demographic and economic trends – including an ageing population, a widening pensions gap, and pressures on younger generations seeking to access homeownership – mean that housing wealth has an increasingly important role to play in financial planning. As the FCA's Chief Executive, Nikhil Rathi, highlighted in his speech earlier this year, later life lending is no longer a peripheral concern but a growing and significant part of the wider mortgage market. This recognition underscores the importance of regulation that enables safe innovation and supports housing wealth becoming a mainstream component of lifelong financial planning.

Our members strongly support the FCA's ambition to ensure consumers have access to appropriate, safe products and comprehensive advice provided by well-qualified advisers. Achieving this will require regulation that keeps pace with market evolution, breaks down artificial silos between mortgage and equity release advice, and enables advisers to provide more holistic support across product ranges. At the same time, long-standing safeguards – such as the no negative equity guarantee, lifelong right to remain in the home, and independent legal advice – must remain central to maintaining consumer confidence.

The Council looks forward to working with the FCA and wider stakeholders to develop proportionate reforms that encourage innovation, support good outcomes, and embed housing wealth as an integral part of retirement planning.

## About the Equity Release Council

The Equity Release Council ("the Council") is the independent trade body representing the UK equity release sector, with around 785 firms and nearly 1,850 individuals registered, including providers, regulated financial advisers, solicitors, surveyors, and other professionals.

The Council leads a consumer-focused market by setting authoritative standards and safeguards for the trusted provision of advice and products. Since the Council was formed in 1991 under its original name of Safe Home Income Plans (SHIP), more than £50bn of housing wealth has been unlocked by homeowners via Council members to support their finances in later life.

The Council also works with government, regulators, consumer groups, and professional bodies to inform and influence debate about the role of housing wealth in later life and retirement planning. Every member is committed to the Council's Standards, which aim to ensure robust consumer protections and safeguards.

In addition, the Council seeks to increase public awareness of how Later Life Lending can contribute to addressing the financial challenges facing people aged 55 and over in the UK.

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# A Summary of responses from Members

## Q1: Do you agree that these are the groups we should focus on? Are there any other groups that may not be effectively served by the market?

**Equity Release Council Position**

We agree that first-time buyers, self-employed consumers, and those on variable incomes are disadvantaged under current affordability frameworks. However, we also believe the FCA should explicitly recognise later life borrowers as an underserved group. Many older homeowners cannot pass affordability tests despite having sustainable resources such as pension income, annuities, or significant housing equity. This creates a structural barrier to accessing appropriate products such as Retirement Interest-Only (RIO) mortgages or hybrid solutions.

We would also highlight individuals affected by major life events (e.g. divorce, bereavement, or separation) as another underserved group. In such cases, borrowers may have reliable assets but face difficulty evidencing affordability under rigid, salary-focused models.

**Supporting Evidence and Context**

- FCA recognition: The FCA's DP25/2 itself dedicates a full chapter to later life lending, underlining that affordability barriers in this market are material and require specific attention.
- Gender disparities: The Council's research into women and retirement highlights that women are more likely to experience pension shortfalls due to career breaks and lower lifetime earnings. This makes access to mortgage credit and housing wealth in later life particularly important for them.
- Shifts in lending practice: Just ten years ago, most lenders capped borrowing at age 75. By 2025, borrowing into retirement has become common practice, but affordability rules have not kept pace. This leaves many older borrowers unable to access appropriate products despite holding reliable income streams (e.g. pensions) or significant housing equity.
- Fairer Finance research: Independent analysis shows that 51% of UK households will need to draw on housing wealth to support spending in later life, yet affordability frameworks have not adapted to reflect this reality.
- Constraints on innovation: Product innovation is held back by affordability rules. Drawdown mortgages with monthly payments or low-start structures remain rare, and the restrictive application of MCOB 11.6.15G continues to limit RIO availability. This underlines the need for reform to ensure underserved groups are not excluded by design.

**Member Feedback**

Members strongly supported expanding the FCA's list to explicitly include later life borrowers. They stressed:

- Affordability rules are unintentionally excluding borrowers who can repay but in non-traditional ways.
- Provisions in MCOB 11, designed for mainstream mortgages, are often applied too rigidly to Retirement Interest-Only and hybrid later life products. Disclosure rules, such as MCOB

5.5.13R (risk warnings), MCOB 8.6A.5R (compound interest and early repayment charges), and MCOB 9.4 (tariffs and fees), can overwhelm consumers. Members argued that these provisions risk stifling innovation in digital advice tools that could otherwise improve customer understanding under Consumer Duty.

- Pension income, annuities, and housing equity are not adequately recognised as reliable sources for repayment.
- Rigid application of MCOB rules (and permissions/qualifications) often blocks older consumers from accessing RIOs or innovative hybrid models.
- Proportionate approaches, such as recognising verified rent histories or pension drawdown statements, would provide fairer access.
- Small-scale landlords are often disadvantaged when affordability assessments fail to take account of rental income streams, even when they have strong track records of servicing borrowing.
- Intergenerational borrowers, such as families supporting adult children into homeownership or older relatives through joint borrowing, face affordability hurdles because income is assessed in isolation rather than across households.

**Conclusion and Policy Asks**

Current affordability rules, as applied, are unintentionally excluding a broad spectrum of creditworthy borrowers. Later life borrowers, women with pension shortfalls, small-scale landlords, and intergenerational families are among those who fall outside traditional affordability models, despite having secure repayment capacity. This is leading to missed opportunities for responsible lending and forcing consumers into narrower product options.

Policy Asks:

- Explicitly recognise later life borrowers (55+) as an underserved group alongside FTBs, self-employed and variable-income consumers.
- Permit alternative evidence of affordability, such as rent payment histories, Open Banking data, pension income verification, and rental yield assessment for landlords.
- Support proportionate affordability assessments that account for diverse income and repayment strategies, rather than rigid salary-based models.
- Encourage regulatory flexibility to enable product innovation, particularly hybrid designs that blend affordability-tested and equity-backed features.
- Recognise intergenerational borrowing as a valid and growing solution and adapt affordability assessments to reflect multi-generational income streams.

## Q2: What further changes are needed within the mortgage market to support access for those who are self-employed or with volatile income to mortgage finance, both for home purchase and later in life?

**Equity Release Council Position**

No direct comments were submitted by members on this question. However, the Council recognises that access to mortgage finance for the self-employed and those with volatile income remains a persistent challenge. This is relevant both for first-time buyers, who face affordability barriers due to irregular income, and for later life borrowers, where retirement income often comes from a mix of pensions, investments, and part-time work that can be difficult to model within traditional affordability frameworks.

**Supporting Evidence and Context**

- FCA data shows that in 2023–24, 31% of first-time buyers received deposit support from family or friends, and a further 9% relied on inheritance. Those without such support face higher barriers, especially where income volatility makes affordability assessments more complex.
- UK Finance research reinforces this: assisted first-time buyers typically enter the market two years earlier and with lower household incomes (£56k vs £65k).
- For later life borrowers, affordability models often fail to reflect the realities of irregular retirement income, which may come from pensions, investments, or part-time work.

**Intergenerational Dimension**

Later life lending can play a role in bridging these gaps. Older homeowners, who often hold substantial housing wealth, could safely release funds to support younger generations struggling with deposit requirements. This would reduce the pressure on households with volatile income to meet affordability hurdles unaided and would create a more sustainable route into home ownership. With UK housing wealth projected to release around £23 billion a year into the economy by 2040, there is clear potential for a regulated framework that enables intergenerational support without creating new risks.

**Member Feedback**

Although not raised directly in responses to Q2, members have consistently highlighted elsewhere in their feedback that:

- Affordability assessments should reflect a wider range of financial behaviours and evidence, including rental payment history, savings patterns, and alternative forms of income (see Q5).
- Later life lending products can provide additional routes for households with non-standard income, but regulatory silos between mainstream and lifetime mortgages limit their availability and uptake.

**Conclusion and Policy Ask**

While members did not provide direct responses to this question, the Council urges the FCA to:

1. Encourage more flexible affordability models that reflect diverse and irregular income streams, including self-employment, pensions, and investment drawdowns.

2. Recognise the role of rental history and other behavioural evidence in assessing repayment capacity.
3. Address regulatory silos to allow later life lending to play a greater role in intergenerational wealth transfer, supporting younger buyers into the market and reducing reliance on inheritance.

By addressing these issues, the FCA can help improve access for a growing segment of consumers with non-standard income profiles, while unlocking the potential of later life lending to underpin intergenerational support.

## Q3: Should the stress test be changed? In response set out any changes you believe are needed.

**Equity Release Council Position**
Members provided limited feedback on this question but agreed that a centralised regulatory stress rate would not be beneficial. Instead, lenders should retain flexibility to apply their own risk metrics, reflecting differences in products, customer cohorts, and business models. Members also recognised that regular review of the stress framework is sensible to ensure it remains proportionate in a changing interest rate environment.

**Supporting Evidence and Context**

- Comprehensive regulations already exist on arrears management and repossession costs, which create strong incentives for lenders to avoid unsustainable lending.
- The Consumer Duty reinforces these protections by requiring firms to avoid foreseeable harm and deliver good outcomes, including ensuring customers are not exposed to inappropriate affordability risks.
- Stress tests play a role in maintaining market stability, but rigid centralisation could stifle product innovation, particularly in emerging areas such as later life lending where affordability assessments need to account for irregular or non-standard income.

**Member Feedback**
Members emphasised that:

- A one-size-fits-all regulatory stress rate could inhibit innovation and product development, especially where lenders are targeting specific customer cohorts.
- Lenders should have discretion to set stress assumptions aligned to their risk appetite and product design, supported by robust arrears management processes.
- A framework that scales stress assumptions in line with the prevailing rate environment may be preferable, e.g. applying higher stresses when rates are low and marginal adjustments when rates are already elevated.
- Rental history and similar behavioural evidence could provide a useful supplement to traditional stress tests, particularly for self-employed or variable-income customers.

**Conclusion and Policy Ask**
The Council and its members do not support the introduction of a centralised regulatory stress rate. Instead, they recommend that the FCA:

1. Retain flexibility for lenders to set their own stress rates, proportionate to their customer base and product design.
2. Ensure the framework is revisited regularly to reflect changing rate environments, with scope for variable scaling.
3. Explore how stress testing can be adapted to better reflect alternative evidence of affordability, such as rental history, particularly for non-standard income groups.
4. Ensure that stress test policy does not inadvertently constrain innovation in later life lending, where affordability dynamics differ significantly from the mainstream market.

The Council notes that members would support further dialogue with the FCA on balancing consistency with innovation, ensuring that stress testing remains proportionate and does not unnecessarily restrict access for creditworthy borrowers.

## Q4: Should we intervene to support take up of long-term fixed-rate mortgages? If so, what action should we take?

**Equity Release Council Position**

The Council and its members did not see a strong case for regulatory intervention to drive greater take-up of long-term fixed-rate mortgages (LTFRs). Members emphasised that consumer appetite, market conditions, and government involvement are more significant factors in determining uptake. FCA rules are not currently a barrier to LTFRs, and regulatory intervention alone would be unlikely to shift entrenched market behaviours.

**Supporting Evidence and Context**

- International experience shows that LTFR markets only thrive where supported by government-sponsored mechanisms. In the United States, for example, Fannie Mae and Freddie Mac purchase and securitise LTFRs to create liquidity—without similar infrastructure in the UK, there is little incentive for mainstream lenders to offer them at scale.
- Consumer behaviour in the UK remains biased towards short-term fixes. Cultural expectations, combined with concerns about locking into unfavourable rates or facing high early repayment charges (ERCs), make customers reluctant to adopt LTFRs.
- Members noted that there is more justification for considering LTFRs when base rates are at historically low levels, such as in 2020, when volatility risk was minimal. At times of higher rates (e.g. above 4%), the risk of customers overpaying relative to future rates makes LTFRs less attractive.

**Member Feedback**

Members highlighted three key perspectives:

- Regulatory intervention alone would not create sufficient incentives; broader government-backed infrastructure is needed.
- LTFRs carry consumer risks, particularly if taken during high-rate periods, where significant ERCs may trap borrowers in more expensive products.
- FCA rules are not currently blocking LTFRs, but cultural and market biases favour short-term fixes. The FCA could play a role in challenging this bias, ensuring LTFRs are considered as part of suitable options.

**Conclusion and Policy Asks**

Members did not call for regulatory intervention to mandate or drive LTFRs. Instead, they urged the FCA to:

1. Recognise that meaningful development of an LTFR market would require broader government intervention to create liquidity and reduce risks for lenders.
2. Take account of the risks of locking consumers into LTFRs at unfavourable points in the rate cycle, especially where ERCs apply.
3. Support cultural change by encouraging advisers and lenders to consider LTFRs as part of the advice process, without making them mandatory.

Overall, members concluded that consumer appetite for LTFRs is closely tied to the wider interest rate environment, and that targeted intervention may only be appropriate when base rates are very low

## Q5: Can a rent-based affordability assessment be a responsible basis on which to assess a consumer's ability to repay a prospective mortgage? If so, what key features or requirements would this test need?

**Equity Release Council Position**
Members were broadly supportive of using rental history as part of affordability assessments, recognising its potential to widen access to mortgages, particularly for first-time buyers and those with limited credit histories. However, they stressed that it should not be used in isolation and must be supported by broader evidence of affordability and lender judgement.

**Supporting Evidence and Context**
Regular rent payments demonstrate both the willingness and ability of a consumer to manage significant ongoing financial commitments. In many cases, mortgage repayments would be equal to or lower than rent, meaning this evidence could provide a reliable basis for affordability testing.
Rental history is particularly valuable where consumers lack extensive credit records, or where income volatility makes traditional affordability modelling more difficult.
Previous industry practice has shown that lenders have successfully used six months of rental history as part of affordability checks. Extending this in a structured way could support financial inclusion.

**Member Feedback**
One member noted that rent-based assessments should always be accompanied by income verification and evidence of ongoing rent payments.
Another argued that responsible lending rules should evolve towards a more outcomes-based approach, recognising rent history as an example of "what good looks like" in financial behaviour.
A further response highlighted that consistent savings habits could be considered alongside rental history as a parallel measure of affordability but warned that rental evidence alone is not sufficient.

**Conclusion and Policy Asks**
Members supported the principle of rent-based affordability assessments but urged the FCA to:
Allow rental history to form part of affordability assessments, provided it is combined with income verification.
Avoid prescriptive requirements; lenders should have flexibility to integrate rental history into their own affordability models and risk appetites.
Ensure rent-based assessments are positioned as one element of a broader affordability framework, alongside savings behaviour and other financial indicators.
Used in this way, rental history can be a valuable tool to widen access to homeownership, particularly for first-time buyers, without compromising responsible lending standards.

## Q6: Should we decide not to prescribe an approach on rent affordability: leaving firms to decide on an appropriate approach, with the Consumer Duty helping to establish a clear consumer outcome focus?

