2021

Equity Release Revolution

A Customer-Centric 20-Year Market Evolution

Contents

Welcome

Since 2000, just over 557,000 equity release plans have been taken out in the UK worth £32.6 billion.

This is a phenomenal amount of money that has not only boosted the economy and delivered other societal benefits, but has also made a significant difference to the lives of many people.

It has paid for first home deposits, family holidays and university fees. Given people the peace of mind that they can repay their outstanding interest-only mortgage and clear mounting credit card debts. Boosted retirement income so that over-55s can enjoy a better standard of living rather than having to rely on pensions and other savings alone and given people the freedom to choose care in a home that they have adapted to meet their needs.

Given the scrutiny on the sector we felt an extensive survey going back many years would answer questions around whether customers had any regrets. This report highlights customer views from those who have taken out equity release across the last 20 years. 90% of customers say that they have or would recommend these products to family and friends - with just 10% of those who have taken out a plan saying that it has not improved their standard of living. These are figures that speak for themselves and tell a story of an industry that has evolved with a clear focus on customer needs.

However, there is still more that needs to be done - whether it is developing products that provide the increased flexibility that today's customers demand or considering how as an industry we tailor advice to ensure that it keeps pace with how the later life lending market is evolving, - we must continue to stay close to the customers we serve and strive to exceed the expectations of our regulator.

WILL HALE
CEO of Key

Methodology

Operating in the market since 1997, Key is the UK's largest equity release adviser and a thought leader in this space. To ascertain the long-term impact of equity release on its customers, their standard of living and retirement, an online research project was launched in Q3 2019 which ran until Q1 2021 and garnered 605 responses from customers who had taken out equity release over the last twenty years.

Due to the average age of equity release customers (c. 70 years old), the largest number of respondents had taken products out up to five years ago (53%) followed by those who took out a plan between five and nine years ago (37%) and then those ten or more years (10%). All case studies used within the report are real people who have taken out Equity Release with the support of Key.

In addition to the survey, other sources used within the report include:

- Key Market Monitor Report's from Q1 2007. Not all metrix were tracked over this period but this is noted within the text.
- Key Management Information on product types
- Office of National Statistics Mid-year Population Estimates - 2019

Key report statistics

90%
of customers would or have recommended equity release to family and friends

68-70
Average customer age has risen to 70 years (2021) from 68 years (2008)

92%
of customers said their adviser described the plan they decided upon well or very well

60%
Almost two-thirds involved family in the process and they were supportive of their choice

- Interest rates have **halved in ten years** from 6.6% (2011) to 3.3% (2021)
- Mortgage repayment and gifting has **increased in ten years** as spending on holidays and home renovation has fallen
- Half (50%) said it has **eased day-to-day financial worries** and 32% said it helped them worry less about future finances

The overarching equity release experience

The driving force behind the research study was to find out what customers who had taken out equity release thought about these products over both the long and short term.

We wanted answers to questions such as:

What are the opportunities and challenges that still face the industry and have we adapted in line with the expectations of our customers and our regulator? Has the evolution of equity release over the years to become a modern flexible method of accessing property wealth served customers well? What impact did the funds released have on customers and their families? How had customer profiles changed over the years and what could we learn from this?

While we will delve into this in more detail within the report, we started by asking those who had taken out equity release how it had impacted on their quality of life and how satisfied with the process they had been.

On a scale of one to five where one represented no increase in the quality of life and five a considerable increase, 67% rated it a four (32%) or five (35%). Just 4.5% rated it a two and 3.5% rated it one which suggests that these products have made a real positive difference to those customers who have taken them out.

