

Consumer guide to **equity release**



How can my property provide for me?

For many people, their property is their biggest asset. Unlocking this value via equity release is an option being considered by an increasing number of over 55s to help financially plan for retirement.

Equity can be released via a lump sum or in stages via drawdown to help provide an additional source of funds or income in later life, with a growing choice of product features and flexibilities.

Some people take equity release because they do not have adequate savings and they need extra money to meet living expenses. Others simply want to improve their lifestyles or help a loved one.



Some of the things equity release can be used for include:

- Adapting and improving a home so the owner can live in it independently for longer
- Paying off debts, such as outstanding mortgages, credit cards or personal loans
- Making up pension shortfalls, increasing disposable income and providing a better quality of life
- Paying for help around the home, including domiciliary social care
- Buying a new car or other lifestyle purchases
- Helping a child or grandchild through university or with a deposit on a house

What is equity release?

Equity release is the umbrella name for products that provide consumers with a way of releasing the wealth tied up in their property, without necessarily having to sell it and move to another home. There are two main types of equity release and both are regulated by the Financial Conduct Authority.

Lifetime mortgages

The most popular type of equity release is a lifetime mortgage. When customers take out a lifetime mortgage, they retain full ownership of their home and any interest on the loan can be paid as you go along or rolled up with nothing to pay until the end.

The loan and any outstanding interest are then repaid by your estate when you either die or move to permanent long-term care (or in the case of a couple the last person living in the home).

The amount available to borrow depends on things like a customer's age, their health and how much their property is worth. Lifetime mortgages are usually only available to people aged 55 and over.





Home reversion plans

When a customer takes out a home reversion plan, they sell all or part of their home in exchange for a lump sum or a regular monthly income, while retaining the right to remain in it, typically rent free.

You will know precisely what portion of your property you have parted with and, equally, what has been ring-fenced for later use, if that is what you have decided to do, possibly to leave in a will.

The percentage you retain will always remain the same regardless of the change in property values, unless you decide to take further cash releases. At the end of the plan your property is sold, and the sale proceeds are shared according to the remaining proportions of ownership.

Much like a lifetime mortgage, the amount of money a customer can raise depends on things like a customer's age, their health and how much their property is worth. Home reversion plans are usually only available to people aged 60 and over.

For more information you can visit the dedicated FAQ section on the Council's website.



What are the alternatives to equity release?

Other types of later life financial products

As well as equity release, there are other products, typically covered by a term called later life financial products that like equity release are dedicated for people in older age brackets and who are homeowners that you may wish to explore.

These include products such as retirement mortgages and retirement interest-only (RIO) mortgages.

It is recommended that you speak to your adviser and seek information on all options to ensure any product you choose best suits your needs, both now and in the future.

You can find an adviser by looking on the Equity Release Council's 'find a member' section. Council members often advise on the full suite of options, not just equity release. However, if they do not, they will always refer a customer on to a specialist adviser, if they think there could be a better option for them to explore elsewhere.

What else should customers consider?

Before taking out an equity release plan or other lending product, you should check other financial affairs and options. For instance, you may have other investments, savings, or assets to draw on, or you may wish to continue some form of paid employment. You could downsize to a smaller property or one of lower value – perhaps by moving to a different part of the UK where house prices are cheaper.

You may also want to think about renting out a room in your home or taking a loan from family and/ or friends. Should you need information on managing debt, you could also visit stepchange.org or moneyadviceservice.org.uk/debt

I'm interested in equity release, what do I need to consider?




Always look out for the Equity Release Council member endorsement mark when seeking advice on equity release to ensure you are dealing with a Council member. Look out for our logo on their literature and check the 'find a member' section on our website.


If you do not have access to the internet call us on **0300 012 0239**.

The Council promotes very high standards of conduct and practice in the provision of advice on equity release and to the characteristics of products. Specifically, customers of Equity Release Council members enjoy three levels of protection, encompassing a structured financial advice process, the requirement and the right to independent face-to-face legal advice and product safeguards including but not limited to security of tenure and a no negative equity guarantee.


1 All our members have signed up to our Standards. See the product standards section in this brochure for more information.




2 All members are listed on our website at **[www.equityreleasecouncil.com/ find-a-member/](http://www.equityreleasecouncil.com/find-a-member/)** This is a fully searchable facility enabling consumers to confirm membership credentials or to search for a member operating in their area.




3 If you make the decision to take out either a lifetime mortgage or a home reversion, you must also take independent legal advice. You have the option to instruct a legal adviser of your choice. Legal firms with experience in this particular field are also listed in our member directory. Always look out for our endorsement brand on their literature and whichever legal adviser you choose ask them about what experience they have in this area.




4 Make sure you are getting all the state benefits you are entitled to, now and possibly in the future. If you apply for equity release, your adviser will discuss with you the impact equity release may have on your benefits, if any, and any change to your tax position.



