HOUSE OF COMMONS

Communities and Local Government Committee

Oral evidence: Housing for Older People, HC 370

Monday 20 November 2017

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Watch the meeting

Members present: Mr Clive Betts (Chair), Mike Amesbury, Bob Blackman, Helen Hayes, Kevin Hollinrake, Andrew Lewer, Fiona Onasanya, Mr Mark Prisk, Mary Robinson, Liz Twist.

Questions 124 – 192

Witnesses

I: Professor Geoff Meen, University of Reading; Dr Peter Kenway, New Policy Institute; John Godfrey, Corporate Affairs Director, Legal & General.

II: John Galvin, Chief Executive, FirstStop; Paul Smee, Head of Mortgages, UK Finance (incorporating Council of Mortgage Lenders); Mark Bogard, Chief Executive, Family Building Society.

Examination of witnesses

Witnesses: Professor Geoff Meen, Dr Peter Kenway and John Godfrey.

Chair: Good afternoon. Thank you very much for coming to give evidence to us this afternoon as part of our inquiry into housing for older people. Before we begin, I will just ask Committee members to put on record any particular interests they may have that are relevant to this inquiry. I am a Vice-President of the Local Government Association.

Helen Hayes: I employ a councillor in my staff team.

Mike Amesbury: I do the same.

Liz Twist: I am a councillor in Gateshead Metropolitan Borough Council.

Kevin Hollinrake: I employ a councillor in my office.

Mr Prisk: I probably ought to say that I am an alumnus of the University of Reading.

Andrew Lewer: I am a Vice-President of the LGA.

Q124 **Chair:** Bob Blackman is a Vice-President of the LGA as well. I will do that for him before he comes back to the meeting. Thank you for coming. Could I just ask, at the beginning, that you just say who you are and the organisation you represent? That would be helpful.

John Godfrey: I am John Godfrey. I am the Corporate Affairs Director of Legal & General Group plc, and our interests in this include investments in two retirement village projects, called Inspired and Renaissance.

Professor Meen: I am Geoff Meen. I am Professor of Applied Economics at the University of Reading.

Dr Kenway: I am Peter Kenway. I am Director of the New Policy Institute, which is a small think-tank, and you have invited us here, I am pretty certain, on the strength of a report that we did for the Rowntree Foundation several years ago now.

Q125 **Chair:** Thank you all for coming. The whole issue of under-occupation by older people is one that clearly is a matter that we are interested in and want to explore. The first question, really, to set us off, is this: across the different tenures, what is your estimate of the proportion of older households who under-occupy, and does that vary according to the age and make-up of the older households?

Dr Kenway: We had some numbers; if I may, I will give you the numbers and then, if you like, ask you a question. We estimated—and these things are from about five or six years ago—8 million households overall under-occupying, of which 4.2 million, just over half, were what we classified as older households. All that means is that that is a household with nobody under the age of 55.

The question, though, that I feel obliged to raise with you—or the warning—is that I think we have to be extremely careful about assuming that under-occupation, measured like this, is a problem. After all, our numbers are done on the basis of the bedroom standard. My understanding is that that was designed to really capture overcrowding. It is fine as a statistic, but to turn it on its head and say that any couple occupying a three-bedroom home is under-occupying, and saying it in the sense—and I think the context gives this—that that is a problem is something that we should be wary of, not least because 35% of households under-occupy overall, and in some constituencies of Members here the figure is as high, we think, as 48%. Suggesting that a lot of people are doing something wrong is problematic, to put it mildly.

Professor Meen: I broadly agree with Peter's findings and general comments on that. Just bringing some of the numbers slightly up to date on that, in the latest numbers for 2015-16 around about 52% of owner-occupiers are over-consuming, on the official definitions of these things, but it has increased really quite dramatically over the course of time on their official measures. Ten years ago, it was only about 40% of households that were doing that.

The proportions are a lot lower for those in either the private rented sector or the social rented sector. We are talking about 10% to 15% for those. Even if you agree with the official definitions, we are really talking about issues in the owner-occupied sector of these things. It is also true, on the official definitions, that the over-60s, for example, do have higher levels of over-consumption than the population as a whole. Whereas the population as a whole is about 50%—slightly over—if we look at the over-60s, we are talking well over 60% for that particular group. That is partly just a demographic change over the course of time.

John Godfrey: I would agree with both of those comments. Looking at the JRF numbers, which I think were done in 2012, based on the 2011 census, what you come out with is about 68% of older homeowners are under-occupying on that definition. However, there is clearly something not quite right with the definition if it gives you that result.

I would just put in two small additional comments. The first one is that it is important that we do not use the term ”under-occupation” in a pejorative sort of sense. I think that is part of what both colleagues here have said. The second point is just a bit more sound-bitey. It is the case that death is more important than downsizing when it comes to releasing larger homes, and the current stats tell you that about 85% of homes with three or more bedrooms that are released by older people are released because somebody dies, rather than because they both move to a smaller home.

Q126 **Chair:** Is it the case that older people are more likely to under-occupy, or that owner-occupiers are more likely to under-occupy, and more older people are owner-occupiers?

Professor Meen: It is a combination of both of those. It is true that owner-occupiers do over-occupy, as it is called, more than those in the rental sector, and it is also true of owner-occupiers that a higher proportion of the over-60s would be over-occupying. Now, at least part of the reason why the overall level of over-occupancy has increased over the last 10 years is simply because of the aging of the population, so that a higher proportion of older people who are over-consuming are now in that part of the distribution.

Q127 **Andrew Lewer:** Given that you have explored this issue of under-occupation quite a bit already, and have all raised concerns or question marks about it in various respects, I wonder if you could come up with expressions that you feel would be more helpful than that, and also how you would relate a preferred expression to your understanding of what phenomenon it is that we need to tackle, or that would be helpful to tackle, in the broader context of housing need and older people’s needs.

Professor Meen: The way to think about it is that essentially, particularly if we are talking about owner-occupancy housing, we are talking about a market. It is nearly all a market of one form or another.

Essentially, what you observe in terms of housing outcomes is a demand for housing. Essentially, so-called over-consumption is representing the fact that incomes are quite strong for many of these people. It is not true that a lot of these over-60s are on low incomes or whatever.

It is also true that that particular group are facing very low housing costs. Most of them have actually paid off their mortgages. Their only housing costs are basically fuel and council tax, or whatever, so they are facing very low prices, and in a market with a situation where you have very low prices and very high incomes, you are going to get people consuming an awful lot of housing. Essentially, what we are observing here is a market demand phenomenon. Unless those change, essentially, you do not reduce so-called over-consumption of housing.

John Godfrey: We tend to try to avoid talking about under-occupancy and downsizing. We tend to try to emphasise right-sizing instead, and the element of choice that is here, and it is not uniquely about the size of the house when this decision comes along. It is equally about the adaptability of the house, the suitability of the house, the cost of running the house, and the location of the house relative to amenities like the doctor's, the shops, public transport and so on. We need to slightly broaden the debate a bit, and talk about what the type of housing and accommodation is that works best for people who are getting older, not just about whether they have spare bedrooms and they should give them up. That is not an argument that you are going to win with a lot of people who do not want to give them up.

Dr Kenway: You have two conversations going on here. One is around the needs of older people for housing and what is the most appropriate housing for them, where the number of bedrooms or the size of the property is not, in itself, an important factor at all. You also have a conversation around whether this under-occupation, as measured in this way, is in any way contributing to a wider housing problem.

I find several things rather strange about that, but what troubles me most is the identification of this group as a separate group. I believe, again, on our statistics—it might have changed a little bit over the last few years—that well over 90% of this group live in mainstream housing. It is not clear why it is helpful to pick this particular group out, and as Professor Meen said, this is a market. In some sense, talking about numbers without talking about the way that these households—never mind their bedrooms—might get moved around is really rather strange, and probably unhelpful.

Q128 **Andrew Lewer:** Could I just follow up with that that I am just keen that we get to an expression that is useful? I do not want to get into what I call the Relate problem, where you have something such as the Marriage Guidance Council, everyone understands what it is, and then you call it Relate, and every time you talk about Relate you have to say "that used to be called the Marriage Guidance Council", because otherwise no-one knows what you are talking about. If we are not talking about under-occupation, are we either just going to use that expression and then immediately disavow it in the same sentence, or come up with something more helpful?

John Godfrey: I might suggest that we just talk about the right housing for older people in the right places.

Q129 **Mr Prisk:** Just following on slightly, if I may—and perhaps this may be principally for Dr Kenway, but I am happy to throw it open—do the definitions or the analysis of this in any way reflect the fact that in most families today, both partners, both adults, both parents are very often working, or indeed the higher preponderance in this generation of those households being split? Do they reflect the grandparents' substantially greater role, which has been shown in a number of social studies? Is that reflected at all?

Under-occupancy does seem, as some of you have been alluding to, a rather rigid definition of how the home is used, and the changed nature of grandparental roles does not seem to be reflected in the data. Is there anything that is noted in the data about the role that many people now, as grandparents, are participating in? They are very often being the home for the child, or children, at different points. Is that reflected at all in the official statistics?