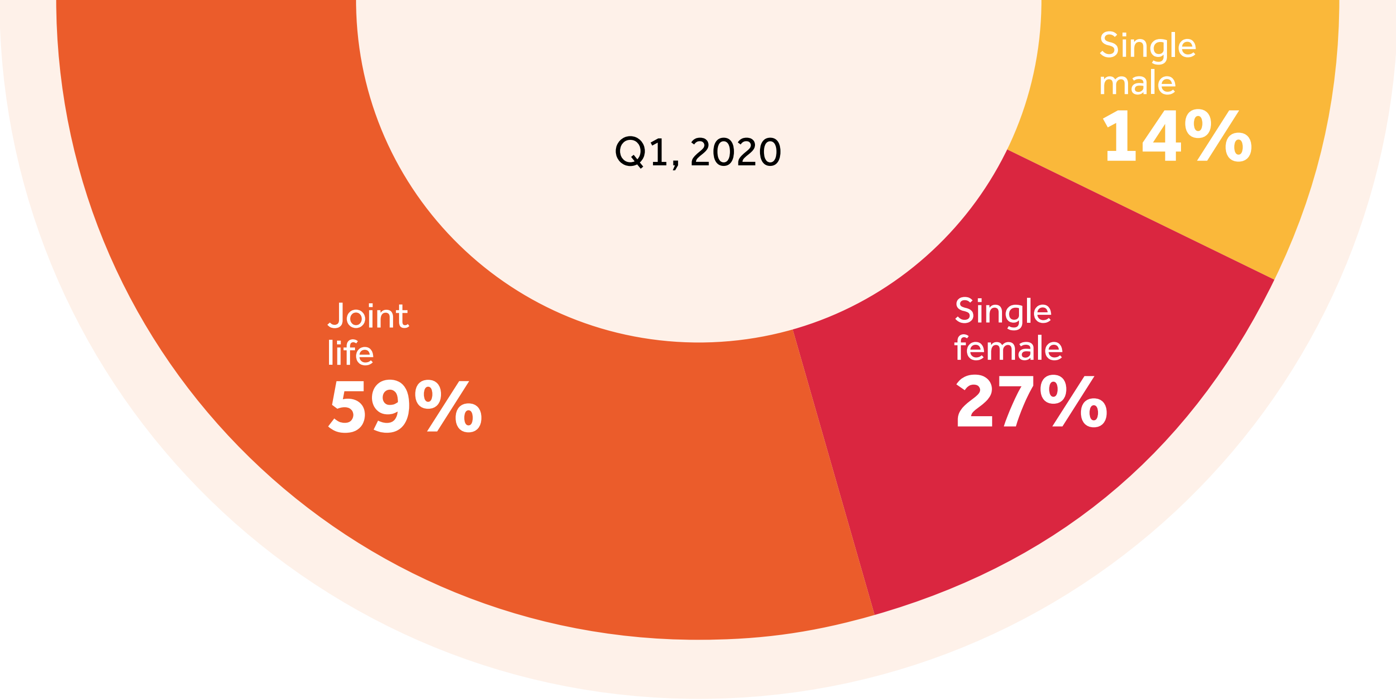
The equity release customer

Since 2000, just over 557,000 equity release plans have been taken out worth £32.6 billion and this equity has been used to fulfil a variety of needs from debt management to supporting families via gifting to 'age proofing' customers' homes. Bearing in mind redemptions, at the time of writing, it is anticipated that 387,887 plans are outstanding.

Over this period, Key has published its Market Monitor which provides a snapshot of the performance of the market in any given quarter. The age at which people choose to access their housing equity has fluctuated since Key started tracking this and appears to mirror economic prosperity and consumer confidence. In 2008 when the UK faced recession, the average age was 68-years-old, climbing to 71-years-old between 2016 and 2020 before falling to 70-years-old in 2021 as the country faced the Covid-19 pandemic.

Average age of equity release customers

	55-59	60-64	65-69	70-74	75-79	80-plus	Average Age
Q1 2008	4%	26%	31%	22%	10%	7%	68 years old
Q1 2010	7%	21%	29%	23%	13%	7%	69 years old
Q1 2012	4%	13%	27%	28%	16%	13%	69 years old
Q1 2014	3%	17%	29%	27%	15%	9%	68 years old
Q1 2016	3%	12%	24%	29%	17%	14%	71 years old
Q1 2018	6%	15%	23%	28%	18%	11%	71 years old
Q1 2020	8%	17%	22%	26%	16%	11%	71 years old
Q1 2021	9%	18%	24%	23%	15%	10%	70 years old



With the average equity release customer ranging between 68 and 71 years old, it is not entirely surprising that the vast majority of plans are taken out on a joint life basis.

What is arguably more interesting is the fact that single women are typically twice as likely as single men to take out equity release. Since this metric was first tracked in Q1 2011, for the purposes of classification, single refers to those who are not married so they may well be divorced, widowed or living alone.

The average single female who took out equity release in 2020 was aged 69 while the average single man was aged 68. It would seem that their increased longevity coupled with the gender pensions gap means that equity release is a lifeline for many older women.

During the Covid-10 pandemic we have seen the equity release customer demographic change slightly. Many are looking to finance immediate needs rather than long term aspirational goals. There has also been a slight dip in the average age of customers taking out equity release (only by one year) as many look at different ways to manage debt they find themselves in during the pandemic.

…the vast majority of plans are taken out on a joint life basis

"Work was very stressful and had caused me a lot of health issues. I thought maybe it was time to retire but I wanted to be sure I could pay the bills and still do the things I love - like go on holidays. So I decided to look into my options. I was desperate to retire without financial stress.

My equity release adviser was brilliant. She was professional, friendly and put me at ease right away. I was worried the appointment would be very formal and confusing, but she was 'human' and I actually found it an enjoyable experience.

"I've been able to retire, pay my bills, make some changes to the garden and go to Melbourne, Australia to visit my nephew. Equity release has really improved my quality of life."

Mrs Gardener from Kent took out an equity release plan with advice from Key

Average customer marital status

	Joint Life	Single Female	Single Male
Q1 2011	63%	25%	13%
Q1 2013	64%	21%	13%
Q1 2015	60%	25%	15%
Q1 2017	68%	21%	11%
Q1 2019	60%	27%	13%
Q1 2021	59%	27%	14%

Typically, the older demographic will have higher house prices than average as they have had more opportunity to build up their equity during their working lives and move up the property ladder. But it is interesting to note that the anecdotal idea of this market supporting the "equity rich but cash poor" may well be more accurate than we first imagined.

Indeed, while the difference between average house prices and those used for equity release remained around 20% until 2014, it had leapt to over 50% by 2021. However, the uses have not changed dramatically suggesting that while customers have benefitted from rising house prices, they still face the same challenges they did 10 years ago – arguably with the added pressure of interest-only mortgages in need of repayment.

Rising house prices has a direct link to the LTV customers will be able to get on an equity release plan. Higher house prices, means the customer will be able to get a lower LTV. A lower LTV indicates a lower interest rate for the customer, leading to a better outcome for the customer.

