

# Equity Release Council

**How to access property wealth  
in later life**



[www.equityreleasecouncil.com](http://www.equityreleasecouncil.com)

## 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 as a way 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.

## 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 having to sell it and move to another home.

Today we are looking at a flourishing sector which has served over 400,000 consumers, loaned more than £20bn since 1991 and enjoys exceptional customer satisfaction rates.

## Are there different types of Equity Release?

There are two main types of equity release products.

You can either **borrow** against the value of your home (known as a **Lifetime Mortgage**) very much like a standard residential mortgage. You retain full ownership of your 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 interest outstanding 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 other option is to **sell** all or part of your home in exchange for a lump sum or a regular monthly income (known as a **Home Reversion Plan**) 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.

Both Lifetime Mortgages and Home Reversion Plans types are regulated by the Financial Conduct Authority (FCA).

**For more information on the different types of equity release you can visit The Equity Release Council website where we have much information on the subject and a dedicated FAQs section on <http://www.equityreleasecouncil.com/faqs/>**

*In light of pension shortfalls, housing equity will continue to play a key role in later life and retirement planning.*

Ageing population occasional paper FCA, September 2017

*The Equity Release Council plays a pivotal role in helping to ensure the market is safe and reliable for consumers.*

Julian Knight MP for Solihull

# What can Equity Release be used for?

- **Equity release can be used for a variety of purposes. These can include:**
- **Adapting / improving your home to enable you to remain living in it independently for longer**
- **Paying off debts, such as outstanding mortgages, credit cards or personal loans**
- **Paying for help around the home, including domiciliary social care**
- **Purchasing a new car or other 'large ticket' item**
- **Providing financial assistance to your children and grandchildren – perhaps with a deposit on a house or to help them through university**

# I'm interested in Equity Release; what do I do next?

You can start by visiting the Consumer information area on our website and particularly the FAQs section where you will find clear answers to most of your questions on equity release options. Prior to deciding on whether to take out a plan you should speak to an adviser who is fully qualified in equity release who can explain what is involved, consider other assets you may have and discuss the options available to you and the implications regarding

your state benefits and tax obligations. Everyone's circumstances are different and need to be assessed and therefore financial advice is a must in the process. We recommend you look for a Financial Adviser who is a member of the Equity Release Council to be assured that you are dealing with a fully qualified and experienced individual, who has voluntarily signed up to and demonstrates the Principles of Membership ensuring that you, the customer, experiences the highest possible standards when considering your options.

Part of your choice as a customer will be over the type of plan that most suits your needs. In the modern equity release market, there is a wide range of products and features, covering a variety of specific needs and your equity release adviser will be able to help you choose the one that will suit you best, now and in the future.



# What do I need to consider?

Always look out for the **Equity Release Council logo** 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 members' directory list on our website. If you don't 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.



All our members have signed up to our **Rules and Guidance, and Statement of Principles**.

See our at a glance section in this brochure for more information



**All members are listed on our website** at

[www.equityreleasecouncil.com/membership/find-a-member](http://www.equityreleasecouncil.com/membership/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.



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 well experienced in this particular field are also listed in our member directory. Always look out for our logo on their literature and whichever legal adviser you choose ask them about what experience they have in this area.



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.



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



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 (The Council) a not-for-profit organisation, was originally formed back in 1991 when it was called Safe Home Income Plans (SHIP) and has been known as The Equity Release Council since 2012. It aims to fully represent and facilitate the safe use of the equity release market.

Its membership includes financial advisers, solicitors, lenders, intermediaries and other industry professionals – each committed to support the Council’s Statement of Principles, and related standards.

The Council’s efforts are in developing, maintaining and enforcing the integrity of an appropriate set of rules and principles to ensure consumers can access the highest standards of advice and secure solutions to release equity from their homes. Put simply we believe in protecting and educating the consumer to the valid use and access to equity release by guiding and supporting the profession on their delivery.

# Statement of Principles

**The Equity Release Council exists to promote high standards of conduct and practice in the provision of and advice on equity release**

**Our members will –**

- Ensure that all actions promote public confidence in equity release as a potential retirement solution
- Act in utmost good faith at all times
- Communicate high expectations for equity release outcomes in all their dealings
- Ensure conflicts of interest are managed fairly and reduced to the lowest practical level
- Exercise due skill, care and diligence in all that they do and uphold the standards set out by their professional bodies at all times
- Always act with the best interests of their clients being paramount, treating customers fairly in all their actions.

These Principles are set out along with our Rules & Guidance (available on our website <http://www.equityreleasecouncil.com/standards/>) and are designed to give you confidence in our members and their products and services.





## At a glance

### Product standards

- For lifetime mortgages, interest rates must be fixed or, if they are variable, there must be a “cap” (upper limit) which is fixed 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 subject to the 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 to your provider, neither you nor your estate will be liable to pay any more.

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.

An increasing number of later life lending products are available to older homeowners, including retirement mortgages and retirement interest-only mortgages as well as equity release, with different features, standards and protections. We recommend you seek information on all options to ensure any product you choose best suits your needs, both now and in the future.

### 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 and 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.

### Information about and explanation of your equity release plan

You will be provided with 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 that you will have to bear in setting up the plan;
- the tax implications;
- what will happen if you wish to move to another property; and
- how changes in house values may affect your plan.

# Regulations and other information

Both Lifetime Mortgages and Home Reversion plans 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 take action.

Under the regulations, all equity release literature and advertisements must be fair, clear and not misleading. The key information you receive from a firm will be presented in a certain way – these are the Initial Disclosures from the firm you are dealing with, which can be provided orally and/or in writing from them and the Key Facts Illustration which is a regulatory requirement and you will recognise as it carries the “keyfacts” sign. This should allow you to more easily understand and compare, if required, any recommended products and services.



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

All Equity Release Council adviser members will also follow a Council endorsed checklist.

More information on the FCA is available at [www.fca.org.uk](http://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 you have a complaint against a member, you 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.

If you are unhappy with the outcome of the company’s investigation into your complaint, you can refer to the Financial Ombudsman Service (FOS), which will investigate impartially any dispute between you and the firm.

If you wish to write to the Equity Release Council because you feel a member has not abided by our Rules or Principles, then you can contact:

**The Equity Release Council, The Old Rectory, Church Lane, Thornby, Northants, NN6 8SN.**

**Or email us at: [info@equityreleasecouncil.com](mailto:info@equityreleasecouncil.com)**

**Or call us on: 0300 012 0239**

As with other financial planning arrangements, in the event the firm who provided you with advice/plan stops trading or is declared in default, you may be able to claim compensation from the Financial Services Compensation Scheme (FSCS). The FSCS is the UK’s compensation fund of last resort for customers of authorised financial services firms. It became operational on 1st December 2001 and is independent of Government and the financial industry. It will cover claims from before this date and does not charge individual consumers for using their service.

Finally, it is important to remember that equity release, as with any other financial service product, is not necessarily right for all people at all times. Therefore, it is important that you receive appropriate qualified financial and legal advice, and that you deal with regulated companies and individuals who are members of the Equity Release Council so that you can have peace of mind they will help you find the right solution for your needs.



**Equity Release Council, The Old Rectory, Church Lane,  
Thornby, Northants, NN6 8SN**

Tel: **0300 012 0239**

Email: **info@equityreleasecouncil.com**

Web: **www.equityreleasecouncil.com**

The Equity Release Council is a company limited by guarantee and 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.



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