**Equity Release Council Position**

Members supported a non-prescriptive approach, underpinned by the Consumer Duty. They felt this would give lenders the flexibility to incorporate rental evidence into affordability models in a way that reflects their risk appetite, while still ensuring good customer outcomes.

**Supporting Evidence and Context**

- Consumer Duty already requires firms to deliver good outcomes and avoid foreseeable harm. This provides a strong framework to ensure rental history is only used where it genuinely supports consumer interests.
- Prescribing a rigid, one-size-fits-all model could restrict innovation and discourage lenders from tailoring affordability checks to their customer base.
- A clear statement from the FCA confirming that rent-based affordability is acceptable would provide reassurance, reduce regulatory uncertainty, and promote consistency across the market.

**Member Feedback**

- One respondent described a non-prescriptive approach as the "most desirable outcome," allowing firms to apply their own models while keeping the focus on outcomes.
- Another noted that it should be for lenders to decide how rent-based evidence is used but suggested the FCA could issue guidance confirming its validity. They emphasised that rental evidence should always be combined with other metrics and tested across different rate environments to ensure it is in the customer's best interests both now and in the future.

**Conclusion and Policy Asks**

Members agreed that a flexible, outcomes-based approach is preferable. The Council urges the FCA to:

1. Avoid prescribing a uniform rent affordability model and instead allow firms to determine their approach under the Consumer Duty.
2. Issue a statement confirming that rental history is a valid input into affordability assessments, to promote consistency and reduce uncertainty.
3. Emphasise that rental evidence must be combined with other indicators and tested across different rate environments to safeguard consumer interests.

This approach would preserve flexibility for firms, encourage innovation, and ensure that affordability assessments reflect the needs of diverse customer groups, while maintaining strong consumer protection through the Consumer Duty framework.

## Q7: What regulatory incentives and/or barriers could be amended to increase appetite for innovation for mortgage products that support different employment types? In your response, please explain the targeted employment type.

**Equity Release Council Position**

No member responses were submitted to this question.

**Supporting Evidence and Context**

- The Council notes that UK employment patterns are evolving, with a growing share of the workforce in non-traditional roles such as self-employment, flexible contracts, and portfolio careers. Current affordability models, which often rely on predictable salaried income, do not always reflect the realities of these income types. As a result, many creditworthy individuals face unnecessary barriers to mortgage access.
- This challenge is mirrored in later life lending, where income is often drawn from multiple sources such as pensions, investments, or part-time work. Current affordability rules do not always recognise these varied income streams, which can limit access for older borrowers in much the same way as for younger workers with non-standard employment.

**Council Observation**

- Affordability frameworks could be adapted to recognise more diverse forms of income, without compromising consumer protection.
- Rent-based affordability assessments (as discussed in Q5–Q6) offer one example of how responsible lending could better reflect consumer behaviour and financial resilience beyond traditional salary evidence.
- Greater alignment across the mortgage and later life markets could help ensure consistent recognition of varied income sources, whether from employment, retirement, or family support

**Conclusion and Policy Asks**

Although members did not provide specific feedback, the Council highlights this as an area for future consideration. The FCA should:

1. Review how affordability assessments treat variable and non-traditional income types to ensure they do not unnecessarily exclude otherwise creditworthy borrowers.
2. Encourage innovation in product design that supports a wider range of employment and retirement income types, underpinned by Consumer Duty to maintain strong protections.
3. Explore how learnings from other markets (e.g. rental history or savings behaviour as indicators of affordability) could be applied both to younger workers with less conventional income patterns and to later life borrowers drawing on multiple income sources.
4. This would ensure that mortgage regulation evolves in step with both the changing world of work and the realities of later life income, supporting access to homeownership and long-term financial resilience across generations.

Q8: How well do our rules currently support Shared Ownership? In your response identify potential barriers, if any, to Shared Ownership lending that regulatory intervention could help address.

**Equity Release Council Position**
Feedback on this question was limited, and members did not raise significant concerns about the regulatory framework for Shared Ownership.

**Member Feedback**
One member commented that Shared Ownership generally works well within the current rules. They noted, however, an increasing trend for sellers to demand a premium when selling a second-hand share. They questioned whether this was an area where the regulator could intervene.

**Conclusion and Policy Asks**
Members indicated that the current rules for Shared Ownership are broadly effective and do not require major change. While issues in the resale market, such as premiums on second-hand shares, were highlighted, there was no strong call for FCA intervention at this stage. The Council's position is therefore that the FCA should continue to monitor the market but does not need to prioritise regulatory change in this area.

## Q9: Do you think changes to interest-only provisions would help first-time buyers? If so, what aspects of our regulation would need to change? In your response, explain any risks that may need to be mitigated/addressed in any regulatory change.

**Equity Release Council Position**

Members felt that changes to interest-only (I/O) provisions could help widen access to the market for first-time buyers but stressed that any reforms would need to be carefully framed to ensure repayment risks are managed and that consumer understanding is clear.

**Supporting Evidence and Context**

- Interest-only products have historically carried risks when repayment strategies were unclear or unreliable. FCA rules introduced after the financial crisis deliberately tightened requirements, but this has also restricted flexibility for otherwise creditworthy buyers.
- Allowing blended repayment models — part interest-only and part capital-and-interest — could ease affordability at the point of entry while still ensuring that debt is gradually reduced.
- Clearer pathways into and out of interest-only arrangements could also help mitigate risks later in life, where many borrowers still hold interest-only mortgages at the point of retirement. Enabling smoother transitions into Retirement Interest-Only (RIO) mortgages or Lifetime Mortgages would support better long-term outcomes and reduce the risk of arrears or repossession in later life.
- The long-term success of any such approach would depend on robust safeguards and a clear regulatory framework to prevent repetition of past mis-selling concerns.

**Member Feedback**

- One member suggested permitting part interest-only, part capital-and-interest structures, particularly for first-time buyers. They argued this could help more applicants pass affordability tests but emphasised that strict time parameters would be essential to mitigate risk.
- Another respondent agreed that greater flexibility on interest-only could be valuable but cautioned that safeguards must be strong. They underlined the need for clarity and evidence around repayment strategies, whether from savings, investments, or property sale. They also noted that a buyer with a proven savings track record could benefit from part interest-only, provided they understood and accepted the obligation to repay from those funds.

**Conclusion and Policy Asks**

Members saw potential for changes to interest-only provisions to support first-time buyers, particularly through mixed repayment structures. They stressed that:

1. Any use of interest-only must be time-limited and subject to ongoing monitoring.
2. Repayment vehicles must be reliable, evidenced, and clearly explained to borrowers.
3. Consumers must demonstrate a clear understanding of their repayment obligations and associated risks.
4. Regulation should also ensure that borrowers on interest-only mortgages are supported with clear pathways into RIOs or Lifetime Mortgages as they age, helping to prevent repayment shocks and to deliver better outcomes in later life.

With these safeguards in place, members felt that a more flexible approach to interest-only could improve affordability for first-time buyers without creating unacceptable risks to consumers or the wider market.

## Q10: Are there innovative approaches that are being used or could be used to do more to support victim-survivors of joint mortgage abuse? In your response, set out potential regulatory interventions, if any, that can support victim-survivors.

**Equity Release Council Position**

Members highlighted that while there is no single solution to joint mortgage abuse, there are practical steps that could be taken to improve outcomes for victim-survivors. They emphasised the importance of early intervention, clear communication of joint and several liability, and consideration of alternative product types—such as lifetime mortgages—where affordability assessments create barriers to remaining in the home.

**Supporting Evidence and Context**

- Joint mortgage abuse, though relatively rare, can have life-changing consequences. It often arises when one borrower is left responsible for payments but has limited means of redress against the co-borrower.
- Current regulatory frameworks are limited in addressing these situations directly, but Consumer Duty provides scope for a more principles-based response, ensuring lenders act in good faith to deliver fair outcomes.
- Lifetime mortgages, which do not require affordability assessments, can sometimes provide a way for a borrower to resolve their housing situation, particularly if they wish to remain in their home but cannot sustain repayments on a residential mortgage.

**Member Feedback**

- One respondent suggested that at conveyancing stage, both customers should be required to meet face-to-face with the conveyancer. This would ensure joint and several liability is carefully explained and may reduce the risk of abuse later on.
- Another member supported the existing options in place, such as extending terms or reducing repayments, but argued that a more principles-based approach under Consumer Duty could provide better outcomes.
- A further respondent noted that lifetime mortgages could provide a useful alternative in these cases, as they do not depend on affordability assessments. They proposed that brokers should also be required to meet clients face-to-face, and ideally individually, to better understand their circumstances and reduce the risk of abuse.
- One lifetime mortgage provider explained that their main challenges are not due to FCA regulations, but to the practical difficulties of removing a joint borrower where there is no agreement between the parties. They suggested lifetime mortgages could offer a solution in some cases, by enabling a borrower to repay an existing residential mortgage, remain in their home, and remove the requirement for monthly repayments.

**Conclusion and Policy Asks**

Members proposed a number of measures to support victim-survivors of joint mortgage abuse:

1. Stronger requirements for face-to-face engagement at key stages—particularly conveyancing and advice—so that the responsibilities of joint and several liability are clearly understood.
2. Greater use of principles-based approaches under Consumer Duty, allowing firms flexibility to offer repayment solutions and extend terms where these better supports customer outcomes.
3. Recognition of lifetime mortgages as a potential alternative solution where affordability rules prevent borrowers from maintaining their home through mainstream mortgages.

Overall, members concluded that addressing joint mortgage abuse requires better alignment between product design, advice practices, and consumer protections, with scope for the FCA to clarify expectations under Consumer Duty to support firms in delivering good outcomes.

## Q11: How can we introduce more flexibility into our rules for non-mainstream products without compromising protections for consumers?

**Equity Release Council Position**

Members provided a wide range of perspectives, but there was broad agreement that greater flexibility is needed to support innovation in non-mainstream products. Current rules, largely designed for mainstream repayment mortgages, are not always appropriate for newer or specialist products such as later life lending, self-build, or buy-to-let. Members stressed that any increased flexibility must be balanced with clear, consistent consumer protections.

**Supporting Evidence and Context**

- The mortgage market is evolving rapidly, with innovation most visible in later life lending. However, rules such as those in MCOB—originally created for mainstream repayment mortgages—can limit innovation when applied to products with fundamentally different risk profiles.
- Inconsistency in how the Consumer Duty is interpreted across firms and products adds further complexity, with fears that the Financial Ombudsman Service could apply standards retrospectively in a way that stifles innovation.
- Non-mainstream products are often key to delivering good outcomes for underserved groups. For example, drawdown or buy-to-let lifetime mortgages could address real consumer needs but face regulatory uncertainty.

**Member Feedback**

- Some members felt that no rule changes were required, suggesting the current framework is sufficient.
- Others highlighted the potential benefits of recognising products such as self-build loans as a standalone category. They argued this would allow rules and products to be more tailored to borrower requirements, while ensuring risks are clearly identified and understood by consumers.
- Several members raised specific concerns about later life lending and buy-to-let. At present, no lifetime mortgage providers offer products to landlords, and one member called on the FCA to adapt its regulatory approach for buy-to-let lifetime mortgages held by accidental landlords. They suggested that these products could either follow the standard lifetime mortgage regime (using a Key Facts Illustration rather than an ESIS) or be subject to a dedicated FCA framework.
- Members also highlighted challenges linked to the Consumer Duty. While broadly welcomed, its wide scope across different financial services sectors has led to inconsistent interpretation and fears about how the Financial Ombudsman Service may apply it. Targeted FCA guidance on what “good outcomes” look like for non-mainstream mortgages could help firms meet expectations consistently.
- One member argued that elements of MCOB designed for mainstream repayment mortgages are acting as a barrier to innovation. They suggested applying these rules only to the products they were originally intended for, to create space for new ideas in other parts of the market.
- A further comment stressed that flexibility on repayment methods should be balanced with safeguards. They emphasised that clarity over the source and reliability of repayment is critical, whether this is through sale of property, savings, or investments.

**Conclusion and Policy Asks**

Members called on the FCA to:

1. Ensure proportionality in regulation, applying rules appropriate to each product type rather than a one-size-fits-all approach.
2. Recognise specialist categories such as self-build and buy-to-let lifetime mortgages, supported by tailored regulatory frameworks.
3. Provide clearer guidance on how Consumer Duty should be applied to non-mainstream products, to improve consistency and reduce fear of retrospective enforcement.
4. Support flexible repayment strategies where they are evidenced and understood, balancing innovation with consumer protection.

Overall, members felt that regulatory inflexibility is constraining innovation in non-mainstream mortgages. A more principles-based, proportionate approach would enable new products to emerge and better meet the needs of consumers, particularly in later life lending, while maintaining strong consumer safeguards.

Q12: Are there any regulatory interventions to the mortgage market that could support approaches that aim to help address climate change challenges? In your response explain the context of the specific climate change challenge and potential implications for borrowers and lenders.

**Equity Release Council Position**

Members provided diverse perspectives, with no single consensus on the need for direct FCA intervention. While many felt that climate change challenges are better addressed by government and wider regulatory frameworks, others identified opportunities for the FCA to support targeted interventions that could incentivise energy efficiency and improve climate resilience. From a later life lending perspective, members highlighted that climate-related risks are already restricting access to products for some borrowers and could pose barriers to market growth if not addressed.

**Supporting Evidence and Context**

- The UK has approximately 27 million homes, which account for 15% of national carbon emissions. Britain also has the oldest housing stock in Europe, with around 20% built before 1919 and half lacking basic wall insulation.
- The Climate Change Committee estimates that £250 billion will be needed to retrofit UK homes by 2050. The Green Finance Institute projects that property-linked finance, including lifetime mortgages, could enable £52–72 billion of this investment.
- The Council, working with the Green Finance Institute, has published Retrofit Lifetime Mortgage Guidance (2024), which sets out how equity release products can play a role in funding home energy improvements. This highlights the particular importance of later life lending, given that older homeowners are more likely to live in energy-inefficient housing and may lack access to other forms of finance.

**Member Feedback**

Some members argued that climate change challenges fall outside the FCA's remit and should be tackled by government, e.g. mandating that new-build homes include low-carbon heating and solar, or providing public funding for flood defences.

Others highlighted regional differences, noting that climate risks vary substantially across the UK (e.g. Scotland vs London) and regulatory approaches should account for these variations.

Suggestions for targeted FCA support included:

- Relaxing affordability criteria where borrowing is used to fund resilience or efficiency improvements (e.g. flood defences, insulation, solar).
- Providing clearer standards for contentious or emerging technologies (e.g. spray foam insulation, solar panels, heat pumps) to help lenders underwrite confidently and avoid unnecessary exclusions.
- Ensuring green mortgage products remain accessible within a robust regulatory framework.

Equity release members cautioned that climate-related property exclusions already prevent some customers from accessing lifetime mortgages, particularly where flood risk projections are used. Without underwriting flexibility, they warned, demand will exist, but products may not be placeable.