Average house price and LTV

	Average Value of Home used for Equity Release	Average Loan to Value	Average UK House Price	Difference
Q1 2008	£234,931	23%	£182,845	28.49%
Q1 2010	£207,129	22%	£162,887	27.16%
Q1 2012	£195,479	16%	£162,722	20.13%
Q1 2014	£212,244	29%	£178,124	19.16%
Q1 2016	£289,006	26%	£198,564	45.55%
Q1 2018	£314,634	24%	£211,792	48.56%
Q1 2020	£326,486	25%	£217,911	49.83%
Q1 2021	£366,660	25%	£232,134	57.95%

The Market Monitor also looks at how people are using the proceeds of equity release with this metric being reliably tracked from Q1 2008. It is interesting to note that while the number of people using equity release for any given reason has remained fairly steady, it has fluctuated to reflect societal trends.

For example, with the bulk of interest-only mortgages due to mature over the next few years, we have seen more people using it to repay this type of borrowing. Conversely in the current pandemic conditions, fewer people are booking holidays (14%) or need help with the bills (7%).

"I've been in my home for over 60 years and prior to owning it myself it was the family home my siblings and I grew up in. I'm happy here, I love the location, and it's perfect for my living requirements, but I needed to make some home improvements, particularly to the bathroom.

"I don't have any children so my beneficiaries are my siblings. I let them know that I was considering equity release to help fund some home improvements and they were all very supportive - saying that as long as I was happy, they were happy. What use is money once you've passed away after all?

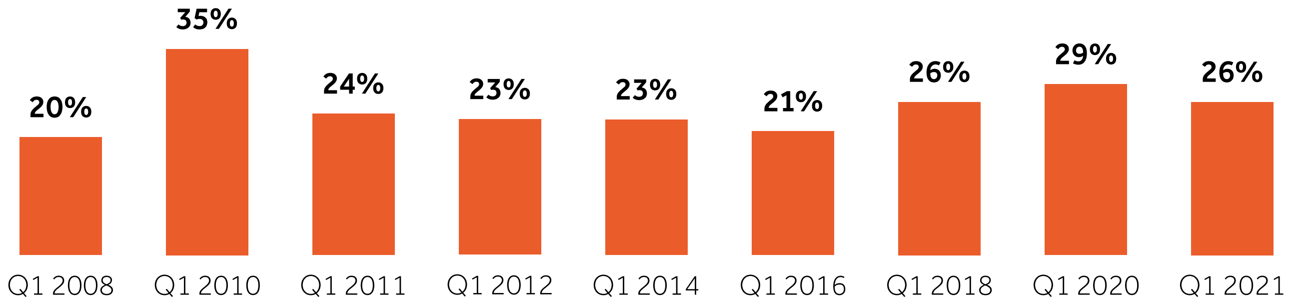
"I have been able to make those changes to my home and on top of that I booked myself a holiday to Russia - which I thoroughly enjoyed, and with my hobby being motorcycling, I also purchased a classic motorbike."

Mr Greenwood from Surrey who took out equity release with advice from Key

Proportion of customers who use equity release for each purpose

	Unsecured Debt	Gifting	Mortgage repayment	Home/Garden	Help with Bills	Holidays
Q1 2008	33%	20%	18%	61%	16%	37%
Q1 2010	23%	35%	17%	58%	18%	32%
Q1 2011	31%	24%	20%	59%	17%	29%
Q1 2012	33%	23%	17%	57%	17%	31%
Q1 2014	30%	23%	21%	58%	15%	30%
Q1 2016	29%	21%	21%	63%	14%	28%
Q1 2018	30%	26%	21%	63%	13%	31%
Q1 2020	25%	29%	23%	63%	13%	32%
Q1 2021	28%	26%	25%	53%	7%	14%

Gifting



"I have three children and two granddaughters and gifting them money now when they can actually make better use of it, rather than having to wait, made sense.

I bought this house in London in the 70s for £32,000. It's now worth £1.7 million. I'm 80 now, so that money is much more than I need to live on.

By taking money out of my estate now, I've been able to pay off my mortgage, boost my retirement income and help prevent them from facing a hefty inheritance tax bill when I die.

It's meant that I can stay in my family home, close to my children and they can have their inheritance when they need it the most."

Mr Reggie Smith from North London took out equity release with advice from Key

Customer intended use vs actual use

Use	Intended to use money	Actual used money
Household renovations	**56%**	**56%**
Pay off mortgage	26%	26%
Pay off unsecured debts	25%	26%
Holiday	20%	24%
Improve income	19%	18%
Gift for children	16%	16%
Day to day living expenses	12%	14%
Garden/home renovations	11%	11%

As part of the survey, we asked customers how they intended to use the money and how they actually used the money. It is interesting to note that while we saw minor fluctuations - potentially due to some bills being less or more expensive than anticipated - customers' choices appear to be driven by clearly identified needs or desires that they go on to fulfil.

"We took out equity release to pay off our mortgage and to boost our retirement income. I was born in this house and I love my home, so selling it was never an option.

Leading up to retirement, we were getting to the stage where our income had started to drop. Taking out equity release has eased a huge amount of financial pressure off us."