Dr Kenway: You can find this in the statistics. It is an extremely important point: the assumption that even if a household is counted as under-occupied, with both people in their early 60s, it is going to remain that way. A statistic that I find very difficult to believe, but my colleagues dug out, is that almost a third of 20 to 34-year-old men—which is a small proportion—are living with their parents. I find that very hard to believe; it is a rather scary stat, but in some sense, we know that something on that scale is true, and it is not a simple, "Here you are: you leave the nest and that is the end of it".

That sort of statistic demonstrates either that the leaving never happens, or, as I think is widely understood, even if they have left, there might be a return. That is one reflection of this point that even for people in their 60s, whether they are grandparents or, as it were, still just parents of adult children, the idea that the demands on their home are no more than the demands that that couple themselves place upon it is at odds with those stats, and I think it is at odds with experience.

Professor Meen: Those statistics are broadly correct, but in some sense, it is reflecting the nature of the problem that this Committee is actually concerned with: basically, people are remaining with their parents for much longer simply because of the affordability problems that they are actually facing, so one has to be careful about that. Even more interestingly, the structures of families are quite fluid. It is not just that those 30 to 35 year-olds may be living with their parents, but they are coming and going on a regular basis, and those are not things that are actually reflected in those particular definitions of the statistics.

John Godfrey: I do not find the stats hard to believe at all, actually. I think that is correct, and there is one other angle on this, which is that not everybody simply thinks of their house as the place they live. They will think of it also as a prime asset, and so there may be pressures from within an adult family—"Do not sell the house because we want to inherit it"—or there may be pressures within the family to release equity against the house and stay in it, and use that to fund grandchildren's education or whatever else it may be. There is a complexity there, as well.

Q130 **Bob Blackman:** Very briefly, has any study been done about the use of these so-called spare bedrooms, in the sense that many, many people now work from home? These spare bedrooms can be converted into home offices, or a lot of people are artisans and they do various different things using those rooms. Has any study been done on that, because obviously, that means that they may be under-occupying, as it is called, but actually, these rooms are being used for quite a valid purpose?

Professor Meen: I do not know if there are any formal studies of that. I think most of the evidence is anecdotal rather than anything rather more formal than that, but I would be surprised if that were not an important aspect of the definitions.

Dr Kenway: There is a problem, is there not, with how weak the notion of a bedroom is? In some sense, I do not feel we answered your question here properly. If one is going to have something, you at least need to be talking about area, which would be a more continental way of measuring. Simply to count bedrooms and the box room and so forth, as we all understand, is a pretty crude statistic.

Q131 **Helen Hayes:** I just wanted to come back to this question about the use of terminology and under-occupancy. This Government and their predecessor have been very happy to ascribe the term "under-occupancy" to social tenants living on secure tenancies, many of whom have been in their home for decades, and to charge them more money for the privilege of continuing to do so. I just wanted to ask the panel members whether you are equally uncomfortable with the use of "under-occupancy" in relation to social tenants as you are regarding its use in relation to homeowners.

Dr Kenway: I am happy to go first on that. The key point, of course, is under-occupancy on the DWP definition, which is relevant for the under-occupation penalty—I forget its official title—is even stricter. I think it is "no spare room". The measure we have been talking about is the relatively more benign CLG one, which does at least allow you a spare room.

Am I uncomfortable? I am strongly opposed to what happened with what we may call the bedroom tax. There is a whole discussion to be had about movement within the social rented sector, but when that came along, I thought, "This has much wider implications than just the social rented sector". I am opposed, really, across the board.

Professor Meen: I thoroughly agree with that, but looking at statistics, on those definitions, the number of people in the social sector who actually are over-consuming is so much lower than it is on the owner-occupancy sector. It is not the big issue.

John Godfrey: I think we are talking about two different sets of circumstances, and two different measures, as currently applied. The point for this afternoon is that, really, this under-occupancy metric as applied to older people is probably not terribly helpful. I would not have a view on the other metric for social tenants.

Q132 **Kevin Hollinrake:** Just back to Dr Kenway's comments, just in terms of the raw stats, it is a "so what?" kind of thing; we do not want to read too much into it. You have set out a cautionary note on that, and that it is a market; people should be able to occupy whatever house they want and can afford. However, is it your feeling that a lot of people, or a significant amount of people, are in there because of a lack of a market solution to their problems, in terms of the options they might want to use in terms of moving to something else? Are they locked into the houses they are occupying? I suppose that is the key.

Dr Kenway: I do not have direct evidence on that but, if I can put on an economist hat and cite the IFS, the Mirrlees Review from 2011—Sir James Mirrlees is a Nobel laureate in economics—said that the tax on occupying homes is too low, and the tax on transacting them, getting rid of them, is too high. An economist's view would be to reduce the substantial costs involved in moving to increase the fluidity of the market. Now, that is not an evidence answer; that is a kind of economist's logic answer, so I am happy to hand over.

Professor Meen: Yes, Peter is right: that is the economist view, but it is usually backed up with an additional thing: that you would want an alternative to a transaction tax such as stamp duty—for example, a land value taxation, which of course would raise a whole other range of issues that are probably rather difficult to resolve.

Q133 **Kevin Hollinrake:** I think we will come on to those financial barriers. It was more about the market, in terms of provision of alternative types of properties.

Professor Meen: My feeling on that is, given the choices that households in the owner-occupancy sector are actually making at the moment, even without the barriers, not that many of them would actually want to move anyway. Therefore, the constraints through the availability of housing is probably not as strong as one might expect. That is not to say that we do not need more in terms of particular housing, but it is probably not as strong as you might expect.

John Godfrey: It is clearly a market that is not working well at the moment, and I suspect that this is a supply problem rather more than a demand problem. The work that has been done on demand by, for example, Demos suggests that if just half of the people who have suggested they are interested in downsizing were able to move, that would be about 4 million people.

Now, whether they actually would move if given a real choice to do is questionable, but the demand does appear to be there. What stops them is lack of choice, lack of supply and financial constraints. There are also location constraints, emotional constraints and practical constraints. A lot of people say they would like to move, but they could not face packing everything up and physically doing it, so there are plenty of reasons why it does not work, but lack of supply is definitely a big reason for this not working.

Q134 **Fiona Onasanya:** My question actually ties into the demand. I was wondering where these properties are that are under-occupied. What is the location of them? Are they in areas where there is a demand from maybe younger persons and families seeking to occupy them?

John Godfrey: It is quite hard to pinpoint them terribly exactly, but what these surveys and data do tell us is that most people who would be interested in downsizing, or right-sizing want to move no more than a mile or two from where they live at the moment. They want to be close to what they call the "three Fs", which is friends, family and facilities, so no great uprooting moves, if you like. They also tend to be happier with urban living than you might, perhaps, imagine. The days of people wanting to retire to the seaside, to remote cottages in Devon, seem to be on the way out, and therefore it is probably where younger people also want to live. There is no reason why this cannot work, however, because it is a question of creating more of the right sorts of property, and getting the chains moving in those areas.

Q135 **Fiona Onasanya:** Is there any detail about younger people seeking to get these properties? Are there statistics? Is there data?

John Godfrey: There is a bit. I guess the question is what happens if you can persuade older people to right-size; what is the chain effect behind it? The Housing Learning and Improvement Network did some work on this. They looked at 19 chains that were created as a result of older people down-shifting, if you like. In 11 of those chains, there were opportunities generated for first-time buyers. Eight of those chains generated opportunities for families with children, so it does seem to work, but this is quite a small study. It is probably not statistically big enough.

Dr Kenway: There is some information in the data that we looked at. My recollection from the data set is that you can tell if people have moved relatively recently, and I think what we found is that half of the non-older household owners moving into three-plus households were under-occupying after a move, so although there clearly is a reduction in under-occupancy and the chains that have been described clearly must have some, presumably beneficial, effect, in no sense do you have anything near perfect matching. Of course, there cannot be, because in some sense, if these places are being sold, you have to be in a position to afford to buy them. This issue around affordability and tenure is every bit as important as the raw numbers.

Q136 **Mary Robinson:** Just exploring this a little bit more, whether it is downsizing or right-sizing, we have discussed the terminology; I am not quite sure whether we have got to the right place with it, but hopefully we have. Does it mean moving to a smaller or a cheaper property? Is there a definition of it, and how many older-person households do downsize each year across to different tenures? I know you spoke about 4 million, the Demos figures. How is that broken down?

Professor Meen: It is quite interesting. The sample sizes for looking at these things for the surveys are really quite small, but it does actually seem to be the case that most older households that actually move—particularly, for example, the over-60s—do not downsize that much. The vast majority of them, when they move—looking at movers over, say, the last couple of years or so—are still moving to properties that are two above the standard bedroom number, whatever it might be. It is not obvious that they are actually downsizing.