A minority of respondents felt that regulation should not be used in this area, arguing that lenders should remain free to manage climate risks within their own risk appetite.
Several members noted that without financial incentives—such as lower deposits or cheaper repayments—consumer demand for green products will remain limited, and regulation alone will not transform the market.

**Conclusion and Policy Asks**

Members' views ranged from "no regulatory role" to "targeted support." Across these perspectives, common themes included:

1. Recognition that some climate interventions (e.g. flood defences, new-build standards) require government leadership, not FCA rules.
2. Scope for proportionate regulatory incentives, such as:
    - Flexibility in affordability assessments for borrowing used to fund resilience measures.
    - Reduced regulatory costs for green products (though this was seen as a marginal lever).
3. A clear need for industry-wide standards and frameworks for retrofit technologies, to give both lenders and consumers' confidence.
4. Awareness that later life lending is particularly exposed to property-related climate risks, and underwriting models should not inadvertently exclude large cohorts of older homeowners.

The Council urges the FCA to work with government, industry, and standard-setting bodies to support innovation in green and retrofit mortgage products. Regulatory flexibility, combined with public funding and industry standards, could enable innovation that supports consumer outcomes, reduces exclusion, and contributes to the UK's net-zero objectives.

## Q13: Should more borrowers look to the later life lending sector to access housing wealth and support their retirement?

**Equity Release Council Position**

The Equity Release Council and its members firmly believe that later life lending should be recognised as a mainstream component of retirement planning, alongside pensions and savings. With the UK facing a widening pension savings gap, safe access to housing wealth will be critical in helping millions of households achieve financial security in later life. Property is often people's largest asset, and enabling borrowers to draw on it responsibly can not only transform individual retirement outcomes but also deliver wider social and economic benefits.

**Supporting Evidence and Context**

- The scale of the challenge is clear. Research by the Pensions and Lifetime Savings Association (PLSA – now UK Pensions) shows that a pension pot of between £300,000 and £500,000 is needed to deliver a moderate retirement income of around £31,000 per year. In contrast, the average pension savings for over-60s are just £205,000 for men and £153,000 for women (ONS, 2024). Almost half of working-age adults are not contributing to a pension at all.
- The social care crisis is one of the UK's most pressing challenges. Age UK estimates that nearly 1.6 million older people have unmet care needs, while the Health Foundation projects a funding gap of £6–8 billion by 2030/31. Equity release can provide a private funding route that helps bridge this gap: Council data shows that around one in five customers use housing wealth to pay for care or adapt their home, reducing pressure on the NHS and local authorities.
- At the same time, homeowners aged over 60 collectively hold an estimated £2.9 trillion in largely mortgage-free housing wealth (Savills, 2024). For many, this represents the only realistic way to bridge the gap between retirement needs and available income. Across all households in the UK, housing wealth constituted 40% of total wealth in 2020–22, compared with 35% held in pensions.
- Consumer research also highlights the growing importance of property wealth in retirement planning. LV=’s Wealth and Wellbeing research found that 92% of respondents regard remaining in their own home as essential to their wellbeing, while more than two in five consumers consider a lifetime mortgage as their preferred way of releasing equity once they know about it – a 13% increase in a single year. Importantly, consumers who seek professional financial advice are significantly more likely to feel confident about their retirement prospects (59% versus 37%).
- The wider benefits extend beyond individual households. Legal & General’s 2022 analysis estimated that equity release contributes £1.8 billion of GVA to the UK economy annually, rising to £3.8 billion once indirect and induced effects are considered. This activity supports around 85,000 jobs across sectors such as health, social care, and construction. Fairer Finance (see appendix 2) ’s 2024 report estimated that an effective later life lending market could contribute £21bn of GVA to the economy in today’s prices by 2040, equivalent to 0.7% of GDP.
- At a societal level, equity release enables families to meet care costs, fund home adaptations that reduce reliance on the state, and provide intergenerational support to

first-time buyers. In 2024, 17% of More2Life customers released equity specifically for gifting.

**Member Feedback**

- Members consistently emphasised that later life lending is still treated as a niche or "last resort" option, which undermines its potential role in mainstream retirement planning.
- They pointed to outdated perceptions among consumers and some professionals, rooted in historic failings prior to full regulation in 2004–07, as an ongoing barrier.
- Several members noted that professional financial advice remains the strongest safeguard. They highlighted that advice must remain mandatory, supported by independent legal advice, and coupled with consumer education to break down stigma.
- Some members stressed that cultural attitudes towards property as inheritance need to shift, with Australia cited as an example where housing wealth is more routinely integrated into retirement funding.
- There was strong support for government and regulators to normalise later life lending within public guidance services (e.g. MoneyHelper, Pension Wise) and within mainstream financial planning.

**Consumer Protections Unique to Equity Release**

The later life lending market is underpinned by the Equity Release Council's six Product Standards, which together provide stronger consumer safeguards than are found in most other areas of the mortgage market:

1. No Negative Equity Guarantee (NNEG): Borrowers or their estates will never owe more than the value of their home.
2. Tenure for life: Customers have the right to remain in their property for life, or until they move into permanent long-term care, provided they meet the contract terms.
3. Fixed or capped interest rates: All products must have interest rates that are fixed for life, or if variable, include a cap for the life of the loan.
4. Right to move home: Borrowers retain the right to move, with their plan transferred to a new suitable property without financial penalty, subject to lender criteria.
5. Ability to make payments: Customers must have the right to make penalty-free payments to reduce interest build-up, subject to lender criteria.
6. Protection when moving in with family for care: Customers can repay their loan early without penalty if they move in with a family member for long-term care.

Alongside these Standards, borrowers also benefit from **mandatory** regulated financial advice and independent legal advice, further reducing the risk of mis-selling or consumer harm. Together, these protections set later life lending apart as one of the safest and most transparent segments of the mortgage market.

**Conclusion & Policy Asks**

The Council and its members strongly support the need for property wealth to be integrated into the wider financial services framework. Housing is the UK's largest store of wealth, yet it is still too often excluded from mainstream financial planning and regulation. This must change.

The FCA's assessment that only 18% of equity release borrowers use products "to support retirement" risks underestimating the real impact on consumers' financial security. Council member data shows that the majority of equity release borrowing is retirement-related in practice, even if labelled differently:

- Around one in five customers use equity release to pay for care costs or fund home adaptations – both of which enable people to remain independent in retirement and reduce reliance on the state.
- Around 40% use it to repay existing mortgages or unsecured debts, which directly reduces monthly outgoings and frees up retirement income.
- Around 17% use it to provide intergenerational support, often helping children or grandchildren onto the property ladder – a form of retirement planning that secures family stability.
- Other common uses include supplementing income, funding essential home improvements, or creating a financial buffer in later life.

When these categories are viewed together, the reality is that the majority of equity release borrowing is directly linked to retirement security, even if consumers do not label it "retirement income" in surveys.

The FCA therefore has a vital role in:

1. Normalising later life lending as part of mainstream retirement planning, alongside pensions and savings.
2. Ensuring advisers across the mortgage and financial planning sectors are equipped to consider property wealth in their recommendations.
3. Supporting public guidance services, web content and calculators (e.g. MoneyHelper, Mid Life MOTs, Pension Wise, Pension Dashboards ) to include later life lending options as standard.
4. Promoting regulatory alignment between mortgage and later life lending rules to remove artificial silos.

By embedding later life lending into the regulatory framework, the FCA can help close the retirement savings gap, reduce reliance on the state, and unlock billions in social and economic benefits – benefits which are already being delivered but are often underestimated by official statistics.

## Q14: How can our rules support product innovation in later life lending?

**Equity Release Council Position**
The Equity Release Council and its members fully support regulatory reform that enables safe product innovation in later life lending while maintaining strong consumer protections. Innovation has already delivered major improvements — such as voluntary repayment options, interest-servicing features, drawdown facilities, and downsizing protection — but further progress is constrained by regulatory separation, adviser qualification barriers, affordability rules designed for mainstream mortgages, and restrictive capital treatment.

**Supporting Evidence and Context**

- Members consistently identified the regulatory split between mortgage and equity release advice as the single largest barrier to innovation. Separate MCOB chapters (4–5 for residential mortgages and 8–9 for equity release), along with distinct disclosure requirements, reinforce the perception of lifetime mortgages as niche products. This is compounded by the requirement for advisers to hold a separate equity release qualification. With around 1,800 active equity release advisers compared to over 37,000 mortgage advisers, distribution remains too narrow.
- Affordability rules are another challenge. Provisions in MCOB 11, designed for mainstream mortgages, are often applied too rigidly to Retirement Interest-Only and hybrid later life products. Disclosure rules, such as MCOB 5.5.13R (risk warnings), MCOB 8.6A.5R (compound interest and early repayment charges), and MCOB 9.4 (tariffs and fees), can overwhelm consumers. Members argued that these provisions risk stifling innovation in digital advice tools that could otherwise improve customer understanding under Consumer Duty.

**Funding and Capital Treatment**
Many of our members highlighted funding and capital treatment as a major barrier to innovation. Lifetime mortgages are naturally aligned with the long-term liabilities of insurers and pension funds, making them well-suited to sustainable funding. However, the current Effective Value Test (EVT) and other PRA capital requirements impose assumptions and risk treatments that do not reflect how these products perform in practice.

This has two consequences: it raises the cost of capital for insurers, and it restricts the flow of long-term funding into the market. The result is higher pricing for consumers and reduced capacity for lenders to innovate with new product features such as regular income options, hybrid designs, or broader underwriting approaches.

Members are concerned that the current regime treats lifetime mortgages too conservatively compared to their risk profile, particularly given the robust safeguards provided by the Equity Release Council Standards, such as the No Negative Equity Guarantee. Unless this issue is addressed, the scope for innovation will remain constrained, regardless of changes within the FCA's perimeter.

They also note that imposing relatively costly capital treatment on UK-regulated insurers could put them at a disadvantage compared with non-UK entrants that are not subject to equivalent requirements. This risks unintentionally favouring firms outside the PRA's oversight, while constraining the competitive opportunity for UK-based providers.

The Council therefore urges the FCA to engage directly with the PRA to align capital treatment with the Consumer Duty's objective of improving outcomes. Unless this cross-regulatory dialogue happens, the FCA risks encouraging innovation in principle while the PRA framework continues to limit it in practice.

The Council believes that the issues raised in Q13 can also be addressed by other innovative solutions such as government support and capital markets interventions. These options include:

- Government underwriting of the 'No Negative Equity Guarantee' (NNEG) risk qualifying loans, for a fee. A 'Help to Release' scheme analogous to 'Help to Buy' in the traditional mortgage market. In the US, the Federal Housing Administration underwrites the NNEG on qualifying loans, on a cost-neutral basis.
- Government and capital market collaboration on forming a market in UK house price derivatives.
- Government support for ERM securitisation structures, e.g. purchasing equity tranches, or guaranteeing payments to Note investors.

Further detail on these proposals is set out in Appendix One.

**Conclusion and Policy Asks**

The Council and its members believe targeted, proportionate reforms are needed to unlock the next stage of innovation in later life lending. Members stressed that strong consumer protections must remain in place, but unnecessary regulatory barriers should be removed.

On behalf of its members, the Council calls on the FCA to:

1. Remove unnecessary regulatory separation between mortgage and equity release advice, including consolidating MCOB chapters, to reduce silos and improve access.
2. Work with awarding bodies to modernise adviser qualification routes, including modular or bridging pathways from CeMAP into later life lending, supported by mandatory CPD.
3. Clarify affordability expectations for retirement-focused products such as RIOs and hybrids, ensuring that rules designed for mainstream mortgages are applied proportionately.
4. Review disclosure requirements so that layered, digital-first approaches can be adopted under Consumer Duty, improving customer understanding without overwhelming consumers.
5. Engage directly with the PRA to ensure capital treatment reflects the true risk profile of lifetime mortgages, removing unnecessary constraints on pricing and innovation.
6. Explore government and capital markets solutions to support product evolution and reduce costs to consumers — further detail is set out in Appendix One.

By acting on these priorities, the FCA can help deliver a later life lending market that is both safe and dynamic: supporting innovation, widening choice, and ensuring that products meet the needs of an ageing population while strengthening the resilience of the wider mortgage market.

## Q15: Should it be easier to access products like RIOs and lifetime mortgages? What is holding back demand for these products?

**Equity Release Council Position**

The Equity Release Council and its members believe it should be easier to access Retirement Interest-Only (RIO) mortgages and Lifetime Mortgages. These products can play an important role in helping older homeowners unlock housing wealth safely, supporting retirement income, meeting care costs, and providing intergenerational support. Many members specifically quoted the findings of the Fairer Finance (see appendix 2) report, which concluded that "government and regulators should do more to normalise the use of housing wealth as part of retirement planning." However, demand is currently constrained by consumer perceptions, advice silos, regulatory barriers, and funding constraints. Unless these challenges are addressed, many consumers who could benefit will continue to view these products as a last resort rather than a mainstream solution.

**Supporting Evidence and Context**

- **Public information gap**: Members stressed that housing wealth should be embedded as a central part of later life planning within government guidance such as MoneyHelper, Mid Life MOTs, Pension Dashboard and Pension Wise. Public information campaigns are also needed to raise awareness, reduce stigma, and increase understanding of the safeguards and options available.
- **Consumer awareness and perception**: A major barrier is persistent misconceptions about how Lifetime Mortgages work, rooted in historic failings of earlier equity release products. These perceptions are still found among the public and some professionals across legal, accountancy, financial services, and mortgage sectors. Many consumers view repaying a mortgage during working life as the norm, so borrowing against property in later life feels counter intuitive.
- **Advice, technology and education**: Professional advice remains the key safeguard in later life lending. Research shows consumers who receive financial advice are almost twice as likely to feel confident about retirement (59% vs. 37%) and more likely to be actively saving (30% vs. 13%) (LV= Wealth & Wellbeing Report, 2024). Members consistently stressed that advice must remain mandatory, but noted that technology such as calculators, educational modules, and scenario planners could enhance the journey and improve transparency if used as a complement to advice.
- **Social care policy uncertainty**: Lack of clarity around future care funding discourages customers from making decisions about housing wealth. Greater government clarity would enable consumers to plan with confidence.
- **Funding and regulatory barriers**: Under Solvency II, Lifetime Mortgages are treated conservatively on insurers' balance sheets, limiting funding capacity and raising consumer costs. Members highlighted options such as government-backed NNEG underwriting, securitisation, or guarantees as ways to reduce barriers.
- **Cultural attitudes**: For many, property is still seen primarily as an inheritance, creating reluctance to release wealth even when it could improve living standards. Members noted that countries such as Australia have normalised property wealth as part of retirement planning, providing a model for change.