Mr Morris from Cardiff used advice from Key to take out equity release

Financial impact of equity release

Typically, equity release is the 'solution' to a financial challenge or problem that is facing the homeowner. It may bridge the gap between existing pension income and their desired standard of living (bridge), allow them to be generous with younger family members (support) or reduce the pressure on their fixed income by helping them to manage debt (boost):

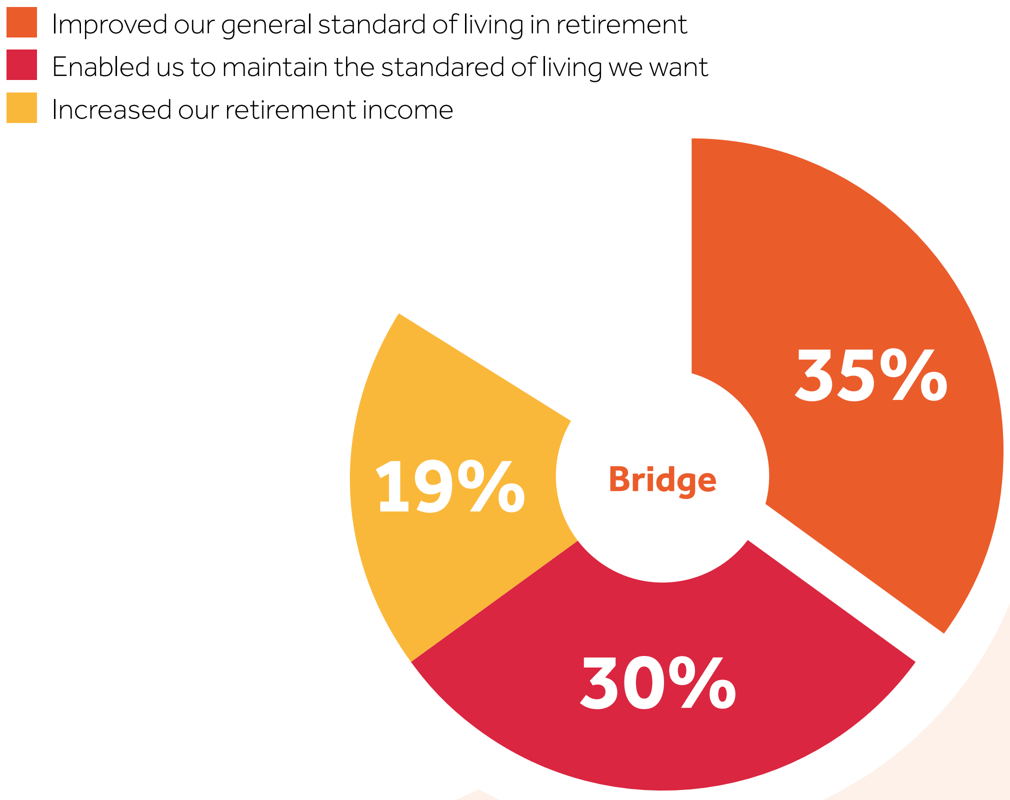
To better understand the financial impact of these choices, we asked customers what it had meant to their finances.

- Bridge - More than a third (35%) say it has improved their general standard of living in retirement, 30% said it allowed them to maintain their standard of living and 19% said it increased their retirement income;
- Support - Clients were able to help family with money (23%) and minimise inheritance tax (2%).
- Boost - Clearing unsecured (21%) and mortgage borrowing (20%) helps to increase how far clients' pension income can go.

Just 10% of those responding to the survey say it has not financially improved their life in retirement – that rises to 14% among those who took out equity release plans between four and nine years ago and 15% of those who took out a product more than 10-years ago.

The financial impact of equity release

	% of Clients
It has improved our general standard of living in retirement	**35%**
It has enabled us to maintain the standard of living we want	30%
It has enabled us to help family with money	23%
It has enabled us to clear credit card and loan debts	21%
It has enabled us to go on holiday more often	20%
It has enabled us to clear mortgage debts	20%
It has increased our retirement income	19%
It has enabled us to plan financially for the longer term	9%
It has provided us with a retirement income	4%
It has enabled us to minimise inheritance tax	2%



Emotional impact of equity release

While the financial impact of equity release is very important, it has a wider impact on people's quality of life and mental health in retirement.

Half (50%) said it eased day-to-day financial worries, 33% said it allowed them to keep doing the things they enjoyed and 32% said it helped them worry less about future finances. It is interesting to note that 48% of those who have held an equity release plan for more than ten years say it has eased day-to-day financial worries which suggest the impact is long rather than short-term.

Equity release also has social benefits with 13% saying it improved their social life, 10% said it meant they could enjoy helping family and 3% said it allowed them to keep living near their friends. One in five (22%) highlighted the fact that equity release has allowed them to adapt their home so they could continue to live there.

The impact of equity release on homeowners' wellbeing

	% of Clients
It has eased day-to-day financial worries	**50%**
It has allowed me to keep doing the things I enjoy	33%
It has helped me to worry less about future finances	32%
It has enabled us to adapt our home so we can continue to live there	22%
It has helped improve our social life	13%
I have been able to enjoy helping family	10%
It has not improved my/our life in retirement	11%
It has helped me to continue living near friends	3%

It is interesting to note that one in ten said that it had not improved their lives in retirement. While there are undoubtedly reasons that some over-55s feel this, one potential area for discomfort may be how their family reacted.

Indeed, 1% said it had led to tension in the family as they had supported some relatives and not others while 2% said it had led to them having to have some uncomfortable discussions around inheritance.

Wider family engagement

As part of the Equity Release Council standards, advisers are required to speak to their clients about involving their families in the advice process – clearly documenting if and why they don't want to discuss this. With 23% using the proceeds of equity release to support their wider family and 10% saying one of the benefits of these products is the ability to enjoy helping those they love, equity release is not the selfish transaction that it is sometimes positioned as being and plays a significant role in intergenerational wealth transfer.