Q137 **Mary Robinson:** Would it be the case, then, that they might be moving from a big family home or a three-bed family home, and want to have a bungalow? Is it about the type of housing?

Professor Meen: Bungalows are quite interesting, because if you, for example, move from a detached house to a bungalow, it is true that bungalows are somewhat cheaper than detached houses. The bungalows themselves are a bit expensive; they are still typically more expensive than terraced houses or semi-detached houses, or whatever. You could not really downsize from a semi-detached house to a bungalow; you would actually have to downsize from a detached house to a bungalow. Yes, there are capital gains that you would make from doing that, but that is the sort of move that you would actually have to make, not from a semi to a bungalow. There is a shortage of bungalows.

Q138 **Mary Robinson:** It seems to be that we are probably thinking in entirely different terms. When the general public talk about downsizing, they would think of going from a big family house to something smaller. A bungalow could be smaller, but could be right for the person. Is this where we are moving towards: downsizing not necessarily to a smaller place, but something that is more appropriate?

Dr Kenway: I certainly think that "suitable" or "appropriate" is the right word. It is issues about the facilities there, and of course people can remain in the homes they have lived in for a long time and make adaptations. That is a perfectly viable route.

I certainly think that the stats that we looked at completely agreed with what Professor Meen just said, which is that if you are living in a large detached house, that probably does not just mean three bedrooms either, does it? We can picture the sort of property. You can move from that and expect to probably have some money left over, but otherwise—and of course, it is all about the averages—from everything else, on average, it is nothing like so clear-cut.

This, again, comes up to this problem of if someone only has this three-bed terrace or three-bed semi, they are under-occupying, but they may well not feel that they are really going to release very much if they downsize, even if they do manage to downsize, or if they move into a bungalow or something slightly more appropriate.

Q139 **Mary Robinson:** How many older-persons households would move from maybe a freehold tenure to a leasehold or into retirement living? Do we have a picture of what that would look like?

Dr Kenway: We produced a table, which in preparation for this, I had a look at and thought, "Grief". Those numbers, which really date from eight or nine years ago now, suggest, if we are only talking about owner-occupiers, something like 189,000 properties freed up as a result of mortality and moves. Three-quarters, we think, are in tenure, and again, repeating a point made earlier, you are less likely to under-occupy, but only about one-third less likely to under-occupy. The direction of change is what you would expect, but in no sense do we have a position where people cease to under-occupy as a result of a move.

Q140 **Mary Robinson:** If all of the older people who were interested in downsizing, getting the right property, did move, how many households would be more appropriately accommodated, and would it free up housing? Is there an impact there, and if so, what impact would it have on the housing crisis?

John Godfrey: To quote the Demos research again, they suggest that if half of those who say they are interested in downsizing were really able to do it, and did it, that would be up to 4 million people—3.5 million homes—the majority of which would be three-bedroom properties. That, they estimate, is about £720 billion of property moving as a result. Now, that may be based on people's aspirations rather than what they would do when actually faced with a choice, but the numbers, I would suggest, are pretty large.

In terms of our own estimates of this as an investor, and putting our own money on the line for it, we work on the basis that there are just over 3 million people who would be prepared, at some point, to make a move—downsize, right-size, whatever it may be—and that includes across different tenures.

Professor Meen: One needs to be a little bit careful about some of those numbers. Aspirations are not the same as what would actually happen, and also they would probably be spread over a long period of time rather than any single year, so it would be much lower than that in a year.

It is helpful to put some of this in context, in terms of the effects on the housing market. We know that most estimates of required housing supply are in the region of 250,000 to 300,000 homes a year, and actually it could be a lot higher than that in practice, given current low levels of interest rates. Those are the sorts of numbers that are generally bandied around on that. At best, if we are lucky, in the long term we probably build about 200,000 homes, unless there is a fundamental change, so we are probably talking about a shortage, unless something radical happens, of something in the region of 50,000 to 100,000 homes each year. The effect of releasing homes via people downsizing on those scales, I would suggest, are going to be fairly modest. Therefore, the overall effects on house price and affordability are not going to be terribly dramatic.

John Godfrey: I would accept the caveats about this happening over time and people actually having to make that decision, but over time this potentially could be a pretty big shift. One of the other stats about the house-building targets overall, and house-building delivery overall, is that we only manage, as a country, to build about 7,200 purpose-built homes for older people each year, and it is nowhere near enough. The estimates suggest that we need about 30,000 of those, so we are well short of what we need.

Q141 **Fiona Onasanya:** With that in mind, do we know, with the properties that are vacated—touching on what I was mentioning earlier—who seems to occupy these vacated premises or properties, and do they fill the houses? Do they fully occupy the homes?

Dr Kenway: As I say, the stat we found suggested that there still remained significant under-occupation after under-occupying owners moved out. As I say, the stat we had was that 58% of non-older household owners moving into a three-plus bedroom place are under-occupying after moving. Now, that is still 42% less, and one very important thing that I think both colleagues have mentioned is that if there is to be change here, this is going to be a long, slow process, contributing a few thousand—maybe 10,000 or something—a year, which is not to be sniffed at. If that carries on for a significant period of time, it will make a difference, but there is no magic bullet here at all.

Q142 **Mr Prisk:** Can I just turn to the question of incentives, and how they work and affect people’s decision-making? What incentives do you feel there are, particularly for older households, that hold them back from making that move, and what, if anything, should Government do about that? Professor Meen, do you want to kick off?

Professor Meen: If I could expand a little bit on what I said before—and incentives come into that—I mentioned basically that we have low, or very low, housing costs for this particular group. The incomes of the group are pretty good. We know that the probability of actually moving once you have been in that house for a long time falls very dramatically. A very high proportion of the group that we are talking about have been in their properties for more than 30 years, so they are not going to move unless there are good reasons for doing so.

Importantly, also, the returns on alternative assets are very low at the moment as well, so why, in terms of the investment motive for housing, would you actually want to move out of that at the moment? That raises other questions about second homes as well, in these sorts of things. We know that attachment to home is very strong, particularly if you have been there for long periods of time, and also—as I think you are getting on to—transaction costs are actually important. Stamp duty, of course, is only one element of the transaction cost, once you have added in estate agent's fees, solicitors' fees and whatever. We are talking maybe £20,000 for that sort of move, so they are not insignificant, but they do not use up the whole of the equity that might be released by someone moving from a detached home into a smaller home.

Basically, it is unsurprising that over-60s or over-50s do not want to move. The implication of that is that essentially, if you are going to introduce incentives to try to persuade people to move, they have to be strong incentives. They are not playing around at the edges and not really going to have an effect. I think we would all agree that reforms to stamp duty are useful, but by themselves they will not be enough. The question is about—and this is going to be unpopular—what you actually have to do to be effective. You have to raise the price of housing for that particular group, when it is very, very low at the moment. That comes back to questions such as council tax, land value tax, and those sorts of things, but that is really what you are talking about if you fundamentally want to induce a big increase in the number of that group actually moving.

Q143 **Mr Prisk:** So, for you—and I will come on to the other two panellists—given the other transaction costs, stamp duty is probably not a winner, as it were, in terms of making that shift.

Professor Meen: I think there are good reasons for doing it anyway, but I do not think it is going to fundamentally change the nature of the over-60s moving.

Q144 **Mr Prisk:** Interesting. Mr Godfrey.

John Godfrey: If we go back to the comment about this being a market, it is worth looking at what works on the supply side and what works on the demand side, or what might work. On the supply side, one has to look at why we are not providing enough of the right sort of accommodation for older people. There are issues there, for example, around planning that the White Paper does try to start to address. For example, local authorities and planning authorities should look much more carefully about the savings to the public purse in terms of health and care costs that come about as a result of providing the right quality and quantity of housing for older people, enabling independent living to go on for longer. There are these planning points.

The second planning point is, if you are a developer of housing, the economics work very much better for you if you are producing general purpose, build-to-sell housing than if you are producing specialist housing for older people, and that is something that needs a nudge, potentially through the section 106 or CIL regimes. You have to be a very long-term investor in order to make this model work. If yours is a "build them and sell them" model, then you would not go down this route, necessarily, because of the CILs and the 106s and so on. That is planning.

On stamp duty, there is a model in the state of Victoria in Australia that gives a stamp duty discount to older people who are downsizing. That is something that is worth looking at. It basically mirror-images what is being done for first-time buyers, and another idea that is in circulation is whether you could have a Help to Buy scheme for those who are downsizing. These are all demand-side solutions, of course.

There is also an issue around awareness, because as well as the financial incentive to potentially liberate some equity when you move down, there are usually pretty substantial worth-having savings, at least, in the running costs of a property. If you buy a modern, energy-efficient property, you will probably save, the estimates tell you, about £1,500 a year in energy costs, insurance, and more for council tax on top of that, potentially. All these things need looking at.

There are then the practical points that have been alluded to: should those who are selling smaller homes, or providing smaller homes to down-shift, provide things like a packing and moving service, or a storage service for all those things that are kept in the attic? Maybe they should. There are many, many things. There is no one solution, so I would not hang your hat totally on a stamp duty change here.