**Member Feedback**

- Members pointed to advice silos and restricted distribution as key barriers. With only around 1,800 qualified equity release advisers compared with more than 37,000 mortgage advisers, access remains too limited.
- Some members noted that higher professional indemnity costs and perceived regulatory risks discourage advisers from entering the later life lending market.
- Others highlighted that stigma remains strongest among older age groups who remember pre-2004 unregulated equity release products, while younger homeowners are more open to using housing wealth in retirement.
- A tech provider noted that adviser technology and workplace pension systems remain biased toward pensions and investments. Without integration of property wealth into these tools, consumers are less likely to be presented with housing equity solutions, creating a structural barrier to innovation.
- Members also suggested that government and regulators should play a greater role in awareness campaigns to help shift perceptions, supported by improved access to technology and mainstream sourcing systems.

**Consumer Protections Unique to Lifetime Mortgages**
As set out in Q13, these products benefit from strong consumer safeguards, including:

- The No Negative Equity Guarantee (NNEG).
- Tenure for life.
- Fixed or capped interest rates for life.
- The right to move home.
- Ability to make voluntary payments.
- Protection when moving in with family for care.
- Alongside mandatory regulated advice and independent legal advice, these make later life lending one of the safest and most transparent segments of the mortgage market.

In addition, many Lifetime Mortgages already incorporate drawdown facilities, which allow customers to release housing wealth in stages as and when needed. This provides a form of "regular drawdown" that can help supplement retirement income, fund care, or meet unexpected expenses, without requiring a separate product. In practice, this flexibility is a key feature of the later life lending market that is not always recognised in regulatory debates.

**Conclusion & Policy Asks**
RIOs and Lifetime Mortgages offer safe, valuable solutions for retirement funding but remain under-utilised due to stigma, limited awareness, distribution barriers, regulatory silos, and funding constraints. Unless these barriers are addressed, many consumers will continue to view these products as a last resort, missing the opportunity to improve their retirement outcomes and overall financial wellbeing.

On behalf of its members, the Council calls on the FCA and policymakers to:

- Embed housing wealth into government-backed guidance services such as MoneyHelper and Pension Wise, supported by targeted public awareness campaigns.
- Ensure advisers across the mortgage market are trained and qualified to consider housing wealth in later life advice, supported by mandatory CPD and modernised qualification pathways.
- Amend the FCA rulebook to make explicit that advisers must either offer, or where appropriate refer to, the full range of later life mortgage options — including RIOs and Lifetime Mortgages. This would correct the missed opportunity when RIOs were first introduced, and ensure consumers receive holistic advice or a suitable referral.
- Increase visibility of later life products on mainstream mortgage sourcing systems and require advisers to evidence that property wealth options have been considered where relevant.
- Provide greater clarity on the funding framework for social care, enabling consumers to make confident, long-term plans about how housing wealth can support their needs or family members.
- Work with the PRA to review capital treatment under Solvency II and ensure it reflects the true risk profile of lifetime mortgages, unlocking sustainable funding and reducing consumer costs.
- Support innovation in product design and funding models, including government-backed NNEG underwriting, securitisation structures, or guarantees, to expand consumer choice and improve affordability.

By acting on these priorities, the FCA can help normalise RIOs and Lifetime Mortgages as mainstream solutions, reduce reliance on the state, and improve retirement outcomes for millions of households — while also delivering wider economic and intergenerational benefits.

Q16: **How effective and holistic is advice on later life lending? How can our rules support borrowers to access more effective information or advice to support their needs?**

**Equity Release Council Position**

On behalf of its members, the Equity Release Council recognises that advice on later life lending is not currently holistic. Too often it is shaped by adviser type and regulatory silos rather than by the customer's full financial picture. While advice is mandatory for lifetime mortgages, the FCA's rulebook does not consistently encourage integration of housing wealth alongside pensions, savings, and other assets. Members believe reforms are needed to improve awareness, align qualifications, and support referral pathways so that older homeowners can receive joined-up guidance that considers all relevant options.

**Supporting Evidence and Context**

- **Fragmented advice landscape:** Separate FCA rulebook chapters (MCOB 4 vs. MCOB 8) and distinct qualifications (CeMAP vs. CERER) create structural barriers. Mortgage advisers may not consider lifetime mortgages, while equity release specialists rarely advise on RIOs or standard mortgages. Wealth advisers regulated under COBS also lack training on property wealth, despite it often being a consumer's largest asset. This fragmentation means outcomes can depend more on the type of adviser a consumer speaks to than on their needs. There are around 1,800 qualified equity release advisers compared to more than 37,000 mortgage advisers (ERC, 2024), underlining the access gap created by current qualification silos.
- **Consumer awareness and engagement:** Awareness remains low. The FCA's 2024 Financial Lives survey found only 8.6% of people had sought advice on investments, pensions, or retirement planning in the past year. LV=’s 2024 Wealth & Wellbeing report found that 29% of consumers have never researched or sought financial advice, up six percentage points in a single year. Housing wealth is rarely embedded in public guidance platforms such as Pension Wise or MoneyHelper, reinforcing the perception that equity release is a last-resort option.
- **Qualifications, CPD and referral pathways**: Members highlighted the need to merge CERER into CeMAP, embed Consumer Duty principles, and mandate regular CPD across the adviser community. Wealth advisers should also be required to understand later life lending, so property wealth is considered in broader retirement planning. While not all advisers need to provide holistic advice, all should be required to disclose the scope of their permissions and signpost clients appropriately. Standardised referral templates and MI could help ensure this happens consistently.
- **Advice and technology**: Advice must remain mandatory given the complexity of later life decisions. Safeguards such as independent legal advice and the Council's Product Standards should remain untouched. However, advice is costly and can feel inaccessible. Members pointed to the potential for technology—calculators, scenario modelling, AI support tools—to demystify options and reduce friction. Importantly, these tools should complement, not replace, professional advice.
- **Holistic financial planning:** Homes should be seen not just as places to live but also as deferred retirement assets. UK households hold 40% of their total wealth in property compared to 35% in pensions (ONS, 2022), yet property wealth is rarely integrated into advice or planning frameworks. With the average pension wealth for over-60s standing at £205,000 for men and £153,000 for women (ONS, 2024), but

homeowners over 60 holding an estimated £2.9 trillion in housing wealth (Savills, 2024), integrating property into advice conversations is essential to bridge the retirement income gap.

**Member Feedback**

- Members strongly agreed that fragmented qualifications are a barrier to effective advice and called for aligned training across mortgage and wealth advisers.
- A tech firm emphasised that adviser platforms should be required to either incorporate property wealth into their advice journey or explicitly disclose its exclusion. This would help ensure consumers understand whether their adviser is considering the full picture of retirement assets.
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- Several stressed that advice costs and professional indemnity requirements can discourage advisers from operating in later life lending, reducing consumer access.
- Others noted that consumers are often unaware of their adviser's limitations, leading to advice gaps or missed opportunities.

**Conclusion & Policy Asks**

Advice on later life lending remains fragmented and inconsistent, leaving too many consumers unaware of their full range of options. On behalf of its members, the Council calls for the FCA to:

- Align MCOB 4 and MCOB 8 to reduce silos and ensure consistent advice standards across later life mortgages.
- Update qualifications by merging CERER into CeMAP, embedding Consumer Duty principles, and mandating regular CPD across mortgage advice.
- Amend the FCA rulebook to make explicit that advisers must either offer, or where appropriate refer to, the full range of later life mortgage options — including RIOs and Lifetime Mortgages. This would correct the missed opportunity when RIOs were first introduced, and ensure consumers receive holistic advice or a suitable referral.
- In parallel, mortgage lenders should be expected to signpost later life customers approaching end-of-term or renewal towards the availability of alternative later life lending solutions, ensuring they are aware of options beyond a standard residential mortgage
- Extend training requirements for wealth advisers so that housing wealth is explicitly included in COBS-based advice frameworks.
- Require advisers to disclose clearly the scope and limits of their advice, and to use standardised referral pathways where necessary.
- Integrate housing wealth into public guidance platforms such as MoneyHelper and Pension Wise.
- Support innovation in advice models and technology to improve efficiency and affordability, while retaining key safeguards such as independent legal advice and the Equity Release Council's Product Standards.

By addressing these barriers, the FCA can ensure that advice is no longer fragmented by adviser type but instead gives consumers a full, joined-up view of their options. This will

enable more people to use housing wealth safely and confidently as part of retirement planning, improving outcomes while maintaining the high standards of consumer protection that define this market.

## Q17: Can regulation do more to enable innovation, both in terms of AI-assisted sales and in the tools available to consumers and intermediaries to assess product eligibility and the likelihood of acceptance?

**Equity Release Council Position**

The Equity Release Council and its members believe that AI and digital tools can play a constructive role in supporting advice and widening access but must not replace human judgment — particularly in later life lending where consumer vulnerability is more prevalent. Members support innovation that enhances efficiency, improves engagement, and supports advisers in delivering consistent outcomes. However, they stressed the need for clear regulatory boundaries, robust governance, and oversight of emerging tools such to ensure innovation does not undermine consumer protections.

**Supporting Evidence and Context**

- AI and automation can streamline administrative tasks, eligibility checks, and product research, freeing advisers to focus on complex, high-value conversations.
- AI is also being tested in advice quality monitoring. Early trials suggest it handles factual accuracy well, but struggles with nuance, sentiment, and detecting vulnerability — highlighting the risks of over-reliance.
- Consumers increasingly expect digital support tools. LV=’s *Wealth & Wellbeing* (2024) found 29% of consumers have never researched or asked for financial advice, up six points in one year, underlining the need for affordable, accessible solutions.

**Member Feedback**

- Some members felt AI’s role in direct advice remains limited, given the complexity of later life needs and accountability concerns if complaints arise.
- Others saw value in AI for eligibility assessments, decision-in-principle checks, and consumer engagement tools.
- Members recognised the important role sourcing platforms play in helping advisers navigate an increasingly complex later life lending market, bringing greater consistency and efficiency to the advice process.
- While views varied, some members felt it would be helpful if the role of sourcing platforms in the advice journey were clearer, particularly in how they support advisers to meet Consumer Duty requirements
- Members also highlighted broader concerns around bias, transparency, and fraud in AI systems, emphasising the need for rigorous testing and governance.
- A minority felt regulation should focus on enabling innovation through sandbox environments, provided clear boundaries are set on where AI can and cannot substitute human advice.

**Conclusion & Policy Asks**

Members agreed AI and digital tools can enhance the advice process but must not replace professional human advice, especially in later life lending. On behalf of its members, the Council calls for the FCA to:

1. Clarify the regulatory boundary between advice and guidance, and where accountability lies when AI tools are used.
2. Require AI tools used in advice journeys to meet high standards of transparency, governance, and security, with safeguards against fraud, misuse, and bias.
3. Promote innovation sandboxes that support experimentation in eligibility, research, and

administrative tools, but retain mandatory human advice for later life products.

By embedding these safeguards, the FCA can help harness the benefits of AI-assisted tools while maintaining consumer protection and confidence in the advice process.

## Q18: What are the risks of AI-assisted advice, and how could the role of intermediaries evolve if more of these sales are enabled?

**Equity Release Council Position**

The Equity Release Council and its members agree that AI should only ever play a supportive role in the advice process, not replace human interaction. In later life lending, where customers often have complex circumstances and higher levels of vulnerability, professional, personal advice remains essential. AI has potential to increase efficiency, reduce costs, and broaden access, but intermediaries will continue to be central in ensuring advice is tailored, accountable, and focused on consumer outcomes.

**Member Feedback**

- Several members saw AI as a tool to assist advisers, helping to surface product options, flag risks, and reduce costs, but not as a replacement for human advice. They noted that AI is only as strong as the data driving it and should always be backed by specialist advisers who can identify when a different route may be more beneficial.
- A number of responses highlighted risks around data accuracy, model bias, and the possibility that AI advice could be too generic and fail to account for an individual's circumstances. They argued that true suitability comes only from getting to know the client in detail.
- Members underlined the importance of protecting vulnerable customers. AI models may not detect subtle emotional or cognitive cues that human advisers can pick up on, increasing the risk of unsuitable recommendations. There were also concerns about fraud, deepfake technology, and the exploitation of customers if safeguards are not robust.
- Some pointed to the value of AI in quality monitoring, helping advisers or compliance teams spot gaps in recommendations and build more comprehensive suitability reports. However, they emphasised that an individual must remain accountable for advice delivery.
- One member suggested that if AI use expands, mandatory face-to-face legal advice requirements in later life lending should remain non-negotiable, as technology could imitate clients in remote appointments.
- Members also observed that AI could streamline routine tasks such as eligibility checks, research, and report generation, freeing intermediaries to focus on complex or high-value interactions. They saw intermediaries' roles evolving towards oversight of AI outputs, handling sensitive cases, and evidencing where human judgment refines or corrects automated recommendations.

**Conclusion and Policy Asks**

Members identified key risks of AI-assisted advice, including over-reliance on automated outputs, lack of personalisation, model bias, cyber risks, and the potential neglect of vulnerable customers.

They agreed that:

1. AI must remain a support tool, not a substitute for human advisers.
2. Intermediaries will continue to play a critical role in providing personalised advice, safeguarding vulnerable customers, and maintaining accountability for outcomes.
3. Regulation should clarify responsibility where AI tools are used, ensuring firms remain accountable rather than shifting liability onto consumers or unregulated providers.
4. Standards and safeguards must be in place to protect against fraud and to ensure that customers always retain access to face-to-face advice where appropriate.

Members concluded that AI could enhance efficiency and widen access, but only within a

framework that preserves the central role of intermediaries, reinforces accountability, and ensures customers continue to benefit from personalised, human advice.

## Q19: Are the records we require a firm to keep that document the consumer's circumstances at the time of the recommendation, and the suitability of the product the firm has recommended, in the right place?

**Equity Release Council Position**

The Equity Release Council and its members broadly agree that the FCA's current record-keeping requirements are in the right place in principle. However, practice across the industry is inconsistent and, in many cases, not sufficiently robust. Members believe stronger, clearer standards are needed to ensure consistent safeguards for consumers and firms, especially in later life lending where products are complex and often remain in force for decades.

**Supporting Evidence and Context**

- Record-keeping is particularly important in later life lending because of the long duration of products and the reliance on advice to ensure good outcomes. Lifetime Mortgages, for example, often remain in place for 20–30 years, meaning records may need to be accessed long after the original sale took place. When books of business are transferred between lenders, accessible and consistent documentation helps ensure continuity of consumer protections.
- Strong records also provide clarity in the event of a complaint. The Financial Ombudsman Service relies on advice files to understand the recommendation process, so robust documentation gives greater certainty to both firms and customers.
- Members also noted that where advisers leave the industry, delays can occur in retrieving files if record-keeping standards vary between firms. This underlines the importance of clear, consistent expectations across the sector, so that advice files are complete, accessible, and auditable regardless of how long ago the transaction took place.