However, it is worth delving further into how families reacted to their older relatives choosing to access some of their housing equity. Almost two-thirds (60%) of clients involved their families in the process and said that they were supportive of their choices while 29% said they did not involve family as it is 'none of their business'. For most people equity release is the only property transaction when they are actively encouraged to ask for family involvement which explains why some may find this a foreign concept.

Less than one in ten clients chose not to involve their family as they would react negatively (4%) or involved their family and found that they were sceptical. Finally, 2% chose not to involve family as they were worried that they may feel guilty.

People also talked to their friends about their experience and 12% said they had told some of their friends who were interested while 3% had expressed concern about their choices.

"We involved both our children before making the decision to go ahead with equity release, because it's important - it's their inheritance. However, the idea of us taking money out of the house to live a better retirement really made sense to them.

We've lived in this house for over 30 years - it was and still is the family home, so it's really gone up a phenomenal amount in price since we bought it. In terms of what they would lose out on, it's a small amount really.

They said they would be thankful for whatever they inherited anyway and were of the opinion we should use the money to travel and do the things we want to in retirement, which thanks to equity release we have been able to do."

Mr and Mrs Bell from Coventry took out an equity release plan with advice from Key

Long-term impact of equity release

From the research and analysis, you can clearly see that equity release means different things to different people. To gain more tangible insight into what these products mean to those who benefit from them, we asked people to describe in one word how equity release had impacted on their lives.

While arguably less scientific and more emotive, the ability to use the wealth tied up in their property to meet both their financial and social needs is clearly seen as a force for good by those who have done so.

	All	1-3 years	4-6 years	7-9 years	10 and over
1	Freedom	Freedom	Freedom	Security	Security
2	Helpful	Helpful	Good	Freedom	Fantastic
3	Happiness	Happiness	Security	Happiness	Helpful
4	Security	Relief	Relief	Good	Peace
5	Relief	Comfortable	Helpful	Helpful	Freedom

Just 4% of those asked to describe the impact of equity release said it had been negative.

"We took out equity release nearly 12 years ago to boost our retirement income. At the time, like a lot of people, we were running an old car and constantly paying out for it - never sure whether we were going to complete our journey.

A new car meant we didn't have to worry about breakdowns anymore. The money also meant we could help our granddaughter and her new husband on their journey into married life.

We're still happy now that we took out equity release. The whole process went so smoothly and it's simply made our lives more comfortable."

Mr & Mrs Robinson from Eastbourne took out equity release with advice form Key

It all starts with advice

Equity release cannot be taken out without specialist advice, which covers not only how the customer plans to use the funds, but also whether taking out one of these plans is the right choice for them both now and in the future.

Less than half of people who meet one of Key's advisers take out one of these plans, instead choosing other funding avenues, downsizing or delaying until it is right for their individual circumstances.

As the industry evolves into a true later life lending market offering a wider range of innovative products with flexible features, there is more choice for customers but also increased complexity highlighting the need for better access to information and improved signposting to expert support. The overwhelming message from the research is that our advisers are doing their job very well when explaining options.

Customers were asked to rate how well their adviser had explained the plan to them that they eventually decided to take out with 1 representing not very well and 5 very well. Nearly 71% of customers questioned said their adviser had explained the plan they decided on very well (5) while another 21% said they explained the plan well (4). This suggests that the vast majority (92%) were happy with their adviser with just 1% chose a 1 (not every well) with the rest choosing 2 or 3.

With an in-depth advice process and independent legal advice mandatory prior to completion, equity release customers are subject to more safeguards than other later life borrowers. This must surely contribute to the fact more than half of customers (56%) said they had no regrets about using equity release.

However, the need to borrow against the value of their property weighed more heavily on others with the regrets focused more on personal circumstances rather than the actual borrowing vehicle. Indeed, 15% worry that it will reduce inheritance and 12% wish they didn't have to borrow.

Interestingly, one in five (21%) said that when they took out equity release there were no alternatives - something that is far less likely to be a concern in the current market with the advent of Retirement Interest Only Mortgages and Later Life Mortgages.

The overwhelming message from the research is that our advisers are doing their job very well when explaining options.

What regrets do you have about equity release?

Do you have any regrets about Equity Release?	%
No regrets	**56%**
When I took out equity release there were no alternatives	21%
Reduced inheritance	15%
Wish I could have borrowed more	12%
Wish I didn't have to borrow in later life	12%

Some of the customers' regrets focused on the prevailing market conditions at that time with 21% saying they took out equity release as there were no alternatives and 4% regretting the plans were not flexible enough. Both issues that have been addressed by the increasingly flexible nature of the almost 800 equity release plans on the market and the advent of Retirement Interest Only Mortgages and Later Life Mortgages.

If anyone had have asked me four years ago about equity release, I would have told them don't touch it with a bargepole. I thought you would end up owing loads or not own your own house.*

I used to work in the motor trade and have had a good standard of living all my life, putting both my children through private education and being able to go on nice holidays. However, a costly divorce meant I had to find a lump sum of cash. I could have cashed in my pension funds, but that would have left me with nothing. I didn't want to sell my house either - I've lived here for over 20 years. So I looked into equity release.

It's actually the best thing I've ever done. It was simple and it means I'm worry-free now. I have the freedom to live without financial concerns. My house price has risen since I took out the equity release too, so I know this is the best decision I could have made."