5 If you feel comfortable about doing so, discuss your plans with family.



6 Finally - be aware that there may be other types of plans that can potentially be described as equity release which may not be regulated by the FCA. If in doubt, always look for the Equity Release Council logo.



About the Equity Release Council

The Equity Release Council is a voluntary body.

By joining the Council, its members are pledging to deliver high standards in the advice and provision of equity release.

Over the last 30 years, the Council and its predecessor (Safe Home Income Plans) have evolved its Standards to ensure they offer the highest level of protection for equity release customers. The most recent update aligned the Standards with an outcomes-based approach which the Council believes set the gold standard for property-based later life lending in the UK.

Council members include financial advisers, lawyers, providers, surveyors and other industry professionals. All are committed to supporting the Council's overarching principles and required customer outcomes.





Standards are at the heart of the Council's reason for being.

It is committed to ensuring robust Standards are in place to protect consumers as they seek to fund ever longer retirements in later life and to help ensure they receive the best possible outcomes.

David Burrowes
Chairman, Equity Release Council



The equity release protections you can expect from Council members

Product standards

- For lifetime mortgages the rate must be fixed for each release or, if variable, the rate must be capped for the life of the loan.
- You must have the right to remain in your property for life or until you need to move into long-term care, provided the property remains your main residence and you abide by the terms and conditions of your contract.
- You have the right to move to another property as long as certain criteria are met, such as new property being acceptable to your product provider as continuing security for your equity release loan.
- The product must have a no negative equity guarantee. This means that when your property is sold, and agents' and solicitors' fees have been paid, even if the amount left is not enough to repay the outstanding loan, plus interest, to your provider, neither you nor your estate will be liable to pay any more.
- For lifetime mortgages, customers must have the right to make voluntary penalty-free repayments, subject to lender criteria.

Our members are only allowed to tell you that a product meets these standards if it meets all of them. If you are offered or are considering a product that does not meet all the standards, the product literature must explain which standards are not met and give an illustration of the types of risk that this might pose for you.





Information about and explanation of your equity release plan

You will be given a clear and complete presentation and explanation of your equity release plan. The benefits and limitations of the plan will be clearly set out, together with your obligations under the terms of the contract. You will be given information about:

- All the costs you will have to bear in mind setting up the plan
- The tax implications
- What will happen if you wish to move to another property
- How changes in house values may affect your plan



Independent legal advice

You may choose your own solicitor to carry out the legal work in connection with your plan. Before the plan is completed, your solicitor will be provided with full details of the plan, including the rights and obligations of you and your product provider under the contract, should you choose to go ahead. Your solicitor will discuss the terms and conditions of your contract with you.

They will only sign an Equity Release Council recognised certificate when they are satisfied that you fully understand your rights, obligations and benefits and that you wish to proceed with the plan.



Regulations and other information

All equity release products are regulated by the **Financial Conduct Authority (FCA)**. This means that firms advising and providing these plans must meet clear standards. If firms fail to meet these standards, then the FCA will act.

Under the regulations, all literature and advertisements must be fair, clear and not misleading. The key information customers receive from a firm will be presented in a certain way.

'Initial Disclosures' from a firm can be provided verbally and/or in writing but the 'Key Facts Illustration' must be provided in writing. Customers will recognise it because it carries the 'Key Facts' sign.

This document helps customers to understand any recommended products and services and compare them with others if they choose to.

Regulations also cover the way in which advice is presented to customers. Financial advisers must have specific qualifications relating to the products they are advising on. They must also follow a process that ensures all other options are explored and that any recommendation considers your full circumstances and needs.

More information on the FCA is available at www.fca.org.uk



Complaints

All members of the Equity Release Council aim to provide a consistently high standard of service to their customers. However, things can go wrong from time to time.

If customers have a complaint against a member firm, they must first contact the individual company directly and try to resolve the issue with them. The FCA requires firms to follow strict procedures for how complaints are dealt with. These include specific response times for dealing with complaints. The Solicitors Regulation Authority is the same.

If a customer is unhappy with the outcome of the company's investigation into their complaint, they

can refer to the Financial Ombudsman Service (FOS), which will investigate impartially any dispute between you and the firm. For issues with solicitors, it is the Legal Ombudsmen.

Customers may wish to write to the Equity Release Council because if they feel a member has not abided by our rules. You can find the information here www.equityreleasecouncil.com/complaints

Contact information, including a telephone number and postal address, is also on the back cover of this brochure.

Call: 0300 012 0239

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The Equity Release Council is a company limited by guarantee and is registered in England No. 2884568. The company is not authorised under the Financial Services and Markets Act 2000 and is therefore unable to offer investment advice.

Check that your chosen plan will meet your needs if you want to move or sell your home or if you want your family to inherit it. Always seek qualified financial advice.