**Member Feedback**

- Some members agreed the requirements are broadly right but emphasised the need for detailed records of the client's circumstances, the product options considered, the recommendation given, and the customer's decision. They also suggested that this information should be shared with the law firm acting for the borrower where appropriate, to ensure joined-up safeguards.
- Lender feedback highlighted that current practices are not sufficient. Advice files should be standalone, securely stored, and accessible, yet firms often rely on verbal confirmation rather than documented proof. Gaps in documentation are a common theme in FCA reviews. Lenders reported delays when reviewing cases, particularly where advisers have left the firm, raising concerns over the auditability of the advice process.
- Several members felt requirements should be strengthened by making Suitability Reports mandatory for all advised mortgage sales. They also recommended that all adviser–customer interactions be recorded, arguing this would provide the clearest evidence of the conversation around needs, income, risks, and understanding.
- Other respondents pointed out challenges with long-term record keeping. For example, some lenders who have taken over books of business reported missing or incomplete records, particularly for sales over 15 years old. Members argued records should be retained for the life of the loan to protect both consumers and firms.
- A small number of members said the current requirements are broadly appropriate but could be made more practical by consolidating them for ease of reference.

**Conclusion and Policy Asks**

Members concluded that the FCA's record-keeping requirements are in the right place in principle but should be strengthened and clarified to ensure consistency across the industry. Specifically, the Council and its members recommend that the FCA:

1. Make Suitability Reports mandatory for all advised mortgage sales.
2. Require adviser–customer interactions to be recorded (e.g. call recording, video, or digital transcripts) to provide a clear, auditable account.
3. Require records to be retained for the full life of the loan, not just for a minimum period, given the long duration of later life products.
4. Promote consistency and accessibility of advice records across the industry, reducing reliance on verbal confirmation.
5. Consider consolidating existing requirements into a clearer framework, to make compliance simpler while maintaining robust protections.

Overall, members believe enhanced and consistent record-keeping is essential to support good consumer outcomes, uphold advice standards, and protect the integrity of the market.

## Q**20:** Are our current suitability standards, including the cheapest option rule, in the right place and fit for purpose?

**Equity Release Council Position**
The Equity Release Council and its members were generally supportive of the current suitability standards, including the cheapest option rule. However, members stressed that suitability must be judged on the overall fit with the customer's needs and circumstances, not price alone. The principle of considering the cheapest option remains important, but the regulatory framework should allow flexibility for advisers to recommend a more expensive product where this demonstrably delivers better outcomes.

**Supporting Evidence and Context**
Suitability standards play a central role in maintaining consumer confidence, particularly in later life lending where products are long-term and decisions have lasting consequences. Evidence from both Council mystery shopping programmes and FCA case reviews shows that where advisers clearly evidence the rationale for their recommendation, customer outcomes are stronger and upheld complaint rates are lower. However, rigid application of the cheapest option rule risks narrowing choice and overlooking product features that may provide significant consumer benefit, such as repayment flexibility or protection against future interest rate changes.

**Member Feedback**

- Some members said the cheapest option rule is broadly appropriate but must always be accompanied by clear documentation in the suitability report. Advisers should explain the reasons for their recommendation, especially where the cheapest option has not been chosen.
- Others highlighted that price alone may not reflect suitability. Features such as repayment flexibility, protection from rate volatility, or alignment with future plans (e.g. selling a property) may justify recommending a product that is not the cheapest.
- One member noted that lenders themselves do not have suitability standards, as responsibility for ensuring suitability rests with the advice firm.
- Several responses stressed the need to align lifetime mortgage suitability standards with those in MCOB 4, given the growing similarities between mainstream and later life lending. They suggested bringing MCOB 8.5 under MCOB 4.7A so that lifetime mortgages sit alongside other categories such as RIOs and debt consolidation.
- Members also noted the challenges of comparing costs across fundamentally different product types. For example, a two-year fixed-rate residential mortgage may initially appear cheaper than a lifetime mortgage, but in hindsight may leave the customer exposed to much higher costs when remortgaging.
- Some felt the cheapest option rule should be reframed as the "cheapest option that fulfils all the customer's essential requirements." This would make clear that suitability depends on more than price, and that customers must be able to understand the cost impact of recommendations alongside the value of different features.
- Several members highlighted that the Consumer Duty already provides a broader framework for assessing suitability, by focusing on good outcomes and fair value rather than lowest cost.
  It was noted by a few members that transparency on panel scope can help reinforce confidence that advice is focused on suitability — and not solely cost — regardless of the adviser's business model. This aligns with the principle that the cheapest option is not always the most appropriate option for good customer outcomes. This also reflects a firms

responsibility under the consumer Duty to deliver good outcomes and fair value to customers, which should be central to a firms approach and thinking when constructing a panel of lenders.

**Conclusion and Policy Ask**

Members concluded that while the cheapest option rule has historically provided strong consumer protection, its application should evolve to reflect an outcomes-focused approach under Consumer Duty. Suitability should always be based on customer needs and circumstances, not cost alone, with advisers required to clearly evidence the rationale for their recommendations.

On behalf of its members, the Council asks the FCA to:

1. Reframe the rule as "the cheapest option that fulfils all of the customer's essential requirements."
2. Align lifetime mortgage suitability standards with those in MCOB 4, recognising the increasingly similar customer journeys.
3. .

This would preserve the consumer protection benefits of the cheapest option rule, while ensuring that flexibility, fairness, and better customer outcomes are embedded across both mainstream and later life lending.

Q**21:** What are the benefits and risks of requiring an enhanced level of advice for certain cohorts of borrowers or products? Is there a better way to do this than based on credit impairment, debt-consolidation or the proportion of borrowers in long-term arrears?

**Equity Release Council Position**

The Equity Release Council and its members are clear that introducing a formal new category of "enhanced advice" is not the right solution. Advice standards should be consistently high across all customer cohorts, regardless of circumstances, and advice must remain human, tailored, and accountable. Creating multiple tiers of advice would risk consumer confusion, widen the advice gap, and undermine the principles of the Consumer Duty.

**Supporting Evidence and Context**

- In the lifetime mortgage sector, where an additional qualification (CeRER) is already required, upheld complaint rates are lower than in mainstream mortgage markets. This demonstrates that raising adviser competence and training standards improves outcomes without creating new advice categories.
- Unlike pensions and investments, mortgage advisers are not currently subject to mandatory CPD. In those other markets, advisers complete 35 hours annually, helping to maintain professional standards and confidence. Members highlighted this gap as a key barrier to consistent advice quality.
- Fairer Finance (see appendix 2) (2023) and insights from Council workshops show that many advisers avoid later life lending altogether due to lack of confidence or fear of complaints. This indicates that enhancing qualifications and embedding CPD would be more effective than introducing a separate "enhanced" regime.
- Members also noted that complexity and cost are already barriers to consumer access in later life lending. Adding a new regulatory tier risks raising advice fees and reducing the pool of advisers willing to serve vulnerable or higher-risk borrowers, thereby worsening the advice gap.

**Member Feedback**

- Some members supported the idea of strengthening adviser qualifications, particularly by ensuring that mortgage advisers can also advise on equity release and vice versa. They suggested a combined qualification delivered through awarding bodies such as LIBF, covering both standard mortgage advice and equity release, to equip advisers to consider the full range of customer options. Ongoing CPD was also seen as essential to maintain competence and advice standards.
- A number of members stressed that the focus should be on training, development, and monitoring for all advisers, not on creating additional authorisations or "tiers." They noted that risks are higher when firms or advisers handle very low volumes of cases, and that regulators should consider authorising firms at meaningful volume thresholds to protect standards.
- Others raised concerns about "dabblers" entering later life lending without sufficient experience, which could damage consumer outcomes and the sector's reputation. They argued that knowledge of vulnerability, means-tested benefits, and the nuances of later life lending must be embedded across all advisers, not reserved for a subset.
- Several members warned that introducing an enhanced advice regime would create complexity, additional cost, and new silos in the market. They highlighted risks of:
    - Increased advice costs being passed on to consumers, particularly the most

vulnerable.
    - An exodus of advisers from higher-risk areas due to higher PI premiums and regulatory burden, leaving fewer products and less competition for those most in need.
    - Confusion among consumers about different advice "tiers," leading to poorer engagement and outcomes.
- Some responses noted that enhanced advice is already present in lifetime mortgages, which require additional qualifications, record-keeping, and vulnerability scanning. While this has helped drive lower upheld complaint rates than in mainstream mortgages, extending the same model across other areas could reduce adviser participation and stifle innovation.
- One member argued that advice requirements should reflect life stage, with later life consumers benefiting from broader mortgage advice to understand all options available, rather than from a separate "enhanced" standard.

**Conclusion and policy ask**

Members strongly opposed creating a separate regulatory category of "enhanced advice." Instead, they recommend:

1. Ensuring advice remains consistently robust, outcomes-focused, and human-led across all borrowers and product types.
2. Avoiding new advice "tiers," which would increase cost, complexity, and consumer confusion.
3. Strengthening adviser competence through a combined qualification covering both mainstream and later life lending, supported by awarding bodies such as LIBF.
4. Introducing mandatory CPD for mortgage advisers, with annual vulnerability training as a minimum, to raise standards in line with pensions and investments.
5. Focusing regulatory effort on improving consistency and accessibility of advice, not fragmenting it into different categories.

The Council concludes that enhancing qualifications and CPD, rather than introducing new advice categories, is the better route to higher professional standards and better outcomes for consumers.

## Q**22:** Is there a better way to achieve an enhanced level of advice than through changes to the required qualification?

**Equity Release Council Position**
The Equity Release Council and its members agreed that better qualifications and ongoing development are essential to raising advice standards, but they rejected the idea of creating a separate "enhanced advice" permission. Instead, education requirements should be modernised and consolidated so that all advisers are equipped to deliver consistent, holistic advice across both mainstream and later life products.

**Supporting Evidence and Context**

- In the lifetime mortgage sector, where the CeRER qualification is already mandatory, upheld complaint rates are lower than in mainstream mortgages. This shows that higher standards of adviser training can improve outcomes without creating new advice tiers.
- By contrast, mortgage advisers are not currently required to complete annual CPD, unlike advisers in pensions and investments who must complete 35 hours each year. This regulatory gap leaves mortgage advice more exposed to inconsistency and outdated knowledge.
- Feedback from Council workshops and Fairer Finance (see appendix 2) (2023) highlights that many advisers avoid later life lending due to lack of confidence or fear of complaints. Strengthening qualifications and embedding CPD would help address this gap and reduce the "dabbling" risk.
- Members also noted that fragmented qualifications reinforce fragmented advice. Keeping CeMAP and CeRER separate results in different advice outcomes depending on which adviser a consumer happens to meet, undermining consistency and confidence.

**Member Feedback**

- Many members supported consolidation of existing qualifications. They suggested that CeMAP and CeRER should be merged into a single standard, potentially delivered by awarding bodies such as LIBF, so that all mortgage advisers have at least a working knowledge of later life lending and can identify when referral or further advice is appropriate.
- Members strongly supported the introduction of compulsory CPD. Unlike the investment and pensions sectors, where advisers are required to complete 35 hours of CPD annually, there is currently no mandatory CPD requirement for mortgage advisers. Members argued that this is a gap that should be addressed. They felt that annual training on vulnerability should be the minimum standard, with structured CPD used to keep advisers up to date with product innovation and evolving consumer needs.
- Several respondents warned that requiring additional, stand-alone qualifications would risk encouraging "dabblers" — advisers gaining a credential to appear holistic, but without sufficient experience to advise competently. This could create reputational damage and poor outcomes. They favoured a competency-based approach, with structured CPD, bridging certifications, and service-level licences as alternatives to brand-new qualifications.
- Others highlighted that fragmented qualifications reinforce fragmented advice. Keeping mainstream and later life learning separate risks consumers receiving different outcomes depending on the adviser they happen to see. A consolidated qualification regime would help close this gap.
- Some suggested that all consumers reaching a defined age or life stage (e.g. 55+) should be

presented with a fact sheet on later life options, ensuring awareness regardless of adviser type. This would align with a holistic advice approach and reduce missed opportunities.

- Members cautioned against unintended consequences: raising education standards must not lead to certain cohorts of customers being seen as "too risky" to advise, which could increase costs or reduce access to advice.

**Conclusion and policy ask**

Members concluded that advice should not be split into ordinary and enhanced categories. The better solution is to modernise and raise standards consistently across the market. The Council asks the FCA to:

1. Consolidate mainstream and later life mortgage qualifications into a single pathway, supported by awarding bodies such as LIBF.
2. Introduce mandatory CPD for all mortgage advisers, closing the gap with pensions and investments, with annual vulnerability training as a minimum.
3. Develop bridging certifications or competency-based accreditation to upskill existing advisers without creating new regulatory silos.
4. Ensure qualification reform reduces, rather than reinforces, fragmented advice between mainstream and later life lending.
5. Provide consumers in later life with consistent and accessible information about their options, regardless of adviser type.

By consolidating qualifications and embedding CPD, the FCA can raise standards, improve adviser confidence, and ensure that all consumers benefit from high-quality, tailored, human advice without the confusion or costs of an "enhanced advice" regime.

Q**23:** How do mortgage borrowers use disclosure documents to shop around before taking out a mortgage? What information is most useful? Is standardisation and prescription important for product comparison and competition?

**Equity Release Council Position**

The Equity Release Council and its members agreed that disclosure documents are rarely used by customers in the way the FCA intended. Most borrowers rely on advisers to interpret them, and when customers do engage, they focus on only a handful of core items such as interest rate, monthly repayment, ERCs, and term. Standardisation of these headline elements remains essential for comparison and competition, but the current level of prescription makes documents too long and complex to be genuinely useful.

**Supporting Evidence and Context**

- FCA's *Financial Lives Survey (2022)* found that only 13% of consumers read disclosure documents in full, with the majority skimming or relying on adviser interpretation.
- Feedback from ERC workshops shows that long, prescriptive templates like KFIs and ESISs are perceived as "compliance paperwork" rather than decision tools. Advisers report spending significant time translating these documents into plain language for customers.
- Independent research from Plain Numbers shows that more than half of UK adults (52%) have numeracy levels equivalent to primary school age. Their randomised control trials demonstrate that simple design changes can double consumer comprehension of financial documents. This reinforces the concern that overly long and technical disclosures undermine, rather than improve, consumer understanding.
- Members also noted that lifetime mortgage customers are often older and more vulnerable. Research by LV= (2024) found that 92% of people over 55 value clear, simple explanations above lengthy documentation when making financial decisions, underlining the need for proportionate, consumer-friendly disclosures.
- Over-prescription in MCOB 9 was cited by members as a barrier to innovation in digital and layered communication formats, which could otherwise better support Consumer Duty's focus on customer understanding.