Mr Mortimer from Milton on Sea who took out equity release with advice from Key

*This is not the case. When taking out equality release customers continue to own their own home until they die or go into long-term care.

Enough trust to refer

Arguably one of the easiest ways in which to really ascertain whether a customer feels they made the right choice is to understand whether they might recommend the product to a member of their family or friendship group. Nine out of ten customers who had taken out equity release said they had (47%) or would (43%) recommend equity release to others.

Of the 10% who would not recommend these products, some felt that equity release was a private choice they did not want to discuss with others (1%) and some worried that they had taken out the product too young (1%). Others were concerned about the interest rate and impact of compounding (1%) although this is something that could be mitigated by the flexible lending features on modern products.

Equity release customers who would not recommend these products

	%
Would recommend equity release to family or friends	43%
Have recommended equity release to family and friends	47%
No - as they need to make their own choices	1%
No - as equity release was a private choice I made	1%
No – as I worry about the interest rates and impact of compounding	1%
No – as felt I took the product out too young	1%
No – as in hindsight I would have spent the money differently	1%
No – as I have not been able to move house when I wanted	1%

Some also said that they had been unable to move house when they wanted (1%). While most lenders will allow clients to 'port' their equity release plan, the new property will need to meet certain criteria including staying within loan-to-value parameters so this may have been a barrier for some.

To better understand this issue, we also asked as part of our research, what impact equity release had had on the homeowners plans to move to a new property. The overwhelming majority (83%) said they had no intention of moving house at any point while others said they took out equity release as an alternative to moving (5%).

While 8% agreed that it had restricted their moving options, 4% said that they had been able to port their plans and had faced no such issue.

A range of later life lending products on offer

The market has evolved significantly over the last twenty years with regards to both regulation and products.

While Safe Home Income Plans (now the Equity Release Council) has worked to improve standards across the market since it was formed in 1991, regulation took longer. Indeed, the Financial Services Authority (now the Financial Conduct Authority) was made responsible for regulating all mortgages including Lifetime Mortgages in 2004 and the intention to regulate reversions was included within the Queen's speech in 2005.

Lifetime mortgages, which now dominate the landscape, were a relatively recent addition to the market only being unveiled in 1998 when Aviva entered the market and subsequently started to provide revolutionary 'roll-up mortgages' in 1999.

Prior to that the market was focused on home income plans (i.e. when the money released from the property is invested into an annuity to provide an ongoing income) and reversion plans (i.e. when the provider buys a percentage of the property).

Data from Key's Market Monitor suggests that in just eight years, lifetime mortgages, as roll-up mortgages are now known, had taken a 94% market share. Customers could also now take out lump sum or drawdown plans and by 2011, medical underwriting had been introduced to provide those with life-limiting conditions enhanced Loan to Value (LTV) options. Since then, lifetime mortgages have dominated the market with drawdown - which allows people to reserve an amount for future use - the preferred choice.

Equity release products taken out

	Lump Sum	Enhanced Lump Sum	Draw Down	Enhanced Draw Down	Other*
Q1 2007	32%	N/A	62%	N/A	6%
Q1 2009	39%	N/A	57%	N/A	3%
Q1 2011	16%	7%	71%	4%	2%
Q1 2013	24%	6%	60%	6%	<1%
Q1 2015	30%	4%	64%	2%	<1%
Q1 2017	19%	22%	43%	15%	<1%
Q1 2019	21%	11%	47%	21%	<1%
Q1 2021	24%	5%	57%	14%	<1%

* = Home reversion plans and home income plans

Almost all equity release products which are currently taken out are lifetime mortgages. Plans which must seem somewhat familiar to customers used to borrowing in the traditional residential market, as they boast features which make them entirely comparable to products such as retirement interest-only mortgages and later life mortgages.

In June 2021, there were 769 products on the market - more than three times the 201 that were available even as recently as Q1 2019. The features available have also significantly expanded and include a range of options designed to support individual client needs.

Across all plans taken out in Q1 2021, 71% were drawdown products and 29% were lump sum.

Equity release product features

Product Type	Proportion of products offering this feature
Downsizing Protection (i.e. guarantees that borrower will be able to move to a smaller property should they so wish or repay the loan in full without incurring any early repayment charge if they downsize to a property outside the lending criteria)	46%
Interest Served (i.e. allows customers to make interest repayments on their borrowing)	44%
Income Served (i.e. provides an income to the customer based on the amount of equity released)	80%
Inheritance Protection (i.e. allows a customer to reserve a proportion of their property for inheritance)	26%
Sheltered Accommodation (i.e. allows a client to port the product into sheltered accommodation)	46%*
Fixed Early Repayment Charges (i.e. these charges are a fixed proportion of the loan which typically decrease over time)	57%
Ad Hoc Penalty Free Repayments (i.e. allows borrower to make penalty free repayments within criteria set out by lender).	49%