Dr Kenway: Maybe I would disagree rather more than we have in our previous answers. There is no magic bullet, and I do not know of any estimates that have been done on the effects of what reducing stamp duty would do, but I think there can be no doubt about what the effect would be if one lowered stamp duty. It is a very attractive tax for the Treasury: it is very easy to collect and so on and so forth, but it is undoubtedly sand in the wheels. The lower it is, there is no question that it would go in the right direction. That is not a sufficient argument for doing it, but it is certainly a sufficient argument for looking seriously at it.

I would say a couple of other things. Remember, first, that a 55-year-old who turns 55 now has 12 years before they are even at state retirement age, never mind if they continue to work beyond that. One should not therefore see this large group of people in some sense as what one reaches for when you have, let us say, an illustration of frail elderly. My point is that this all ties up with the fact that this group of people are, for the most part, in mainstream housing, and while I would be in favour of lower stamp duty—I am certainly in favour of looking at it—I can see no reason to privilege this particular group.

It is quite clear that the right principles on taxation are ones that are uniform. Once you start to bring in special measures for some particular group or form of property, you just introduce the kinds of inefficiencies into the system that other committees here will then spend years trying to get rid of. By all means, we do need to do something about the disincentives, but I know of no reason to particularly target this group, who after all are a big chunk of the ordinary, mainstream housing market.

Mr Prisk: It is always helpful for us as a Committee to have a difference of opinion every so often.

Dr Kenway: We have done our best.

Q145 **Mr Prisk:** Can I just follow that on with my second question in this area, principally starting, perhaps, with Dr Kenway? It is really this issue about the freeing up of equity, and the tipping point, if you like, for a household. You did some research with an institute, looking at £50,000 as being the tipping point; I know that is a rough number. I have seen other figures of £70,000 or £80,000. Can you just take us through that, as to how you see that operating?

Dr Kenway: That was very much in line with answers from a few moments ago, really. If you look at the averages—and in some sense, they are very misleading, of course, because there is great variation around the averages—downsizing from a detached, typically, you could expect it to yield perhaps £100,000, but much less from other types.

Of course, it depends on what you are going to, but it is this point that out of the large houses that some of you have more than others, it can be worth it, but if you were in a terrace, it did not look like, on the average, you would be necessarily making that much by the time you put in all of the transaction costs, as you say, any estate agent's fee, the solicitor, and of course, any stamp duty. In some sense, that is what perhaps even small changes in stamp duty should be assessed against. It might not be a big amount in absolute terms, but it might be quite a big amount in terms of a margin, as it were, to change someone's assessment of the worthwhileness of making the move. They were quite fragile numbers, I have to confess.

Professor Meen: I just wanted to give some numbers, just to provide a bit of context. In 2016, if you were talking about the south-east, the average detached property price—and I take the point about averages being a problem—was £597,000. The average price of a bungalow was £383,000, so the gain for them would be £214,000. Admittedly, if you did the same calculation in the north-east, it would only be £77,000, but the distribution across property types is similar across the region, so that is the sort of number that we are talking about.

Q146 **Mr Prisk:** That comes back to the geographical point I was just going to ask. Presumably, there is a sharp cut-off in this financial area of the incentives or disincentives, depending on the nature of the market, and it is not just a north-south divide, because clearly, there are parts of south Wales and other parts of the south-east that have sharp problems. Does that militate against applying a single policy in this area to change incentives?

Dr Kenway: It is easy to say "yes", but then it has to be designed and justified. The geographical distinctions are very striking here. We had the question earlier about the under-occupation penalty in social housing, which we know had a much bigger effect. There is a big geographical dimension to this, and I am not sure how you are going to make your political argument for treating different parts of the country differently. I would have thought that that is a very delicate issue, perhaps even more so now than in the recent past.

Professor Meen: There is another quite interesting statistic, which we touched on before, about the geographical differences in over-consumption. Essentially, if we look across the regions of the country as a whole, the over-consumption is not wildly different. The big difference, essentially, is between cities or large towns and suburban or rural areas. Over-consumption is much greater in rural and suburban areas, essentially. It is actually quite modest in London and other major cities, so there is a distribution point about that.

Q147 **Mr Prisk:** Did you want to add anything?

John Godfrey: I will just throw a statistic in that might help. Back in 2011, there was some analysis by Henley Business School that suggested that from the sample they looked at—and I am not sure how large that sample was—40% of the sample group of downsizers were able to take out £25,000 or more of equity. I think that number would be higher today. I believe there is some McCarthy & Stone research that talks about £80,000 of equity.

Q148 **Kevin Hollinrake:** We are talking about transaction costs, but is the actual product too expensive? Is retirement housing too expensive, and therefore part of the calculation of somebody living in a house, thinking of downsizing, would be "With the equity I am going to release by doing this, am I buying something of good value that will be re-saleable?" In my experience in my constituency, this type of housing per square foot is probably about 75% to 80% more expensive than similar accommodation per square foot. Obviously, there are other things like communal areas and the services provided—we understand that—but is it too expensive? Is that part of the problem?

John Godfrey: You have put your finger on exactly the difference between supply and demand here, and the cost of actually building up that housing if you are a commercial developer. It could be cheaper if we did not have the Section 106 and CIL issues, and some of the other things I mentioned earlier. Those contribute to the cost and restrict the supply.

Q149 **Kevin Hollinrake:** They do, but also the specifications of some of these developments are very high-specced: they have bistros, restaurants and cinema rooms, and all that. Is there the right variety of products to suit all needs?

John Godfrey: Just to carry on on that, there are undoubtedly people who will want to live a very high-quality lifestyle as they get older, and these sorts of developments will suit them. The other point about that is the point that was made earlier: we should not treat all older people as a homogenous group. There are people—the very old, for example—who will have high care requirements, and their housing needs will be very different from those who are 62, 67 or whatever it may be, and have just retired, who are in active retirement. It is horses for courses somewhat in this area.

Q150 **Kevin Hollinrake:** Is the market providing that range of solutions?

John Godfrey: No.

Q151 Kevin Hollinrake: Why not?

John Godfrey: Because it is too expensive to create those solutions and a limited number of people are able to provide them. If you think about a retirement village project, for example, that will take probably 10 years from conception to completion of something that is fully occupied, scalable and all the rest of it. You have to be in that business for quite a long time to make it work. It does not work for your typical developer, and that is part of the explanation for the supply-demand imbalance. Incidentally, it is the reason why we have entered that market, because we are a very long-term investor and we can make it work for us.

Q152 **Mary Robinson:** Just going back for a bit of clarity, practically speaking, Mr Godfrey, you spoke about the Australian model of the stamp duty discount for downsizing. Given that we have heard that downsizing does not necessarily mean going into somewhere that is very much smaller, and also could be a higher cost depending on the type of housing—whether it is a bungalow or whatever—how would that model actually work, in terms of the practicalities of it? It would seem to be not relevant in terms of what people would think of as being applicable to downsizing for older people.

John Godfrey: I would agree with that. I would have some reservations about applying it in exactly that way here. I know the outline of the system, but I do not know exactly how effective it has been in the state of Victoria. What they do, incidentally, is they have three bands of stamp duty for anybody acquiring a property, and this is the same whether you are older and downsizing or younger. There is an exemption for stamp duty under 330,000 Australian dollars; there is a part-concession above that to 750,000 Australian dollars, and then there is no concession above

750,000 Australian dollars. The eligibility for older people here is not based on the value of one's current home, but on what one is acquiring, and is contingent on being in receipt of health or other pensioner concession cards, so it is limited that way. As I say, I do not personally know whether it is hugely effective or not, so I would suggest that further work needs to be done.

Q153 **Fiona Onasanya:** I think you mentioned Help to Buy for downsizing when we were talking about financial incentives, and I believe that you were saying that with stamp duty, it should not be that you offer, for example, an exemption for older people. You disagreed with that, but I was slightly confused, because for younger people, for example, if you are trying to encourage people to get on to the property ladder, there are incentives there. If you were trying to encourage a different group of people to downsize for whatever reason, I do not understand why that would not be considered a good incentive to have, so I just wanted some clarification.

John Godfrey: Personally, I think it would be an incentive to do something with stamp duty, but it would not be the unique solution to this. I am, I think, in the middle between these two gentlemen on this issue.

Dr Kenway: If you really want to make a difference, the people who you need to get moving are not, if you will, the people in their frail, very last years. If they move shortly before they die, that does not make that much difference to the availability. What does make a lot of difference to the availability, relatively speaking, is if you can get people in their late 50s or early 60s who, one can assume, are going to be alive for a good 20 or so years. In a way, if you really want to do something about this supply problem, those are the ones you need to try to get moving. I am just not convinced that a stamp duty holiday for 60 year-olds would be a very easy policy to sell. 85 year-olds, yes, I could imagine that, but with hale and hearty 60 year-olds who are still working away, I am not sure.