**Member Feedback**

- Customers care most about rate, monthly repayment, term, fees, and ERCs. These are the features they use to compare products.
- KFIs and ESISs are overly long and complex, meaning consumers rarely read them in full. They are seen more as compliance paperwork than decision tools, with advisers interpreting them on the customer's behalf.
- Some members suggested a simplified summary page covering the key data points, with additional information standardised but provided separately. Others saw scope for innovation, such as digital or visual formats, to increase engagement.
- Bringing KFIs and ESISs closer together over time could reduce duplication and confusion, although members recognised the costs would be significant.
- Several members felt the prescriptive requirements in MCOB 9 restrict product innovation and conflict with the Consumer Duty's focus on outcomes. They suggested reducing the list

of mandatory disclosures to a smaller core set, leaving firms flexibility to design customer-friendly communications.

- A minority argued that prescribed disclosure rules work well as they provide certainty and consistency, and that there is little appetite for wholesale reform.

**Conclusion and Policy Ask**

Members concluded that disclosure remains an important part of consumer protection, but current documents are not consumer friendly. They asked the FCA to:

1. Retain standardisation of key data points such as rate, repayment method, fees, and ERCs.
2. Simplify disclosures so customers can easily identify and compare essentials, reducing volume and prescription.
3. Allow firms flexibility in how secondary information is presented, including digital or layered formats.
4. Carefully weigh the costs of any major redesign of disclosure documents against consumer benefit, particularly for smaller firms.

By focusing on simplicity and usability while preserving comparability, the FCA can ensure disclosure documents are tools for decision-making, not just compliance, supporting better outcomes under Consumer Duty.

## Q**24:** Would a single set of disclosure requirements for all regulated mortgage contracts be preferable? Are there any product types that should be subject to different disclosure requirements?

**Equity Release Council Position**

The Equity Release Council and its members broadly agreed that greater consistency across disclosure requirements would be beneficial for consumers, helping them to compare products more easily. However, members stressed that any move to a single regime must reflect the unique risks and features of certain products, such as lifetime mortgages and interest-only, and must be implemented in a proportionate and cost-sensitive way. The Council has long advocated for greater alignment of disclosure requirements and continues to believe that reform in this area would improve both consumer understanding and market efficiency.

**Supporting Evidence and Context**

- The Plain Numbers project highlights that over half of UK adults (52%) have the numeracy of a primary school child. This creates challenges for financial disclosures that rely heavily on numerical detail. Simplification and consistency are therefore essential to ensure consumers can engage meaningfully with mortgage information.
- Plain Numbers' findings further underline that disclosure must prioritise clarity and usability. A single regime could benefit consumers only if simplified and tested for comprehension, given that 45% of adults already report difficulty understanding standard financial documents (FCA Financial Lives, 2022).
- The FCA's Financial Lives Survey (2022) found that around 45% of adults struggle to understand standard financial information, underlining the importance of clear, accessible, and standardised disclosure.
- International literacy assessments (OECD PIAAC) show that many UK adults have a reading age between 9 and 11, which makes lengthy and technical disclosure documents difficult to navigate.
- Members noted that duplication between KFIs (lifetime mortgages) and ESISs (mainstream mortgages) creates operational inefficiencies and consumer confusion. With the UK no longer bound by the EU Mortgage Credit Directive, there is an opportunity to streamline MCOB requirements and reduce the separation between MCOB 4.4A and MCOB 8.3.
- Cost of transition remains a concern. Many firms have already invested heavily in IT and compliance systems to produce KFIs and ESISs. Reform must therefore include long implementation lead times and flexibility in delivery.

**Member Feedback**

- Some members felt that disclosure rules already overlap to a large extent, and that further simplification could help both firms and consumers. The KFI remains valued as one of the most effective disclosure tools developed since mortgage regulation began in 2004.
- Others argued that certain products — particularly later life products — require additional emphasis on features such as compound interest, further borrowing restrictions, or repayment risks. They warned against "one size fits all" disclosures that gloss over these critical differences.
- Several members noted that operating multiple regimes (ESIS for mainstream mortgages,

KFI for lifetime mortgages) creates unnecessary duplication. With the UK no longer bound by the EU Mortgage Credit Directive, there is an opportunity to streamline MCOB requirements, reducing separation between MCOB 4.4A and MCOB 8.3.

- While most members supported the principle of greater alignment, they highlighted the cost of change as a significant concern. Firms have already invested heavily in systems to produce KFIs and ESISs. Any reform would need to give firms a long notice period and allow flexibility in how requirements are met.
- Some members suggested shifting parts of the disclosure rules from prescriptive requirements to guidance, allowing firms to tailor communications for their target market while still covering mandatory content themes.
- Standardisation remains essential to allow comparison, but members stressed the need for disclosures to be simpler and more consumer friendly. Several supported a clear summary page of key terms, with product-specific risks and features explained separately.

**Conclusion and Policy Ask**

Members supported the principle of a single set of disclosure requirements across the mortgage market, but with important caveats. On behalf of its members, the Council asks the FCA to:

1. Ensure any regime continues to highlight unique risks of certain products, such as compound interest in lifetime mortgages or repayment vehicles in interest-only.
2. Focus reform on simplification and usability, with a clear summary of key terms supported by product-specific disclosures where needed.
3. Carefully consider the costs of change, with long implementation periods and flexibility for firms to adapt systems cost-effectively.
4. Align KFI and ESIS requirements to reduce duplication and confusion, without mandating a wholesale shift from one template to the other.
5. Ground reforms in evidence on consumer literacy and numeracy, recognising that many consumers will struggle with overly complex, lengthy documents.

Overall, members concluded that a single, simplified disclosure regime could benefit consumers and firms, but only if it balances standardisation with product-specific clarity and ensures that transition costs are proportionate.

## Q25: Where could we rely on the Consumer Duty to help meet consumers' information needs? Where could more flexibility support innovation?

**Equity Release Council Position**

The Equity Release Council and its members agreed that Consumer Duty provides a strong framework for ensuring that consumers receive clear, comprehensible information. However, they were divided on whether it can replace prescriptive disclosure rules. Some argued that Consumer Duty could provide sufficient flexibility to improve communication and encourage innovation, while others warned that relying solely on outcomes could reduce comparability and increase risk.

**Supporting Evidence and Context**

- The FCA's Financial Lives Survey (2022) showed that 45% of adults find standard financial documents difficult to understand, highlighting the importance of flexibility to design clearer, consumer-friendly communications.
- The Plain Numbers Project reports that over half of UK adults (52%) have numeracy levels equivalent to that of a primary school child, reinforcing the case for simpler, more engaging disclosures under Consumer Duty.
- ERC member workshops indicated that consumers often focus on a small number of key items (e.g. rate, monthly cost, exit fees), while lengthy documents are rarely read in full. Consumer Duty could allow firms to prioritise these core themes, improving clarity and decision-making.
- Plain Numbers evidence strongly supports leveraging Consumer Duty to allow clearer, layered disclosures. Their trials show that consumers engage better when documents are restructured around a small set of core items (rate, repayment terms, exit fees) rather than lengthy prescribed formats.
- At the same time, members stressed that comparability remains essential. Without some level of standardisation, firms may produce divergent formats that hinder consumers' ability to shop around. This would undermine competition and potentially reduce trust**.**

**Member Feedback**

- Some members felt that Consumer Duty is not yet fully embedded across the industry. While it offers greater flexibility to deliver improved outcomes, firms are still interpreting and applying it in different ways, making it difficult to rely on it as a sole regulatory anchor.
- Several members highlighted that the Duty's Consumer Understanding and Products & Services outcomes already require firms to tailor communications to their target markets, test them with customers, and provide information in a way that supports effective decision-making. This could allow for more flexibility in how disclosures are designed and presented.
- Others cautioned that without standardisation, reliance on Consumer Duty could result in firms producing divergent formats, confusing consumers and limiting comparability. They noted that most firms, fearful of regulatory challenge, would default to retaining the current KFI model, undermining the potential benefits of flexibility.
- A number of members suggested that the FCA itself should test KFI and offer documents with consumers, to assess understanding and identify where simplification would improve outcomes.

- Some responses stressed that rules within MCOB remain highly prescriptive and do not align well with modern communication formats. They argued that firms should be allowed to blend disclosures with suitability reports or other client documents, focusing on key content themes rather than prescribed wording or layout. This would reduce the risk of information overload and allow firms to design communications that work for their specific markets.
- One response suggested tools such as dashboards (modelled on pensions guidance services) could play a role in normalising the use of housing wealth and helping consumers understand their options.
- A minority of members argued that the current system "isn't broken" and that Consumer Duty does not remove the need for prescribed disclosure rules.

**Conclusion and Policy Ask**

Members concluded that Consumer Duty can and should support greater flexibility and innovation in how firms communicate, but not at the expense of comparability or clarity. On behalf of its members, the Council asks the FCA to:

1. Retain a level of standardisation on core items (rate, term, repayments, exit fees) to ensure comparability.
2. Allow firms flexibility under Consumer Duty to design disclosures in clearer, layered, or digital formats, tailored to their target markets.
3. Reduce prescription in MCOB by focusing on mandatory themes rather than detailed wording or layout requirements.
4. Test disclosure documents with consumers to strike the right balance between flexibility and comparability.
5. Be mindful of implementation costs, particularly for smaller firms, and ensure sufficient lead-in times.

By embedding Consumer Duty as the guiding principle while maintaining key standardisation, the FCA can enable clearer, simpler, and more engaging communications that improve consumer understanding without undermining competition or protection.

Q**26:** What information do all consumers need to receive, and when? Should there be different requirements for those who have received advice or 'enhanced' advice?

**Equity Release Council Position**

The Equity Release Council and its members agreed that all consumers should receive clear, consistent information at each stage of the mortgage journey, but stressed that it must be proportionate and delivered at the right time. Overloading customers with information too early in the process creates friction and confusion, particularly in later life lending. The consensus was that requirements should not differ based on whether advice has been categorised as "standard" or "enhanced." Instead, a single set of robust standards should apply to all advised sales, with flexibility in how firms present the information under Consumer Duty.

**Supporting Evidence and Context**

- Plain Numbers highlight that delivering information at the right time is as important as the content itself. Presenting all risks and details upfront risks overwhelming customers, whereas staged disclosure — aligned with enquiry, advice, and completion — improves comprehension and decision-making.
- Lifetime mortgages often remain in force for 20–30 years, making it vital that customers absorb information at the right time. Poorly timed or overloaded disclosures risk undermining comprehension of long-term obligations.

**Member Feedback**

- Some members summarised the essentials as:
  - KFI/ESIS at pre-sale stage.
  - Suitability report post-advice, pre-completion.
  - Offer document prior to final commitment.
- Others stressed that consumers need information that is accessible and relevant at the point it becomes meaningful to their decision. At enquiry stage, this means simple, digestible information; at advice stage, fuller transparency including risks, costs, inheritance implications, and legal protections; at completion stage, comprehensive safeguards in the Offer.
- Several members criticised the volume of information required pre-advice in the lifetime mortgage market. They argued that MCOB 3A.3.1R, which requires firms to highlight alternative product options in financial promotions, is creating unnecessary friction at an early stage. They called for this requirement to apply consistently across all mortgage types if it is to remain, so later life lending is not disadvantaged.
- KFIs and ESISs were seen as overly detailed, with some content more appropriately placed in the Offer document. Simplifying these disclosures could reduce overload while preserving essential transparency.
- Some members argued that product information should not vary by advice route, as lenders do not always know whether a consumer has received "enhanced" advice before application. Running dual disclosure regimes would be costly and confusing.
- Members emphasised that the most important elements across all products are rate, repayment terms, exit costs, and key product features, supplemented with risk warnings where relevant.

**Conclusion and Policy Ask**

Members concluded that:

1. All consumers should receive clear, proportionate information at enquiry, advice, and completion stages, escalating in detail as the decision becomes more serious.
2. Core disclosures should include rate, repayment terms, exit costs, and product features, with risks highlighted appropriately.
3. Requirements should not differ for “enhanced” advice, as this would add cost and complexity without improving outcomes.
4. KFI/ESIS documents should be streamlined, with some content shifted to the Offer stage.
5. FCA rules on financial promotions (such as MCOB 3A.3.1R) should be applied consistently across all mortgage types to avoid disadvantaging later life products.

Overall, members felt the key priority is to deliver information in a way that supports understanding without overwhelming consumers, ensuring a consistent and proportionate journey regardless of advice classification.

## Q27: Can we play a part in unlocking housing equity for the benefit of first-time buyers, those in later life, and the economy?

**Equity Release Council Position**

The Equity Release Council and its members strongly believe that the FCA can play a pivotal role in unlocking housing equity to deliver benefits across generations and to the wider economy. Later life lending products, particularly Lifetime Mortgages, already provide a safe and regulated way for older homeowners to access housing wealth. These funds are increasingly being used to support retirement income, cover care costs, and provide intergenerational transfers such as deposits for first-time buyers.

However, the potential of housing equity remains under-utilised. Too often, equity release is viewed as a niche or "last resort" product. The FCA and government can change this narrative by normalising the role of housing wealth in retirement planning, embedding it within national guidance services, and ensuring regulation enables innovation and holistic advice. With £3.7 trillion of housing wealth held by over-55s, even modest increases in uptake could transform retirement outcomes and inject significant liquidity into the UK economy.

**Supporting Evidence and Context**

- The UK's housing stock is valued at around £9 trillion, with homeowners aged 55+ holding £3.7 trillion of this wealth. Unlocking even a small proportion could have a major impact on retirement living standards, intergenerational transfers, and wider economic activity.
- Vanguard research shows that more than half of those expected to retire in the next five years are not financially prepared, and most will not achieve even a moderate standard of living under the PLSA Retirement Living Standards. Releasing equity could cover around 13% of retirement spending needs for the median retiree.
- FCA data shows that in 2023–24, 31% of first-time buyers received deposit help from family or friends and a further 9% relied on inheritance. Access to family property wealth is therefore a major determinant of whether younger people can enter the housing market. Equity release can make this support available in a timely way, enabling earlier homeownership while allowing older homeowners to remain in their properties.

**Member Feedback**

Members put forward a wide range of views and proposals, including:

- Lifetime Mortgages and RIOs should be positioned as mainstream products, not "last resort" solutions, given their strong consumer protections such as the No Negative Equity Guarantee and tenure for life.
- Consumer awareness is too low. The FCA should work with government and agencies such as MoneyHelper and Pension Wise to promote housing wealth as part of retirement planning, supported by public awareness campaigns.
- Policy clarity on social care is critical. Uncertainty makes consumers hesitant to use housing wealth for either their own needs or to support family members.
- Fiscal levers, such as tax incentives for gifting deposits or stamp duty reform for downsizers, could amplify the benefits of unlocking equity.
- Greater alignment between mortgage and equity release advice is needed. The current regulatory silos (MCOB 4.4A vs. 8.3) prevent holistic advice and lead to inconsistent outcomes depending on which adviser a customer speaks to.