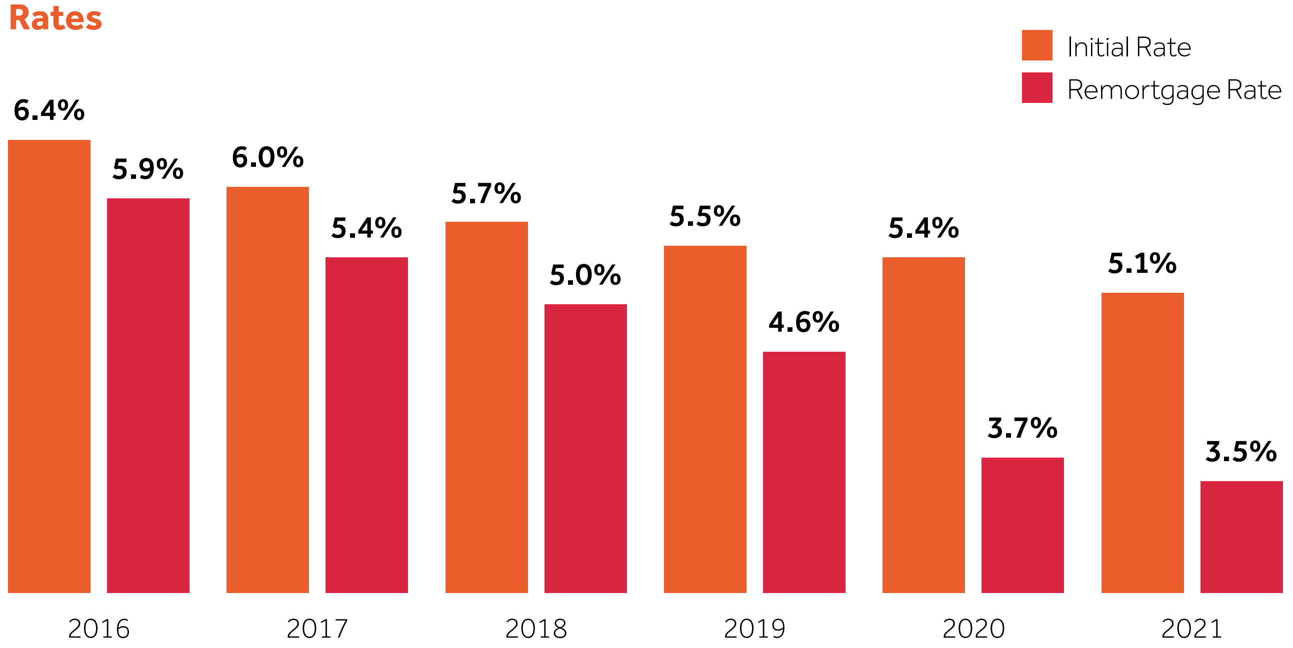
* Although 46% of products do allow equity release on sheltered accommodation, the majority of these cases are referred to underwriters on a case by case basis

Average interest rate on remortgage cases

	Initial Rate	Remortgage Rate	Remortgage Amount
2016	6.4%	5.9%	£33,015
2017	6.0%	5.4%	£50,680
2018	5.7%	5.0%	£103,658
2019	5.5%	4.6%	£97,062
2020	5.4%	3.7%	£111,999
2021	5.1%	3.5%	£137,858

As the United Kingdom has headed into a low income rate environment, so has the equity release market has gradually followed suit and the average interest rate on a product taken out in Q1 2021 was 3.3%. This is half the average rate paid ten years ago in Q1 2011 (6.6%).

Rates



Average interest rates on equity release products taken out

	%
Q1 2003	5.4%
Q1 2004	6.2%
Q1 2005	6.8%
Q1 2006	6.4%
Q1 2007	6.2%
Q1 2008	6.2%
Q1 2009	6.5%
Q1 2010	6.5%
Q1 2011	6.6%
Q1 2012	6.8%
Q1 2013	6.8%
Q1 2014	6.5%
Q1 2015	6.1%
Q1 2016	5.8%
Q1 2017	4.9%
Q1 2018	4.7%
Q1 2019	4.6%
Q1 2020	3.7%
Q1 2021	3.3%

As with other types of property-based borrowing, equity release plans can be remortgaged to take advantage of the current low interest rates. That said, equity release products are designed to be held long-term and be redeemed when the borrower dies or goes into care so early repayment charges (ERC) may apply.

Fixed rate ERCs are more common today - being charged on 57% of new products - but variable gilt-linked ERCs were more prevalent in the past. Due to the current rates in the gilt market, this means that for some historic customers it does not make financial sense to remortgage at the moment.

That said, specialist advisers maintain contact with customers to alert them should remortgaging be advantageous and since 2000, Key has helped consumers remortgage almost 6,500 plans worth £410 million with the bulk (C. 3,500) happening from 2016 when rates started to drop. In 2021, customers who remortgaged (av. £137,858) moved from an interest rate of 5.1% to 3.5% which would save them £33,795 over ten years.

…since 2000 Key has helped consumers remortgage almost 5,500 plans worth £410 million

An adviser perspective

There is no doubt the equity release industry has changed a great deal over the last twenty years from the customers it serves to the products on offer and the flexibilities they provide. One thing, however, has remained the same and that is the hard work and dedication shown by advisers who serve this market.

Equity release cannot be taken out without support from a specialist adviser so we asked them how the industry had changed.

Adviser testimonials

Leena Mistry - equity release adviser for 2 years

I joined Key at the beginning of 2019 as an Independent Equity Release Adviser, I was pleasantly surprised by the different types of products available to our customers.

At the start of 2019, most of the customers I helped were looking at equity release to either better their standard of living, for home improvements or to gift funds to their children to help them on to the property ladder. Visiting customers at their home was new for me and I thoroughly enjoyed meeting people face-to-face in the comfort of their home.