Professor Meen: There is a difference between a stamp duty policy aimed at first-time buyers or the young, and those aimed at older owners who you want to downsize. One of the justifications for possibly having a stamp duty holiday or whatever for first-time buyers is the nature of the problem they are facing. Essentially, that is about access to credit markets or whatever. That is fundamentally different from the problems that are faced by the over-60s or whatever. I am still not terribly keen on having differential effects for either group, but there is a fundamental difference between those two groups.

On this stamp duty point, although I have not seen the details yet, I do understand that the Australian Productivity Commission produced a report last week on this, and they were advocating an abolition of stamp duty altogether, to be replaced by other forms of taxes, so I would be careful about taking Victoria as an example of how it should be done.

Q154 **Bob Blackman:** Moving on to the supply side, I think, Mr Godfrey, you said in earlier evidence that people do not move from London to the coast, or a retirement bungalow somewhere completely outside; they tend to stay put. Is there the supply of smaller homes in this facility where people may choose to stay that would meet their demands?

John Godfrey: I do not believe that there is sufficient supply in those areas. We are talking here about a broad-brush trend. Some people will want to go and live in bungalows in north Devon, but what we see from customers for our developments is that they do want to stay locally. Many of them are quite happy, incidentally, to live in apartments, providing they can be confident that the lifts will work, and these are accessible. They quite like it, in fact.

The greatest demand from older people tends to be for, if you like, one-and-a-half bedroom apartments where the half-bedroom is used as a study or somewhere where they can go and have a bit of quiet time, or whatever it is. For people in younger, more active retirement, this urban living seems to work quite well. Quite a few of them go on holidays relatively frequently, and so they are not there all the time, so there is a security angle to living in an apartment that may be better than living somewhere secluded, but there simply are not enough of those types of properties specifically designed with older people in mind.

Q155 **Bob Blackman:** Why is it, given that they would presumably consume less land and they could be built slightly taller—not necessarily big skyscrapers but of reasonable density—that the market is not providing them?

John Godfrey: It is, again, really about the economics of building specifically for older people. You can forgo the communal areas and everything else, and say, "Look, this is just a standard flat. Would you like to buy it as if you were a 35-year-old couple embarking on home ownership or whatever it is?" in which case, fine. Those things are being produced, although arguably not in enough numbers, either. However, if you want to produce something that is marketed and designed specifically for older people, it is quite expensive for a developer to do, unless they take a very long view of it.

Q156 **Bob Blackman:** Professor Meen, do you perhaps have a view on whether we have enough properties in the right places?

Professor Meen: The first point, as we have already said, is that it is important that people do not actually move long distances. From memory, somewhere around about 60% of households, when they move, move less than five miles. The idea that the over-60s or whatever are going to move long distances is probably rather fanciful, so it is really a question about the existing distribution of these things.

In terms of numbers, in 2015, there were around about 8.6 million dwellings in this country that had one or two bedrooms, and about 3.5 million of those were owner-occupied dwellings. Those are the sort of numbers that are the potential supply that could be available, or the maximum that could be traded eventually, in time.

Q157 **Bob Blackman:** Is the tenure a problem? Obviously, for a lot of the people who might be choosing to downsize or right-size—whatever language you want to use—it would be a freehold property, and by definition, they will go to a leasehold property, which then runs all sorts of risks as far as people would be concerned.

Professor Meen: It is certainly true that a higher proportion of properties in the rented sector are actually one or two-bedroom properties than in the owner-occupied sector, which is what you would expect, given the proportion of flats in that sector. I would suspect, although I do not have statistics on it, that a higher proportion of those 3.5 million one and two-bedroom properties in the owner-occupied sector are also flats.

Dr Kenway: I do not need to add very much, but on this point about tenure, and indeed whether it is freehold or leasehold, we had a stat that said that three-quarters of the older households moved within tenure. However, owner-occupation freehold is potentially very different from owner-occupation leasehold.

Again, the numbers are one factor. The under-occupation and the availability of smaller property is one dimension to this, for sure, but it is really quite a small dimension compared with tenure, affordability, and suitability, which can just as well be dealt with, if the money is there, by perhaps staying in the existing home for the older person. Of course, as we have heard several times now, most people are only moving pretty locally.

The big numbers that we had in our report and that have come out in other reports are part of the background, but in no sense is this a simple central planning problem of moving that might have been appropriate in East Germany or something 30 years ago. We are not in that. The numbers are there, but we must not over-obsess with them. Of the many difficulties and challenges facing this country at the minute, it is not obvious to me that over-consumption of bedrooms is up there with our great big strategic difficulties.

Q158 **Bob Blackman:** Is there an issue about older people deciding not to move into apartments and that type of facility, for fear of who else is going to be there? We see many developments that are allegedly for 55s and above, but there is a fear factor: what happens if there is another family that may cause noise and nuisance, when they have lived in a detached house? Is that an obstacle?

Dr Kenway: For some, it is. From our earlier research, as well, plenty of older people prefer to remain in mixed communities. I am sure it is a factor, but you certainly would not have a general solution if you thought that age-only accommodation was the answer.

Q159 **Liz Twist:** I have been listening very carefully to the evidence that you have been giving, and I am wondering whether we are placing too much emphasis on downsizing as part of the answer to the housing crisis.

Professor Meen: My view would be that, as many people have mentioned, there is no silver bullet for these things. It is one aspect of a whole range of different policies. It is perfectly reasonable to look at the consumption of different groups. Most of the emphasis in the past has been on policies purely about increasing supply, which I think is important, but it dismisses the other part of the market, which is equally important.

Equally, you might want to think about looking at second homes as well, at some stage, which can be important. There is some evidence that, particularly for higher-income groups, the chances of them owning a second home have increased over the course of time, and again, that is more likely to be important when the returns on alternative assets are low. The point is that there is a whole range of different segments of the market that all interact, and housing for the older age group is one element thereof. It is perfectly reasonable to look at that.

John Godfrey: I would add to that that it is absolutely not the unique solution, so one should not put all eggs in one basket and think about downsizing or right-sizing. I will give you a very good case study of an alternative approach that we took, and which we will be rolling out as a pilot scheme to see if there is much greater demand for this, which we expect there will be.

We had a gentleman who lives in Islington, Mr B; I will not give you his name. He is in his 70s, suffers from autism, and was living in a property in absolute squalor, basically. The place was falling down around him, and he was living in a corridor, the other rooms all having become uninhabitable. The approach for him was clearly not to try to sell it, because the property was worth about £350,000 at the outset, such was the state of it, but, as he owned the house, to take out some of his equity and use the equity to refurbish the house, which is now valued at about £600,000. He lives in it, it is habitable, and he no longer faces a binary decision of being placed in residential care by social services, who of course, cannot step in and refurbish his house for him at a cost of £150,000.

This is an alternative way to do this. We did this in collaboration with a not-for-profit outfit, and we will be rolling that out, because we think that just in London, there are probably up to 100,000 people in similar states where the property is worth money, but it is falling down around their ears. Rather than whisk them out and say, “No, you are going to move into a flat somewhere else”, which would probably cause them emotional or psychological damage, or make them unhappy, this solution can be delivered to them, with a lifetime mortgage that, therefore, does not have to be repaid until after their death.

As far as Mr B was concerned—I have met him, actually—it was as if a magic wand had been waved and sorted out his problems. We should look at all solutions when we look at older people's housing, not just supply and demand, and relocation and right-sizing.

Chair: Thank you all very much for coming to give evidence to the Committee this afternoon.

Examination of witnesses

Witnesses: John Galvin, Paul Smee and Mark Bogard.

Q160 **Chair:** Thank you very much for coming to give evidence to us this afternoon. For our records, could you say who you are and the organisation you are representing?

John Galvin: I am John Galvin, Chief Executive of EAC—Elderly Accommodation Counsel—a housing advice charity. EAC is the lead agency in FirstStop advice.

Paul Smee: I am Paul Smee, Head of Mortgages at UK Finance.

Mark Bogard: I am Mark Bogard. I look after the Family Building Society and we lend money to old people.

Q161 **Mike Amesbury:** This is directed more for you, John, but others may wish to contribute, focusing on advice and support. What aspects of moving home do older people most often need advice and help with? What proportion of people want the advice about this, compared to staying put?

John Galvin: I am going to be more upbeat about older people, their variety and what they are interested in than some of the people you have heard over the sessions you have done. However, I will not be able to give precise answers. We all look for that, but I am not sure I am going to be able to give it to you. People are very different, and we meet a lot of people through FirstStop advice, formally, via the housing care website, 20,000 by telephone, and direct personal contact. They are coming to us with very different stories and very different asks of us as an information and advice service.

That is not to say that what they come to ask about today is their full story. They will usually come with a presenting issue. People often come at a time of problems, crisis or something unexpected happening, and will tell us about that. In a way, we see that as a test out. If we can sort that one out then maybe we can have a longer conversation in the future. With that intro, I have a few little vignettes.