- Adviser qualifications should be consolidated and CPD made mandatory (see Q21–22), so that all advisers can raise awareness of later life options and signpost clients appropriately.
- Engagement with the PRA is essential to address the impact of capital requirements on product pricing and innovation. Some members suggested government-backed securitisation or NNEG guarantees to expand funding capacity.
- Innovation should be supported, including development of income-generating retirement products backed by housing equity, and potential for buy-to-let lifetime mortgages to increase liquidity in the housing market.
- A tech firm reinforces this point, showing that housing wealth is systematically overlooked in financial planning and workplace tools. Embedding property wealth into guidance services and adviser platforms would not only support intergenerational transfers but also help households plan more realistically for retirement.

**Conclusion and Policy Asks**

Members urged the FCA to take a leading role in unlocking the potential of housing equity by:

- Recognising property wealth as a core retirement asset, not a niche product of last resort.
- Embedding housing wealth into national guidance services and supporting public campaigns to normalise its role.
- Removing advice silos within MCOB so that later life customers consistently receive holistic advice.
- Supporting qualification reform and mandatory disclosure of later life options to ensure consistent awareness and access.
- Working with the PRA to address funding and capital challenges that limit product development and pricing.
- Exploring fiscal levers such as tax incentives or stamp duty reform to promote intergenerational transfers and housing market fluidity.

By addressing these issues, the FCA can help normalise the safe use of housing wealth, improve retirement outcomes for millions of households, support first-time buyers, and stimulate wider economic growth.

## Q28: Can conduct regulation play a part in feeding into the wider debate about the digitisation of the house buying and selling processes?

**Equity Release Council Position**

The Equity Release Council and its members welcome improvements that make the home buying and selling process faster, more efficient, and less stressful for consumers. However, members questioned the scope of the FCA's role in this debate, given that the key challenges sit within legal processes and land law, which fall outside financial conduct regulation. There was consensus that any move toward digitisation must reflect the differences between legal systems in the UK (England and Wales, Scotland, Northern Ireland) and balance efficiency with consumer protection.

**Supporting Evidence and Context**

- Members noted that delays and costs in the conveyancing process are often driven by legal procedures and local authority searches rather than lender or adviser actions. As solicitor firms set their own fees, there is limited scope for the FCA to directly influence cost.
- Scotland's legal system differs significantly from England and Wales, meaning that any move toward digitisation would require separate consideration for devolved jurisdictions.
- While technology could streamline some elements of the process—such as ID verification, property searches, or digital signatures—members stressed that faster is not always better. The existing process builds in important time for consumer reflection before making one of the largest financial decisions of their lives.
- Consumer protection against fraud must remain a priority. Members cautioned that while digital tools can improve efficiency, face-to-face legal meetings and physical signatures remain some of the strongest safeguards against identity fraud and coercion.
- Members also raised concerns that "cheaper" conveyancing is not necessarily in the consumer's best interests, as price competition can lead to lower quality or less robust legal support.

**Member Feedback**

- Some members were sceptical about the role of FCA conduct regulation in this space, noting that any meaningful reform would require government legislation to extend regulation into the legal sector—an area with entrenched interests and political sensitivity.
- Others supported the principle of digitisation where it enhances customer experience but warned against reducing consumer protection or reflection time in the name of efficiency.
- Members agreed that the FCA can contribute to the debate by ensuring that any regulatory changes affecting financial firms align with wider reforms in the legal and property sectors, but it should not seek to lead on issues outside its remit.

**Conclusion and Policy Asks**

Members concluded that the FCA has a limited but useful role to play in the digitisation debate. Its focus should be on:

1. Ensuring that any changes to property transaction processes are consistent with consumer protection and financial conduct rules.
2. Collaborating with government, legal regulators, and industry bodies to align reforms across the mortgage and legal sectors.

Supporting digitisation where it enhances efficiency and transparency but cautioning against

reforms that prioritise speed or cost at the expense of consumer safeguards.
Overall, members believe the FCA can add value by feeding insights from the mortgage and later life lending markets into the debate, but the primary responsibility for reform lies with government and the legal sector.

Q29: Are there any other areas where you would like to see innovation in the mortgage market and how do you feel our regulation can better support this? Are there areas we should prioritise for TechSprints and/or Sandboxes that would help foster greater innovation?

**Equity Release Council Position**

The Equity Release Council and its members identified innovation in product design, advice processes, and data use as priorities for the mortgage market. Members believe innovation is needed to improve affordability, increase visibility of property wealth, and streamline processes such as data collection and conveyancing. Regulation should enable these developments by supporting experimentation through initiatives like the FCA's Sandbox, while ensuring consumer protection is not compromised.

**Supporting Evidence and Context**

- **Product innovation:** Members highlighted that affordability challenges remain a key barrier for many consumers. New product structures—such as part interest-only/part repayment mortgages, drawdown options with flexible repayment features, or income-linked affordability models—could help more customers access sustainable lending. Later life borrowers, in particular, would benefit from products that integrate housing wealth more effectively into retirement planning.
- **Visibility of property wealth:** Several members suggested that advisers need better access to data on property wealth to support holistic advice. Using online databases and existing valuation data could make property equity more visible in the advice process, ensuring customers are made aware of the full range of their options.
- **Process efficiency:** Data collection and conveyancing were cited as areas where digitisation and innovation could reduce delays and improve customer experience. Members referenced initiatives such as the Open Property Data Association as opportunities to create faster, more consistent information flows.
- **Technology and AI:** Members noted that AI has significant potential to improve data collection, pre-eligibility checks, and advice support. However, they stressed the need for rigorous safeguards to ensure accuracy, security, and fairness.

**Member Feedback**

- Some members acknowledged they were unfamiliar with FCA's TechSprints and Sandboxes but supported the principle of creating safe environments to test new ideas.
- Others welcomed the continued use of the Sandbox, particularly to pilot innovations in advice models, property data sharing, and affordability assessments.
- Members cautioned that regulatory flexibility must be matched with clarity. Firms need confidence that testing innovative ideas will not expose them to unexpected compliance risks.

**Conclusion and Policy Asks**

Members asked the FCA to prioritise innovation in the following areas:

1. New product designs that improve affordability and meet the needs of later life borrowers.
2. Data-sharing initiatives that make property wealth more visible in advice processes.
3. Efficiency improvements in data collection and conveyancing, including support for

initiatives like the Open Property Data Association.

4. Secure, transparent use of AI to support advisers and improve the customer journey.

The FCA can best support this innovation by continuing to provide safe testing environments through TechSprints and Sandboxes, offering clarity on regulatory expectations, and ensuring that consumer safeguards remain at the heart of new developments**.** We are supportive of innovation, including AI tools to improve efficiency and consumer understanding, but stress that these should complement—not replace—human advice, particularly in later life lending.

Q**30:** What are your views on our approach to 'tolerable harm'? Do you have suggestions for potential mortgage market metrics that could be helpful?

**Equity Release Council Position**

Members agreed that at a market-wide level, the concept of tolerable harm may be useful for stress testing and policy trade-offs. However, at the individual customer level—particularly in relation to arrears or repossession—these outcomes should always be minimised. Within the lifetime mortgage sector, tolerable harm can only be considered where a customer is fully informed, understands the potential risks involved, and makes a conscious decision to proceed.

**Supporting Evidence and Context**

- Members felt that tolerable harm is best applied at a macro level, where some risk trade-offs may be inevitable in order to stimulate innovation, balance access to credit, or model systemic resilience. For example, stress-testing frameworks use thresholds to identify risks before they become material.
- At an individual level, the Consumer Duty is clear: firms must avoid foreseeable harm. This remains the standard to which advisers and lenders must be held.
- Several members argued that tolerable harm is only acceptable where a customer has been given clear, transparent information, understands the risks, and makes a conscious, informed choice.
- Members warned against over-reliance on quantitative metrics, as these can lack context and may obscure the nuances of consumer outcomes.

**Member Feedback**

- Some members felt the current framework can be overly cautious, potentially stifling product innovation. A more balanced approach could allow firms to innovate while still protecting consumers.
- Others noted that tolerable harm is highly subjective, depending on an individual's circumstances, preferences, and risk appetite, making it difficult to define with a single metric.
- Suggestions included developing metrics that capture:
    - Levels of informed consent (e.g. whether consumers clearly understood risks and trade-offs).
    - Proportion of complaints upheld by the Financial Ombudsman Service (as a proxy for whether harm was truly intolerable).
    - Customer satisfaction and comprehension testing results (to assess whether disclosures and advice are supporting understanding).
    - Early arrears rates or repayment difficulties (to monitor whether affordability assessments are effective).
- Members emphasised that any new metrics should complement, not replace, the Consumer Duty requirement to avoid foreseeable harm**.**

**Conclusion and Policy Asks**

Members concluded that:

1. The concept of tolerable harm may be useful for system-wide oversight and modelling but must never be used to dilute protections for individual consumers.

2. Foreseeable harm remains intolerable under Consumer Duty.
3. Any metrics should be proportionate, provide meaningful context, and focus on consumer understanding and informed decision-making, not just quantitative thresholds.
4. The FCA should engage with industry to test potential metrics, ensuring they are practical, relevant, and do not add disproportionate cost or complexity.

## Q31: What is your view on the impact rebalancing risk appetite could have on arrears and repossessions levels?

**Equity Release Council Position**

The Equity Release Council and its members stressed that arrears and repossessions are always damaging for consumers and should remain outcomes that regulation seeks to minimize. Members expressed caution about rebalancing risk appetite, warning that normalising higher levels of arrears and repossessions could undermine consumer confidence in the mortgage market. However, some acknowledged that industry expectations may need to adjust from today's historically low arrears levels to reflect a longer-term view of cyclical risk.

**Supporting Evidence and Context**

- Arrears levels in the mortgage industry are currently at historic lows compared to the 20-year cycle. Since 2010, arrears have remained well below the levels seen between the early 1990s and late 2000s.
- Members noted that returning to "through the cycle" averages could mean higher arrears rates in the future than today's baseline but stressed that this shift must be carefully managed within a framework of strong consumer protection.
- Within later life lending, arrears and repossessions are rare because products such as Lifetime Mortgages and Home Reversions come with unique consumer safeguards. These include the right to remain in the property for life and the No Negative Equity Guarantee (NNEG), which together remove the affordability risks present in mainstream mortgages. Greater awareness and earlier access to these products could provide sustainable alternatives for consumers at risk of arrears, particularly as they approach or enter retirement.
- The siloed nature of current advice rules (separating mortgage and equity release regulation) means these options are not always considered, even when they could prevent arrears or repossession.

**Member Feedback**

- Consensus that repossession is always a negative outcome, and any changes to risk appetite should avoid increasing its likelihood.
- Recognition that arrears levels may rise as market conditions normalise, but this should not lead to a weakening of responsible lending standards.
- Some members linked this question to the "tolerable harm" debate (Q30), emphasising that while a certain systemic level of arrears may be unavoidable, foreseeable harm to individual consumers must still be prevented.
- Others stressed that a more holistic advice framework—where later life products are part of the mainstream mortgage conversation—would allow more customers to avoid arrears through sustainable, safeguarded solutions.

**Conclusion and Policy asks**

Members concluded that:

1. Rebalancing risk appetite must not come at the expense of consumer protections. Repossession should remain a last resort.
2. Industry expectations may need to shift from today's historically low arrears levels to more realistic through-the-cycle assumptions, but this should not dilute responsible lending

standards.

3. Wider awareness and access to Lifetime Mortgages and Home Reversions could help prevent arrears and repossessions, given their unique consumer protections such as tenure for life and the No Negative Equity Guarantee.
4. The FCA should ensure that any recalibration of risk appetite continues to put consumer outcomes at the centre of its framework and allows for a broader consideration of solutions across the mortgage and later life markets.

Q**32:** What are your views on taking a differentiated approach for mortgages taken out for a purpose other than buying a property (this could include second charge mortgages, or remortgages to consolidate debt)? Are there any other product types where we should take a differentiated approach?

**Equity Release Council Position**

The Equity Release Council and its members believe that a differentiated regulatory regime based on the *purpose* of borrowing is not the right approach. This is particularly relevant in later life lending, where the vast majority of mortgages are not used to purchase property but to release housing wealth for other purposes, such as repaying existing mortgages, gifting, or meeting care costs.

Introducing a separate regime risk adding complexity, reinforcing silos, and creating barriers to good outcomes. Instead, the focus should remain on ensuring suitability and consumer protection across all product purposes, with firms managing higher-risk scenarios through their own advice and compliance frameworks.

**Supporting Evidence and Context**

- In later life lending, non-purchase purposes dominate. Data from H1 2025 shows the most common uses of Lifetime Mortgages were:
  - Repayment of an existing mortgage – 28.4%
  - Gifting – 19.5%
  - Home improvements – 10.5%
  - Debt consolidation – 6.5%
  - Care costs – 5.2%
  - General living – 3.9%
  - Car purchase – 3.4%
  - Repayment of existing lifetime mortgage – 2.6%

  These figures illustrate that mortgages taken out for reasons other than property purchase are already mainstream in later life lending. Differentiating them through regulation would risk positioning these products as "exceptional" when they are, in fact, central to how older consumers meet their needs.
- Members noted that while the risks of borrowing secured on a primary residence are always significant, later life products such as Lifetime Mortgages and Home Reversions include unique safeguards—such as tenure for life and the No Negative Equity Guarantee—which protect consumers from the most severe outcomes. This reinforces the importance of consistent advice standards and consumer protections, rather than introducing differentiated regimes.

**Member Feedback**

- Some members noted that second charges often signal financial stress, and advisers should consider whether alternatives—such as Lifetime Mortgages—could provide more sustainable solutions.
- Others stressed that applying different regulatory rules depending on the purpose of borrowing risks adding unnecessary layers of complexity and confusion. Advisers should instead apply consistent standards of suitability and explain the risks and trade-offs clearly to the customer.

- A minority observed that lending secured against assets other than the primary residence (e.g. BTL or holiday homes) may justify more flexibility, as the consumer protection considerations are different.

**Conclusion and Policy Asks**

Members concluded that:

1. Later life lending clearly demonstrates that mortgages taken out for non-purchase purposes are mainstream and should not be subject to differentiated regulation.
2. Regulation should focus on ensuring suitability and protecting outcomes across all purposes, rather than introducing purpose-based regimes that reinforce silos.
3. Firms should manage higher-risk scenarios (e.g. debt consolidation, second charges) within their own training, competence, and compliance frameworks, not through new regulatory categories.
4. Differentiation should only be considered where borrowing is not secured against the primary residence, as consumer risks are materially different in those cases.

## Q33: What are your views on the management of unsustainable mortgages? Do firms experience barriers in taking action that would provide fairer outcomes?

**Equity Release Council Position**

The Equity Release Council and its members support the FCA's focus on the management of unsustainable mortgages. While many of the circumstances highlighted in this section of the Discussion Paper are less relevant to the later life lending market, members stressed that Lifetime Mortgages can play an important role in providing fairer outcomes for older borrowers facing end-of-term challenges on interest-only mortgages or the risk of repossession.