In the spring of 2020, the market slowed down significantly due to the unprecedented circumstances the UK and the world found itself in due to the Covid-19 pandemic. While we quickly changed and adopted new ways of working to continue to help our customers, there were knock-on effects due to the pandemic. Working from home became the new 'norm' for most of us and conducting meetings over the phone and via zoom or teams turned out to be very positive for me as I was able to speak and help customers all over the country without any geographical barrier. Most people took to the new way of conducting business over the phone and were happy to be able, to some degree to 'get on with life'.

In my 2 years as an adviser, there have been many changes in the equity release market and I have seen a distinct shift in the type of customers exploring equity release. More and more customers are turning to equity release to repay their existing interest-only mortgage as they are unable to remortgage on a traditional mortgage due to age or drop in income due to retirement. Many customers still like to manage the roll-up of interest by having the ability to make ad-hoc overpayments without being committed to making a contractual monthly payments and the best part is that they get to stay in their home.

I have helped many customers stay in their home where their existing mortgage lender was taking them to court as they had passed the maturity date on their mortgage and they were not in a position to sell their home and move to a new area or property. This causes customers sleepless nights and extreme stress at the thought of losing their home. The relief they feel when I tell them I can help them stay in the their home for as long as they live is invaluable and is the reason I do what I do.

Lenders have responded to past criticism with new and innovative products to the market with flexibility in mind. They have been extremely resilient throughout the pandemic to continue to support both the advisers and customers and for me there has never been a better time to be an equity release adviser as I get to help those who are struggling with their finances in retirement.

Adviser testimonials

Andrew Warby - equity release adviser for 5 years

Over the last 5 years the equity release industry has changed for the better. The product selection on offer has grown hugely with many more products and options now available to customers. New providers have emerged into the market and new product developments have added much more flexibility and choice for customers, allowing me to make very tailored and personalised recommendations.

The market is now much more competitive which has helped bring down interest rates, again making equity release more appealing to a wider range of customers.

The flexibility the current products on offer and the new product features such as fixed early repayment charges, downsizing protection and the ability to make ad-hoc repayments all help the customers feel they are in control of their plan, rather than previously where they may have felt the plan was in control of them. Long may this flexibility and innovation continue!

I love helping customers release equity from their home as it has an immediate impact on their lives. This could mean freeing up income for them to enjoy by clearing their outstanding mortgage or allowing them to purchase their dream motorhome. More and more now I am seeing customers help their children or even grandchildren achieve their goals of getting onto the property ladder by providing them with a financial gift to help with a house deposit, from their own housing equity.

Once I have spoken to customers I enjoy hearing them tell me how flexible equity release really is, and how it actually meets their needs a lot more than they ever imagined before our conversation.

Adviser testimonials

James Hood - independent equity release adviser,7 years qualified

Having spent the last 7 years as an adviser in the equity release sector there have been numerous changes for the positive. Following 20 years as an IFA particularly in the pensions market, one of the things which I enjoy about operating in this sector is the ability to positively impact someone's life straight away, rather than planning a customer's future pension where the financial benefit isn't seen until a lot later in life.

When equity is released from a property the customer receives those funds immediately, instantly impacting their lives. I have worked with many customers who needed to retire early due to ill health, but simply couldn't afford it without equity release. It is also gratifying to help customers realising lifelong dreams and goals which were not previously achievable due to their financial circumstances. This opportunity to instantly positively impact a customers life is the most rewarding part of being an equity release adviser for me.

Over the past 7 years, the biggest difference I have seen in the sector is more provider's entering the equity release sector along with more flexible products launching to the market. It is through this growth of both providers and new products which advances the market and enables me as an adviser to find products which better suit customers' individual needs. With this innovation, and increased awareness, equity release has become more widely known and understood as a mainstream mortgage product rather than a standalone financial product.

Looking to the future, I would like lenders to continue their push on innovation and develop even more flexible product features, further progression away from gift based to fixed early repayment charges and more control for the customer when it comes to how they can access some features such as their drawdown pots.

Regional overview

Since 2000, just over 557,000 equity release plans have been taken out worth £32.6 billion with those in the South East (£9 billion), London (£5 billion) and the South West (£4 billion) pushing the most into their local economies.

That said, while the number of plans taken out also peaked in the South East (129,085) and South West (65,663), those in the North West (64,600) were more likely to access their housing equity than those in London (51,838).

Typically regions with high population density, a buoyant housing market and a large number of those aged 55 and over are likely to see the highest sales of equity release products.

Since 2000, just over 557,000 equity release plans have been taken out worth £32.6 billion

Equity release plans taken out since 2000

Region	Amount release	No. of customers	55-plus
East Anglia	£1,853,895,920	34,189	2,007,125
East Midlands	£2,096,599,385	44,663	1,551,796
London	£5,479,651,864	51,838	1,968,057
North	£804,853,183	19,613	889,172
North West	£2,738,375,744	64,600	2,288,591
Northern Ireland	£226,698,626	4,886	545,182
Scotland	£1,298,337,714	28,928	1,781,961
South East	£9,055,977,252	129,085	2,926,130
South West	£4,006,511,288	65,663	1,988,680
Wales	£1,169,023,696	25,599	1,072,709
West Midlands	£2,162,142,571	44,872	1,805,707
Yorkshire & Humberside	£1,769,678,076	43,282	1,710,944
United Kingdom	**£32,661,745,318**	**557,219**	**20,536,054**

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