Mary telephones us, and her story seems simple: "I am not managing my garden as well as I used to do. How can I find somebody reliable to help?" We can do that. We can absolutely pinpoint what might be relevant to Mary in her locality in Stoke-on-Trent and help her move on that particular front, but what does Mary not being to look after her garden as well as she used to do tell us about her. We can have a further conversation. Is she not managing quite as well indoors also? Is there a need for talking about work to the house, avoidance of hazards and so on? Is she perhaps at the beginning of a journey where she might want the discussion about moving at some point? We do not know on day one. We respond to that, but Mary's issue could be quite different three, six, nine or 12 months down the track, once she has had the confidence to open up to herself, perhaps, and to us to talk about it.

There is a similar one with Joan: "My daughter says we should get some work done on our home to make it safer, warmer and more secure. Where do we start?" Again, we can do it. We can point Joan and her husband in the right direction, but there are alarm bells around, "Make our home safer, warmer and more secure". We would hear those alarm bells, but we do not want to challenge Joan about that today. We want to give the straight answer to the question she has asked, but welcome her to come back if she wants to talk about other dimensions of her home and the way she and her husband live in it.

Barry's story: "Mum fell down the stairs last week"—getting more serious now—"fractured her hip and cannot come home from hospital because she will not be able to manage alone. The hospital says she needs a care home, at least in the short term. Can you help me find one?" Again, we will promise Barry by email or in first class post all the information about care homes that could cater for his mum that same day. We will do that job, and that is clearly the urgency. However, there is also an urgency for Barry to start talking to his mum tomorrow, or as soon as she is well enough, about how she feels about going back to that house. Obviously, in the short term she will very much want to get back—we all do after an upset—but there is clearly a discussion about whether the fall was caused by an inappropriate home. Would she be safer in another home? Perhaps, over a period of months, there are discussions to be had within the family and an agency like ours to explore that.

I have a last one, if you will permit me. John and Betty are a couple who decided to look into moving home, perhaps to somewhere nearer their son: "We do not want to rely too much on him, so we have looked at retirement housing. We have seen one or two places on your website"—our website—"but our question is whether we can we afford it. We have heard that the service charges in these places are very high. How much help do they really provide in these places when you need it? We have also seen some cheaper places. They are called shared ownership. What does that mean?"

I have picked out this one because it weaves in quite a number of questions that were all presented to us upfront. We will work through all those, because they are very real questions that we always have to work through with people who are looking at a retirement solution, but making the move to some very different environment with a different set of costs and questions about what care and support means. "What does it look like if I am moving to this kind of place?" There is no one answer to the question of why people move, or what aspects people most often need help with. I would say it is whatever aspect they bring you at the beginning, and you work from there.

Q162 **Mike Amesbury:** Are there common themes though? Surely there is a common ask amongst those.

John Galvin: As an agency and as FirstStop network, which is what it is, we are very in tune with retirement housing. Most of the agencies involved in the network have had to become tuned into this, because so many people do come looking for that kind of solution. I say "so many". Actually, if you look across the whole FirstStop network, over half are not at that point where they are thinking they want to move. They are looking for a solution to where they live now. Whether it is our local partners around the regions, or it is EAC leading on the national service, we will go with what they want, and if it is to stay put, help them do that.

We will also be there in a year's time if they want to come back and say, "That helped up to a point, but we are still not fully happy with where we are. Maybe we need to look in more depth at alternatives, or at more serious adaptations to the house than were done a year ago." Does that help?

Q163 **Mike Amesbury:** Yes. Would anybody else like to contribute?

Paul Smee: I defer to Mr Galvin.

Mark Bogard: When it comes to the financial aspects of that sort of issue, one of the things that regulation has done over the last 20 or 30 years is that there has been a complete separation of financial advice on the investment side and the mortgage side. I am sure is an unintended consequence, but is quite profound for older people. For a lot of elderly people, those two things juxtapose. You can no longer see one person to do both, and so some people might downsize, still have a mortgage, and end up with a pot of money, as people were talking about before. You cannot see one person anymore to talk to you about both things.

Q164 **Mike Amesbury:** John, how do older people prefer to get advice? Are there any difficulties in accessing that advice online?

John Galvin: We all have a parent, an aunt or an uncle, or somebody who represents the generation that will not learn or cannot learn. We know that advice online is problematic for a significant minority of older people, but the reasons for that differ. They simply might not have mastered the technology. How to use a mouse is bad enough, but equally they may not read well, or digest written information as readily as someone who is both more educated and has English as a first language.

In our experience, and in my long experience in this field, there is a more universal challenge here. Most of us have become pretty adept at using the internet to search for and successfully find information. When you come to put together all the information you have gleaned in a way that helps you arrive at a decision, however smart you are, you can still be entering a new territory that you have never thought about before. Most of us only come to questions about suitability of home and perhaps needing care support and the later-life costs when life jolts us, or jolts mum or dad. You are trying to assimilate quite a lot and realising quite quickly that there are costs, gatekeepers for public services and quite a range of options involved.

Even within the area that you have particularly focused on in your deliberations so far in this in this later-life housing sector, the retirement housing sector, there are a huge range of models. There are a huge range of pricing arrangements. There are a huge range of service charges and services that are provided. There are big differences between those. Even if you have read everything, it is quite a big job to work out, "What can I afford? What model would work best for me?" even before you go outside the door and see, "Does anything like that model exists within three or four miles of me?"

The point I am coming to is that, in the same way as when I first decided I ought to be real about being eligible for a pension, even though I have not drawn it yet, think about my finances and meet a financial adviser, I relied on that financial adviser to limit what he might be able to tell me to a subset of information that was relevant to my situation. It is the same when people are looking at later-life housing options.

There comes a point for many people, however intelligent or smart, when they welcome and value the chance to sit across a table or have a long conversation on the phone with somebody who knows the ropes. They can learn a bit about them, let them talk first, listen, feed in questions and move towards a position where this adviser, call them what you will, is able to filter down the number of options. They have the trust of the client and are able to present to them a range of options, saying, "Maybe these are the things that you should at least look at first. If they do not work, we will carry on the conversation, but that is my best attempt, as an adviser, to distil things down".

We do not need that personal contact every day. However, in my experience, most people, at some point in their journey of getting older and thinking about their home, support and care services, and costs of getting old, will have times when they absolutely value the intelligent, sympathetic, empathetic adviser.

Paul Smee: In the mortgage market, and housing finance generally, it is a very heavily intermediated market. About 70% mortgages come from the adviser channel. Even with the increase in online access, what you will see is people using online to gather information and perhaps feed in some information about themselves to get an idea of what is out there. They will then want a point at which they have some human interaction, as Mr Galvin was saying. The market is there.

The issue that we have to tackle is how to ensure that the advice is given smoothly. UK Finance, or the Council of Mortgage Lenders, as it then was, published a research report around this. It is very difficult for somebody to be told, "We have come as far as I can take you and you have now got to go and see somebody else and start from square one again". The challenge to the industry is to make the process between investment and housing finance advice as seamless as possible.

Mark Bogard: There are two things on that. The FCA recently published a report that only 9% of 80 year-olds and over use internet banking. 91% do not use the internet for this kind of stuff, and they want to see people. If we do a deposit account that is not available over the internet, we can charge a lower rate. We can pay a lower rate because people are so desperate to post you cheques.

On the advice side, there is another separation in the mortgage market between lifetime mortgages and normal mortgages. A lot of advisers will only give advice on lifetime mortgages or normal mortgages. We believe that is a lousy distinction to exist, because if you go and see a lifetime mortgage adviser, guess what you will get?

Q165 **Mike Amesbury:** Do we need a single independent national branded service that provides this holistic support that you are referring to?

Paul Smee: There is one coming down the pipe towards you. That is the single finance guidance body, which I think is being created in legislation that is before the House currently. It is also something the industry has to do, about how it passes people to those experts who can best advise them. That does happen. I am sure there are ways in which it could be improved. The creation of the single finance guidance body will give a single focus point for people entering the market.

John Galvin: Could I throw in here that within the FirstStop model from the start we tried to address the financial dimensions of home and housing. In fact, FirstStop's mantra is housing, care support and finance. The things are interlocking in most people's lives. We have been very serious, both at local level with our local delivery partners and amongst the national delivery organisations who deliver this, to make sure that all our advisers are fully trained and briefed in financial products and services that are available. Also, from day one we have been partnered with SOLLA, the Society of Later Life Advisers, to have them accredited in advising older people. We have had their advisers available on tap, as part of the FirstStop network, for any clients who say they would value a talk.

We would always be the constant ringleader, hand-holder, or case-holder. We, or agencies like my own within the network, would be doing the initial conversations and pulling in expertise when it is needed. We also got out there with a training programme for IFAs—independent financial advisers. That helped to make sure that they each individually had some sort of grounding in the range of housing support and care issues that older people felt. They found that very valuable. It was trying to weld things together.

