

Subject: Equity Release

Note of key matters:

Attendees:

Presenters	APPG	Others
Andrea Rozario, Director General of Safe Home Income Plans (SHIP)	Baroness Hollis Lord Lipsey	David Worsfold David Morey (PwC)

Given the timing of this session, many members were unable to attend. Accordingly, it was agreed that SHIP would present at a later date. However, the Group did have a useful meeting with Andrea.

Key points discussed included:

- SHIP membership has shrunk as a consequence of the banking crisis – membership slightly reduced, with firms active in the Equity Release market to varying degrees. Equity Release is constrained by reference to supply rather than demand, caused by a lack of funding availability (banks returning to core markets, refocus on balance sheet risk and short term profitability). One niche provider has failed.
- SHIP are concerned about the potential impact on the Equity Release market of the FSA's Mortgage Market review and any further call for tighter regulation across the mortgage market as a whole. SHIP would be particularly concerned about product regulation that impacted the Equity Release market as Equity Release is already more highly regulated than standard mortgages, through the SHIP code. SHIP is liaising with the FSA accordingly, and seeking to ensure FSA recognises these higher standards.
- The Group was keen to see Equity Release reaching out to the local authority sector, providing another option for homeowners to raise capital. In this context, the challenge would be to find a way of kite-marking (e.g. FSA endorsement of a 'stakeholder' Equity Release plan) to make Equity Release attractive to local authorities, so that they could include this as another option for households to consider in addition to care arrangements. Equity Release could then enable households to unlock capital to fund repairs or provide additional income. Such an Equity Release product could then be made accessible through 'Universal Advice'. SHIP is keen to work with Government to find cost effective ways of reaching the local authority sector.
- Recognising that in general there is a stepped increase in dependency (secondary disability), Equity Release might provide households with additional options for elderly people to stay in their own home and have care at home.
- SHIP referred to an existing pilot with three local authorities – a specific Equity Release product provided by a single provider designed for a particular target consumer type.
- SHIP, however, confirmed that at this time, most Equity Release products were not designed for these purposes.
- The Group suggested that perhaps the target market (age group – current average is 67) for Equity Release could be increased to 75 +. This would decrease the longevity risk inherent in these products for the provider, and reduce the potential cost of the no negative equity guarantee which has to be reflected in the pricing.
- The Group was also keen to discuss the inter-relationship for the Equity Release market of the Government's Care Home Insurance scheme (i.e. unlocking capital to fund the insurance contribution), and encouraged SHIP to respond to the Green Paper.
- The Group also discussed the complex area of the impact of means tested benefits for persons under the age of 75, on the appropriateness of income drawdown plans. SHIP confirmed that the advice process is certainly thwarted where benefit entitlements are not fully taken up at the time Equity Release is considered. SHIP is keen for Government help

to seek clarity on the inter-relationship (between benefits and Equity Release) and agreed to provide evidence to show how the state benefit forms hinder and complicate the issue).

- In the longer term (by 2015 / 20), the Group confirmed that the means tested benefits issue will disappear if the single Citizens pension replaces the existing arrangements.

DL Morey
12 November 2009