**Supporting Evidence and Context**

- In the mainstream market, unsustainable mortgages often lead to arrears and repossessions. In later life lending, unique safeguards such as the No Negative Equity Guarantee (NNEG) and guaranteed tenure for life remove these risks for policyholders, ensuring consumers cannot lose their home because of an outstanding balance.
- For customers reaching the end of an interest-only mortgage without a repayment vehicle, a Lifetime Mortgage can provide a sustainable alternative. By switching into a product designed for later life, customers can remain in their home without affordability pressures and without risk of repossession.
- Members highlighted that this option is not always routinely considered by mainstream lenders when supporting customers in difficulty. A more joined-up approach between residential mortgage lenders and Lifetime Mortgage providers could ensure these solutions are consistently presented, reducing avoidable repossessions.
- Members also raised whether barriers exist to offering more flexible repayment features on Lifetime Mortgages, which could help some customers manage interest accrual more effectively while still benefiting from the security of tenure.

**Member Feedback**

- Strong support for ensuring that older consumers at risk of repossession are made aware of Lifetime Mortgages as an alternative.
- Calls for improved collaboration between residential and later life lenders, so that consumers are routinely referred into appropriate later life solutions before legal action is taken.
- Recognition that while Lifetime Mortgages provide robust consumer protections, there may be scope for greater repayment flexibility within these products to help limit long-term interest build-up.

**Conclusion and Policy Asks**

Members concluded that:

1. Lifetime Mortgages offer a safe and sustainable solution for older borrowers facing the end of an interest-only term or risk of repossession, yet these options are not always explored by mainstream lenders.
2. A more coordinated approach between residential and later life lenders would help deliver fairer outcomes and reduce avoidable repossessions.
3. Consumer protections unique to later life lending—NNEG and tenure for life—make these products particularly suitable for managing unsustainable mortgages in later life.

4. FCA guidance encouraging lenders to consider later life products as part of end-of-term or arrears management strategies could help embed better outcomes across the market.

Q**34:** Have we identified the right trade-offs (consideration of risks and opportunities) that should be considered in relation to a rebalancing of collective risk appetite in the mortgage market? Are there any others we should consider?

**Equity Release Council Position**

The Equity Release Council and its members agreed that the FCA has broadly identified the right trade-offs but stressed that later life lending requires additional consideration. Specifically, members urged the FCA to balance the need to ensure Lifetime Mortgages are used appropriately with the significant opportunities these products present to improve retirement living standards, enable intergenerational support, and contribute to wider economic growth**.**

**Supporting Evidence and Context**

- Driving higher living standards in retirement will inevitably involve trade-offs. Members highlighted that later life lending must be repositioned as a safe, mainstream option rather than a last resort. Without this cultural shift, many households will unnecessarily sacrifice quality of life—by selling possessions, taking in lodgers, or cutting back spending—despite having significant housing equity that could safely support their needs.
- Features and protections embedded in Lifetime Mortgages, such as fixed or capped rates, the right to remain in the home for life, and the No Negative Equity Guarantee (NNEG), limit downside risks for customers. These protections make Lifetime Mortgages well-suited to a wider cohort of consumers.
- The trade-off is that customers accepting these protections bear the impact of compound interest on their estate. This may reduce the inheritance available to younger generations, though members noted this is partly offset by the ability to "bring forward" inheritance through gifting at an earlier stage when families need support most.
- Members also stressed the importance of recognising consumer responsibility. The Consumer Duty ensures firms must support and empower customers to make informed decisions, but ultimately consumers must retain accountability for the choices they make—such as preferring a higher borrowing cost in exchange for maintaining living standards in retirement.
- Lifetime Mortgages should also be recognised as a credible repayment strategy for other mortgages in later life, freeing up income from contractual monthly repayments. This requires moving away from the long-held perception that customers should always pay the maximum they can afford, and instead recognising that sustainable, flexible options may deliver better outcomes for both individuals and the wider economy.
- ERC research shows that over 3 in 5 homeowners (61%) aged 35–44 expect to use their housing wealth to help fund later life needs. Similarly, Fairer Finance (see appendix 2) (2023) found that over half of UK households (51%) will need to draw on property wealth to maintain living standards in retirement. These figures highlight that housing wealth is increasingly becoming a mainstream part of financial planning, not a product of last resort.

**Member Feedback**

- Broad agreement that the FCA has identified the right systemic trade-offs but concern that later life lending has not been fully considered within this framing.
- Calls to explicitly recognise both the risks (ensuring Lifetime Mortgages are used

appropriately, potential erosion of estates) and the opportunities (improved living standards, economic stimulus, intergenerational support).

- Agreement that the consumer protections unique to later life products mitigate many of the risks the FCA is concerned about elsewhere in the mortgage market.

**Conclusion and Policy Asks**

Members concluded that:

1. The FCA's trade-off framework is broadly right but must explicitly include later life lending.
2. Lifetime Mortgages should be seen as a mainstream option for a wider cohort of consumers, supported by strong safeguards such as tenure for life and the NNEG.
3. The key trade-off is between protecting estates for inheritance and enabling older consumers to live more comfortably in retirement—an intergenerational balance that must be openly acknowledged in regulatory policy.
4. Consumer responsibility must be recognised alongside Consumer Duty, ensuring customers are empowered to make informed decisions even where this involves higher borrowing costs.
5. Later life lending should be recognised as a credible repayment strategy for existing mortgages, supporting both household resilience and wider economic growth.

## Q35: Is rebalancing risk appetite in the mortgage market the right objective? What are the key regulatory, firm or other practices that determine or constrain risk appetite, and will need to be amended if rebalancing of risk is sought?

**Equity Release Council Position**

The Equity Release Council and its members agreed that rebalancing risk appetite in the mortgage market can be the right objective, provided it is approached in moderation. Members stressed that this discussion cannot ignore later life lending, where consumer protections already limit downside risks, and where a rebalanced approach could unlock significant social and economic benefits by enabling older homeowners to access housing wealth safely.

**Supporting Evidence and Context**

- Lifetime Mortgages and Retirement Interest-Only (RIO) products offer a route to unlock housing wealth in later life, supporting intergenerational wealth transfer, improved retirement incomes, and higher homeownership among younger generations. These opportunities are often overlooked in broader debates on mortgage risk appetite.
- Consumer safeguards unique to later life lending—such as guaranteed tenure for life and the No Negative Equity Guarantee (NNEG)—significantly reduce the risk of consumer detriment compared to other mortgage products. Rebalancing risk appetite should take account of these protections when considering the scope for safe innovation.
- The scale of the challenge is considerable. FCA data shows that around 750,000 interest-only mortgages are due to mature by 2030, many without repayment plans in place. Without access to sustainable later life solutions, these households face heightened risks of arrears or repossession.
- Housing wealth is also increasingly central to retirement planning. Research cited by Fairer Finance (see appendix 2) shows that over half of UK households will need to draw on property wealth to maintain living standards in later life, while ERC data highlights that 61% of homeowners aged 35–44 expect to use their housing wealth in retirement. These figures underline the need for regulatory approaches that enable safe and appropriate use of housing equity.
- Members also highlighted that the FCA's Discussion Paper was heavily weighted toward England, and more attention is needed to understand the different housing and borrowing dynamics across Scotland, Wales, and Northern Ireland.
- Other practices which determine or constrain risk appetite include:
  • Funding and Matching Requirements: PRA requirements on insurers' balance sheets directly impact the pricing and supply of Lifetime Mortgages, constraining product development and innovation.
  • Adviser Competence and Confidence: Many brokers remain hesitant to recommend later life products due to fragmented qualifications, limited CPD requirements, and fears of future suitability complaints. Members argued that risk appetite is closely tied to adviser competence. A combined qualification regime (merging CeMAP and CeRER or equivalent) supported by mandatory ongoing CPD would give advisers the confidence and tools to serve later life customers, reducing advice silos and improving outcomes.
  • Professional Indemnity and Redress: Firms' risk appetite is constrained by uncertainty over Financial Ombudsman Service (FOS) decisions, particularly under Consumer Duty.

Concerns about long-tail complaints and the availability or affordability of professional indemnity cover are key factors in determining whether firms engage with later life lending at all. Members welcomed recent HMT and FCA consultations aimed at reintroducing greater predictability into the redress regime.

**Member Feedback**

- Broad agreement that risk appetite must be rebalanced to support wider access and innovation, but that later life lending should be explicitly included in this discussion.
- Calls for the FCA to recognise the role of PRA regulation and capital requirements in shaping firms' appetite to develop and fund Lifetime Mortgages.
- Recognition that adviser qualifications, confidence, and PI cover are significant determinants of firm-level risk appetite, not just regulatory rules.
- Concern that a lack of consistent UK-wide data risks producing an England-centric framework that does not capture the full picture.

**Conclusion and Policy Asks**

Members concluded that:

1. Rebalancing risk appetite is the right objective if applied in a balanced way and must explicitly include later life lending.
2. Unique consumer protections in later life products mean these should be treated as lower risk than often perceived, opening scope for safe innovation.
3. Adviser competence, qualifications, and confidence are central to firm risk appetite. Introducing a combined mortgage qualification with mandatory CPD would reduce advice gaps, strengthen standards, and support greater confidence across the market.
4. The role of PRA requirements and PI insurance must be factored into the FCA's discussions, as these materially constrain firms' willingness to innovate.
5. FCA analysis must extend beyond England to ensure UK-wide trends and risks are captured fairly.
6. With 750,000 interest-only mortgages maturing by 2030 and over half of UK households expected to need property wealth in later life, the case for rebalancing risk appetite to embrace safe later life lending is compelling.

Q**36:** What potential changes to our rules and guidance should we prioritise? In your response, please set out which changes could have the greatest impact and/or could be implemented quickly.

**Equity Release Council Position**

The Equity Release Council and its members believe that the FCA's priority should be to remove unnecessary barriers that prevent consumers from accessing holistic advice and from considering the full range of mortgage options in later life. The current separation of regulation between mainstream and later life lending creates advice silos, reduces awareness of safe solutions, and ultimately drives poorer outcomes for consumers. If growth, access, and improved retirement outcomes are the objectives, aligning mortgage and later life regulation should be the starting point.

**Supporting Evidence and Context**

- Later life lending is often treated as a last resort when it should instead be embedded as a core part of financial planning. Research from Fairer Finance (see appendix 2) shows that over half of UK households will need to draw on housing wealth to maintain living standards in retirement, while ERC research indicates that 61% of homeowners aged 35–44 expect to use housing wealth later in life. Unless rules and guidance evolve, regulation will remain out of step with consumer need.
- Many advisers are currently unable or unwilling to support later life customers because of fragmented qualifications and a lack of ongoing training. Unlike investments and pensions, there is no mandatory CPD requirement for mortgage advisers. This creates inconsistency in advice quality and confidence.
- Consumer protections in Lifetime Mortgages are already strong: tenure for life, the No Negative Equity Guarantee, and mandatory legal advice alongside regulated financial advice. These safeguards make Lifetime Mortgages among the safest parts of the mortgage market, yet the regulatory regime still treats them as higher-risk, niche products. Retirement Interest-Only (RIO) mortgages, while an important later life solution, do not currently benefit from the same protections, which can create additional complexity for consumers and advisers**.**

**Member Feedback**

Members consistently called for the FCA to prioritise:

- Removing the dual qualification regime and implementing CeRER (or an equivalent) as a requirement for all mortgage advisers. This could be implemented quickly with grandfathering, structured CPD, or mandatory referral arrangements for those unwilling to advise in this area.
- Removing the existing "equity release transaction" trigger and reframing advice requirements around customer cohorts, ensuring that all later life customers are considered holistically, regardless of product type.
- Consolidating MCOB chapters (MCOB 4 and MCOB 8) to create a unified rulebook for all mortgage advice. This would significantly improve access to advice and awareness of later life options, without requiring a wholesale rewrite of existing rules.
- Mandating disclosure of all potential mortgage options by lenders at key stages, including

when customers reach the end of term in later life.

- Ensuring Initial Disclosure Documents (IDDs) clearly set out which mortgage product types are in or out of scope for a particular adviser.
- Including property wealth and later life lending in government-backed guidance services such as Pension Wise, MoneyHelper, and debt advice frameworks, as well as in the FCA's targeted support initiatives.
- Reviewing MCOB 3 Financial Promotions requirements to ensure consistent and balanced presentation of all product options across the mortgage market.

**Conclusion and Policy Asks**

Members concluded that the most impactful and deliverable priorities for the FCA are:

1. Align mortgage and later life regulation by consolidating MCOB 4 and 8.
2. Remove fragmented qualification requirements and introduce a combined mortgage qualification, supported by mandatory CPD.
3. Reframe advice requirements around customer cohorts, not transaction type, so that later life customers always have their full range of options considered.
4. Strengthen disclosure requirements so that customers and advisers both know which options are in or out of scope, reducing confusion and poor outcomes.
5. Integrate property wealth into government-backed guidance and targeted support, helping to normalise its role in retirement planning.

Taken together, these changes would remove advice silos, increase adviser confidence, improve consumer awareness, and deliver immediate improvements in access to safe, suitable later life lending solutions.

## Q37: Are there any other areas where we could rely on the Consumer Duty and its focus on outcomes to help meet consumers' needs?

**Equity Release Council Position**

The Equity Release Council and its members broadly agreed that the Consumer Duty already provides a strong framework to underpin firms' approach to meeting consumer needs across the mortgage market. The Duty should not be seen as a substitute for tailored rules where specific risks exist, but it can play a valuable role in guiding firms towards delivering good outcomes consistently.

**Supporting Evidence and Context**

- Members stressed that all FCA-regulated firms should be following the Consumer Duty as the foundation of their advice and product governance. The Duty provides a clear framework for focusing on outcomes and not just compliance with process, but it will take time to fully embed across the market.
- .
- More broadly, members agreed that firms should continue to use Consumer Duty to underpin all of their activities, ensuring that product design, communications, distribution, and after-sales support are aligned to consumer needs and not simply compliance with process**.**

**Member Feedback**

- Others emphasised that embedding Consumer Duty should reduce advice silos, encourage more holistic conversations about later life lending, and ensure that customers are aware of their full range of options.

**Conclusion and Policy Asks**

Members concluded that the Consumer Duty should remain the cornerstone of consumer protection across the mortgage market. However, its effectiveness depends on consistent and comprehensive application. The FCA should:

1. Ensure firms continue to focus on evidencing outcomes rather than process alone.
2. Use the Duty as the foundation for cultural change, embedding good customer outcomes at every stage of the journey.
3. Recognise that Consumer Duty can drive better outcomes in most areas, but in specific cases—such as advice standards or vulnerable customer protection—additional rules or guidance may still be required.

## APPENDIX 1 – Equity Release Mortgage – Improving the Funding position.

Equity Release Mortgages - Improvi

## APPENDIX 2 – Fairer Finance Report

fairer_finance_how-can-housing-wealth-bridge-the-later-life-finding-gap.pdf