The FirstStop model has not yet become a household name in every part of the country by any means. It is only covering 15% of England. I agree: in all walks of life, we are talking about integration. People need not just answers to one thing, separate from everything else, and need to know that any agency they go to for help can make the connections. You do not go to see a GP and think they can only talk to you about medical solutions. Nowadays, you expect one who understands that people can be in socially difficult circumstances that create mental issues that might lead to medical issues. Here, we are realising that a FirstStop-type model is all about integration, making the connections for people. It is making the offer to them to try to help pull together these various strands that they are grappling with, in a way that helps them keep ownership, and ultimately arrive at decisions that they are happy with. They may not be perfect decisions but best ones, taking into account all the factors that come into that decision.

Q166 **Mike Amesbury:** What practical initiatives are out there, John, for older people that wish to move house, such as decluttering and packing and so forth?

John Galvin: Candidly, they are out there. I could tell you of two superb removals firms and several decluttering firms, usually private companies. They are very good, with very dedicated and capable people. In fact, within the FirstStop framework, early on, we created a partnership with one of these moving home firms who do decluttering and all the rest. They enter the loft, pack, help people sort, give away things, sell things, keep what matters, and then are with them on removal day and deal with the utilities—the whole package.

To be honest, we did not succeed very well at marketing that service through either our website or our national advice services, but at local level it went very well. The conclusion we drew was that the services I am talking about were not awfully well known, but Age UK in Nottinghamshire or York City Council, or the Home Improvement Agency in Blackburn were locally known and trusted agencies. If they had confidence in a company or an outfit, or they did this kind of work themselves, then people would go for it in a big way. The movement on that probably needs to come at the local level, through trusted intermediaries.

Q167 **Liz Twist:** First, I have a question on that kind of topic. When we had our first evidence session, we talked a lot about planning for when you are older; you may need different things. What you have talked about, John, is primarily where people have an urgent problem. Do any of you think there should be advice helping people to plan ahead on their housing, in the same way as you might plan your finances?

Paul Smee: You will certainly be able to find advisers who will do that. It is much more a question of people thinking ahead and wanting to talk the issues through. I am sure that there are people out there who are prepared to do that.

John Galvin: My quick response on that one would be that if FirstStop was a business and charged, we have a marketplace out there. We have a bunch of potential customers that we have not tapped into. Half the people who use our free advice service are sons, daughters, relatives, carers of older people coming on behalf of those older people. Our line, almost literally, to them should be, "Now we have sorted out mum, or dad, or uncle, what about you? You are in your 50s. You have seen what is happening to your parents or loved ones. Is there a conversation we can start, now you have grown to trust us because of the engagement we have had with the older generation? Is there anything you would like to discuss about your own situation, things that you have not yet perhaps started to think about? Even if they are not things you want to go into today, keep our card. Remember us five years down the track, 10 years down the track. We will still be here, and it will not be frightening. We will offer solutions and we will be with you."

Mark Bogard: We lend money to old people. Historically, that is something that neither the FCA, nor the PRA, nor the Bank of England, who regulate us, like. Our experience is actually very good. The number of properties we have in possession at the moment is zero. The amount of bad debt that we have is effectively zero. The reason for that is most old people are really sensible. Our experience with old people is better than our experience with younger people. Most people think about things carefully, rationally and logically, and kind of know what they want to do. There comes a point sometimes, obviously with dementia or other reasons, where that goes. However, in the lead up to that, most people have a very clear idea of what they are doing and why they are doing it.

Q168 **Liz Twist:** Looking at the later-life mortgage market now, how do older households use the mortgage market? What proportion of people take out a mortgage in later life?

Paul Smee: If you are looking at the figures of mortgages advanced to the over-60s, last year there were 43,000. This year we are anticipating something in excess of 55,000. You have to compare that with the 860,000 mortgages and re-mortgages for the market as a whole. As for equity release, the market is growing. Last year there were 26,000 mortgages. In the first three quarters of this year, 24,000 equity release mortgages were issued. In both cases we see an increase in number.

Q169 **Liz Twist:** How strong is the market? You have just given us some figures. Can older people quite easily get a residential mortgage?

Paul Smee: Everybody who applies for a mortgage must go through a process when its affordability is assessed. Of course, there is a stress test as well to see if they can cope with increases in the interest rate as well. That is a rigorous process that applies to anybody borrowing a mortgage. The regulatory attitude to lending to people in later life has relaxed in recent years. There is a greater appreciation that pension income can be a very satisfactory form of paying a mortgage commitment. Accordingly, there is no regulatory inhibition on taking the right people through into borrowing into later life. It must be done on a case-by-case basis, and it must be carefully assessed, which is where the intermediary and the adviser comes in as well.

Q170 **Liz Twist:** Is there any reluctance on the part of some organisations to lend to older people?

Paul Smee: Some organisations are enthusiastic.

Mark Bogard: What we see is the large providers have two issues with this. One is a profound fear of conduct issues. If you are one of the big six lenders, you do not want to end up on the front page of the financial section of one of the national newspapers kicking a little old lady out of her home. You know that is PR death for you. The other thing is that if you are a large provider, coming back to the numbers that Paul was talking about before, you have a machine, and you want to feed a large number of cases through that machine. Old people are much more complicated, so we do not have a computer. The only way to deal with a mortgage for older people is by looking at them and being told a story. If you are one of the big six lenders you cannot be bothered to do that, because for X% of the market it is not worth you doing it.

Paul Smee: I feel that is a position that is going to shift over time though.

Q171 **Liz Twist:** I was going to ask whether the lending criteria for a mortgage for older people would be different. Are you saying that they are basically the same criteria?

Mark Bogard: As Paul said, the regulatory architecture around giving someone a mortgage is around affordability. In pricing terms, we would charge exactly the same for a mortgage for a 25 year-old or an 85 year-old, because we see no credit quality difference between the right 25 year-old and the right 85 year-old. There are a series of issues and questions that you have to look at when you go through the underwriting process. A 35 year-old and an 85 year-old have a different set of things that may happen to them in their life that you ask them to think about.

Q172 **Liz Twist:** So the criteria are different.

Mark Bogard: It depends what you mean by “criteria”. All lenders have a thing called an affordability model. You put numbers, which have no smell, in a sense, into your affordability model. The things that go around that and the questions you might ask of an 85 year-old and a 35 year-old will be different. As Paul said, you will not be made redundant from your pension, but you can ask elderly people "What happens when one of you dies? What happens if one of you gets taken into care?" There are those sorts of issues that you go through. The number that goes into an affordability model is just a number.

Paul Smee: Lenders will have their own weighting and risk appetite as to what sort of mortgage book they want to run.

Q173 **Liz Twist:** What about specialist retirement properties? How does that work out with a mortgage?

Mark Bogard: Picking up on the conversation that you had with the three gentlemen before, although we specialise in this we will not lend on a retirement home. The reason for that is my primary obligation is to our depositors. The value of the security on an asset that is constrained in who you can sell it to and can have very high maintenance costs, so your annual service charge, makes that an extremely unattractive asset for the society to end up owning if things go wrong. It is interesting, because a number of the builders that people were talking about before come and see us to see if we will do that kind of lending. Our answer is always no. Constraining the way in which you can sell a property has a hugely negative impact on its value as security.

Q174 **Liz Twist:** Is that the same across the whole of the mortgage market?

Paul Smee: There will always be lenders who will be prepared to look at this on particular terms. It is one of the factors they will take into account in assessing a mortgage application, and about the number of properties in a retirement village or whatever that they are prepared to lend on.

Q175 **Liz Twist:** Do you think older people are aware that they can borrow in later life, and where they should go to borrow?

Paul Smee: The figures would suggest that they are. There are generational differences. There are some generations who were more open to borrowing than others, but I do not believe there is a big information void.

Mark Bogard: If you talk to older people about this, and it depends what you count as older, many people will see one of the seminal moments in their life as paying off their mortgage. That is right up there with a whole bunch of other things that you do in your life, but paying off your mortgage is one of those things. A lot of older people see mortgages as for young people. The large book of interest-only mortgages that are extant at the moment means that you are going to have millions of older people who are coming up to an issue of facing having a mortgage in later life because they are not able to pay off that interest only mortgage. That has created a big cohort of people who have a question to answer.

If you talk to old people, they think that a lifetime mortgage is the thing that you get when you are older, because that is sort of what it is for.

That is a suitable product for some people, but a normal mortgage can be a much more suitable product for some of them.

Q176 **Liz Twist:** If people are rejected by one lender, will they be easily able to be passed on to someone else who will consider their case?

Mark Bogard: 70% to 80% of the market is intermediated. The advantage of seeing an intermediary, a mortgage broker, is that they will tell you about the whole market. If you walk into the Nationwide and the Nationwide says no, you have to go through a whole process, which can take several hours and time to get an appointment. One of the things regulation has done is driven more people to the intermediary market.

