

Written evidence submitted by The Equity Release Council (PEG0103)

The Equity Release Council (the Council) is the representative body for the UK equity release sector, with over 500 member firms and nearly 1,300 registered individuals. Our members include major product providers (including Aviva, Legal & General, Nationwide, Canada Life, LV=, Just, More2Life, Scottish Widows, Pure Retirement, OneFamily, and Hodge Lifetime), regulated financial advisers, solicitors, surveyors, funders, and other industry professionals.

The Council leads a consumer-focused equity release market by setting authoritative standards and safeguards for the trusted provision of advice and products. It exists to promote high standards of conduct and practice across the market. Every member is committed to the Council's Standards which complement statutory regulation to provide customers with the highest form of protection for any property-based loan. Since 1991, over 500,000 homeowners have accessed over £30 billion of property wealth via Council members to support their finances.

In 2019, the market saw £3.9bn of property wealth unlocked by over 85,000 new or returning customers, compared to the estimated £1.7tr total property wealth owned by people over the age of 60 in the UK. The range of product options has increased 42% over the last year to surpass 300¹, while the average rate reached a record low of 4.48% in early 2020 with two in five products offering rates below 4%.

Post-Pandemic Economic Growth Inquiry

The Council warmly welcomes the in-depth and far reaching inquiry that the BEIS committee has undertaken to establish the challenges that the UK is facing as the economy seeks to recover from the Covid-19 pandemic. The Council has been working closely with members, the FCA and the Bank of England to provide market analysis and up-to-date information on our sector. The Council has responded to the topics that we believe we are best placed to comment on in this inquiry.

What opportunities does this provide to reset the economy to drive forward progress on broader Government priorities, including (but not limited to) Net Zero, the UK outside of the EU and the 'levelling up' agenda? What should the Government do to ensure that delivering on these priorities does not exacerbate the vulnerability of businesses, consumers and communities/workers that have been impacted by COVID-19?

The Government's recently announced Green Home Grant is a very welcome introductory measure to encourage individuals to take the necessary steps to improve the energy efficiency of our buildings and homes as we drive towards the target of Net Zero 2050.

¹ The Equity Release Council Spring 2020 Market Report

The Council has welcomed the innovative policy development work being carried on the issue of energy efficiency of homes, with the focus being given to the need for solutions that encourage homeowners to make investments.

In addition to developing innovative solutions that are part funded by Government, it is critical that the Government and industry look at how we can help homeowners to release and fund their own contribution to energy efficiency. The Government's own [study](#) of the costs to retrofit a home, carried out by BEIS in 2017, showed that the mean cost of upgrading internal wall insulation alone was £7,900. When additional measures such as improving double glazing (£6,400), cavity wall insulation (£750), loft insulation (£450), replacing a gas boiler (£2,000), and underfloor insulation (£5,800) are taken into account, it is clear to see how these costs will spiral to become unaffordable to the average homeowner. Raising the question of how homeowners can find the money to fund such investments.

For older homeowners, equity release provides an affordable and practical way to pay for some of the larger costs associated with improving the energy efficiency of their home, delivering savings on energy bills down the line.

Equity release is already frequently used by individuals to fund home improvements, such as making a home more accessible as individuals go through life changes. The utilisation of equity release products to improve the energy efficiency of the home is the next logical step as our members develop innovative and cost-effective products for the market. One such example of our members innovating to deliver new products has recently been launched by Just Group. The newly launched "green lifetime mortgage" product will offer customers a discounted interest rate on their lifetime mortgage if their property has an A or B rate EPC. This initiative is building upon the measures announced by the Chancellor to incentivise individuals to take the necessary steps to improve the efficiency of their homes and showcases how the market can build upon the policy decisions taken by the Government to increase uptake.

The Government's stimulus strategy must maintain a focus on the environment and what simple and tangible measures individuals can take that both help to improve the energy efficiencies of homes, as well as stimulate the economy. Our members are working hard to deliver products that can help individuals release cash which can then be utilised for home improvements. We welcome the Green Finance Institute's recent [report](#) on *Financing Energy Efficient Buildings: the path to retrofit at scale*, which highlighted the potential for Green Equity Release products to help older homeowners fund necessary works at affordable rates. This is an area where our members are seeking to develop innovative products and solutions that can help to directly steer funds into home improvements.

The Council would be happy to provide further detail on these initiatives as they are made available by our members.

What measures and support will businesses need to rebuild consumer confidence and stimulate growth that is sustainable, both economically and environmentally?

The turndown in the markets and the uncertainty that has arisen over the course of the pandemic has, understandably, effected many consumers' confidence and willingness to spend in favour of increasing their savings in case of a prolonged downturn. As a result, the Government is faced with the challenge of encouraging individuals to spend their capital at a time when there is no guarantee that difficult times will not return, and when job losses are likely to continue to rise.

The Council warmly welcomed the Government's decision to reopen the housing market and the measures introduced on stamp duty have provided a welcome impetus to encourage this important market back to health. The equity release market relies on a robust housing market which allows our members to offer increasingly innovative and cost-effective products to older homeowners seeking to take advantage of the equity accrued in their home.

In 2019 the total amount of equity released through our members was £3.9bn. While this represents a very small fraction of the £1.7trillion in housing wealth amongst the over 60s, this released capital has been put directly into the economy, allowing individuals to pay for home improvements, consolidate debt, boost retirement income, fund lifestyle purchases or provide a living inheritance to family members. Equity release provides a cost-effective and convenient method for older individuals to put their equity to work for important financial and social needs. This helps to boost the economy as this capital would otherwise not be utilised until the individual passed away.

While equity release is not suitable for everyone, we have robust standards and consumer protections in place to ensure it is taken out only after careful consideration of personal circumstances through financial and legal advice. Where appropriate, equity release offers considerable potential in releasing capital and putting money into the economy through consumer spending. It is therefore important that both the Government and market look at ways to generate consumer confidence in taking financial decisions, in the context of the uncertainty caused by Covid-19. Confidence will help to drive the recovery and we must support consumers where possible.

Consumer confidence in the housing market and economy is a key factor in how individuals approach financial decisions. The Government's early measures on the housing market and providing incentives for individuals to spend money in the high street have gone some way to reassuring consumers and the markets that the UK can deliver a "V-Shaped" recovery. The Council calls on the Government and the BEIS Committee to examine the potential role of equity release and innovation with new products to help drive a Green Recovery and support initiatives already announced such as the Green Home Grant.

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