Q177 **Fiona Onasanya:** I have a follow-up on the back of that. With the intermediaries, is it better because if you go directly to a lender you are putting footprints in your credit file as well? If someone was older and concerned about possibly trying to access funds to buy something else, or even to sustain their own property if they had an interest-only mortgage, do you think it is beneficial that they have access to this middle person, rather than having to go direct all the time?

Paul Smee: It can be. There are ways of addressing that issue down other channels as well, but I take your point.

John Galvin: Throwing one thing from the side, just because it is a figure that is interesting to me, in terms of financing later-life housing, in the retirement sector shared ownership is beginning to become a significant part of the market. It is only 7% of recent years' new supply, but that obviously gives a way of enabling people to buy with a much smaller capital sum. Of course, it goes hand in hand with paying rent on the part you have not bought. The sums can still work quite well for some people.

Q178 **Chair:** Just coming back to the issue of retirement villages, how many lenders are prepared to lend and not simply say to someone, "No, we do not do those"? How many are prepared to lend?

Paul Smee: I will send you a note, Chair. I do not have that in front of me.

Q179 **Chair:** Clearly there is a possibility that this will become a more widely available offer for people, but some may not be able to access it if they cannot get the finance to do it.

Paul Smee: I will not guess. I will send you a note.

Q180 **Bob Blackman:** When we are looking at equity release products, what sort of groups of older people are taking these up? Are there particular groups that do not take them up?

Paul Smee: That is an interesting question. The evidence that we have is that a lot of people initially take out an equity release loan to sort out the property that they are living in. It is for repairs or enhancements. They are not moving.

Q181 **Bob Blackman:** They are not moving. It is improvement.

Paul Smee: It is improvement or whatever. There are others for whom equity release becomes a way of funding other expenditure, which may be nice-to-haves or must-haves and this is the easiest way in which they can do it. That is a field where further research is probably needed to ascertain the precise usage to which equity release has been put. It is changing. As the market increases and we see more people enter it, the pattern will change over time.

John Galvin: Something that we see a lot of, going back to your earlier deliberations, is people who want to stay living where they are, need or want major adaptations, find that either a Disabled Facilities Grant is not available to them, or processing it could take a long time. They accept that they are going to have to pay themselves, but do not have the ready cash. Equity release is a way of doing that.

Mark Bogard: We have a historic book of equity release mortgages. You see three things. One is people sorting out their existing property, which is often to do with water ingress. Two, there are a section of people who just want it to go and have a good time, so they will go on holiday or whatever. The third group of people, which is growing, are grandparents helping their children on a property-related transaction. Again, that is not necessarily the best way to achieve that, but can be the default way to achieve that for some of these people.

Q182 **Bob Blackman:** One of the barriers at the moment appears to be that the interest rates on these schemes are much higher than a normal mortgage. Is there a particular reason for that? Is that a barrier?

Paul Smee: It is different forms of risk. Equity risk is a life insurance type of product, so there is actuarial risk round it, which is very different from the old form of credit risk. One of the things that is happening in the market is that there are better contacts being established between the traditional equity release providers and the residential mortgage industry. That will create a better understanding of how those two risks interrelate and may in time lead to different outcomes.

Mark Bogard: From the provider's perspective, an equity release mortgage is a very complicated and risky product. The lender gives the customer some money for a completely undefined period, and there are a series of risks that they are running against, such as the house price index risk. If house prices go up less quickly than the interest rate, those two numbers can catch each other up relatively quickly. These products have always got a no-negative-equity guarantee, so if the person lives beyond those two points and the line going over each other, you are losing money, effectively.

It comes back to why people do it sometimes. The decay of those properties can be significant. Someone was talking about a guy living in a corridor before. You see that. The indexed valuation and the actual valuation of that house will be completely different. All of those mortality, morbidity, interest rate, house market and the actual state of that property risk mean it is a very complicated product. There are many ways for it to go wrong for the lender. To us, it seems surprisingly cheap at five-point-something percent.

Q183 **Bob Blackman:** Has there been any impact of mortgage rates being very low for a very long time? Clearly at the moment there is essentially only one way that it could go—up. Is that having an effect on the equity release type of product?

Paul Smee: We have not seen it yet. It is important to remember that when these products are issued there is some stress-testing done of people's ability to repay loans. A lot of people, particularly in the residential mortgage industry market at the moment, have taken out fixed-term loans, so there will be a period before they see any impact whatsoever.

Mark Bogard: The stressing you are required to do in an affordability model, as Paul says, is vastly beyond the sort of prospective interest rate rises that the Bank of England is talking about.

Q184 **Fiona Onasanya:** Is it common for people usually to need advice on residential mortgages and equity release? Do they normally seek advice on both?

Paul Smee: Yes. In the case of equity release, very few people would do it without advice.

Q185 **Fiona Onasanya:** If they are seeking that advice, can they get it? Is it easily accessible and readily available?

Mark Bogard: You get it from different people. That is part of the problem. One of the other problems is there are some equity release advisers who can give you a normal mortgage. The commission payable on an equity release mortgage can be five times what it is on a normal mortgage.

Paul Smee: I believe there is a challenge for the industry to make the relationship between the person giving the mortgage advice and the person giving the equity release advice as seamless as possible. That would prevent customers dropping away simply because the process is too lengthy, complex and tedious.

Q186 **Mary Robinson:** To go back to your last comments about the advice that might be given, would an IFA therefore decide to go into a certain line based on the commission that they could get in recommending the different types of lending? What sort of controls are there to ensure that lending is done in the right way?

Mark Bogard: There is a vast and thorough architecture of compliance and regulation designed to stop that. There is a dichotomy. You can go and see someone who specialises in equity release mortgages and does not have the permission to sell you a normal mortgage, because that is regulation. If you go and see an investment adviser, he will tend to get you to invest money in things. Who you see matters, and whatever the regulation is, you have a human sitting in front of another human.

Q187 **Mary Robinson:** I suppose I am asking because there is this element of independent financial advice. If it is constrained, is it truly independent?

Paul Smee: I used to represent IFAs. I used to run their trade body about 12 years ago, so I am drawing back on to my memory banks. There is significant regulation around the suitability of the advice, and there is now significant regulation around how remuneration is calculated. I believe that those are protections, and there is of course an ombudsman scheme as well, for those who feel that they have been poorly advised.

Q188 **Chair:** I would like to come back, finally, to an issue that was raised by John Galvin about shared ownership, and whether this is something that is likely to expand and could offer an alternative for many older people. You mentioned it John. What are your thoughts about this as another alternative?

Paul Smee: One of my regrets, at the end of six years working in the mortgage market is that I have not been able to get more traction behind shared ownership. There are opportunities there in particular parts of the market, and I know there are a lot more lenders who are becoming much more active in offering shared ownership products. I even have the number: it is over 20 now. That has been an increase. There are models for shared ownership. The more we can see a prevailing model develop rather than very specific local models, the easier that will be to see the market grow.

Q189 **Chair:** You are saying that currently it is complicated because some of them are slightly different to each other.

Paul Smee: The geography is quite complicated. The simpler it becomes, the greater the potential for expansion.

Mark Bogard: To take that up, one of the fundamental principles of retail financial services has to be to keep things simple. That is even more true if you are dealing with elderly people. I have a view that if you cannot explain something in a maths class for a bunch of 12 year-olds, you just should not even begin to go there. The trouble with some of the variations of some of the things we have talked about is they get very complicated. They can get very complicated for the customer, and also for the lender.

The problem with shared equity mortgages is if the person stops paying the rent. You then have a structural problem in the product, which is very difficult for both sides to deal with. Keeping these things simple and straightforward is important. The financial services industry often runs to complexity, because the less transparent things are the easier it can be to make money. If you can keep it simple, just keep it simple.

Q190 **Chair:** It is not just financial simplification, is it? The sorts of questions people ask are, "When there is a problem, the glass breaks in the window, is it my responsibility or somebody else's to fix it?" Those sorts of issues are the ones that often cause real complications around this area. Do we need those sorts of things simplifying?

Paul Smee: The more standardisation you can get across the piece, the better.

Q191 **Chair:** There is a link with welfare issues as well, and what people are entitled to. It can often be quite complicated when you are paying part rent, part mortgage.

Paul Smee: I defer to experts on that, but yes, I imagine so.

John Galvin: You have it, absolutely. From the individual's perspective life becomes complicated. This is just one more thing. It has to be sorted. A standard way of explaining is often what we look for in the information and advice world. Can we all use the same language in trying to explain some quite complex things to the public at large? I am sure that we would all agree that standard language and standard definitions would mean people are not struggling to interpret what you have told them and what we have told them.

Q192 **Chair:** On some of those issues, people do not just need pure financial advice. They need a bit more. How do they get that bit more? This is the issue, is it not? An older person would want to know answers to a whole range of issues.

Paul Smee: Anything to do with shared ownership has to include the person from whom the property is being rented as well. They have to be part of the discussion. They have to be part of the standardisation.

Chair: Thank you very much for coming to give evidence this afternoon.