

Setting the standard in equity release



Accessing your property wealth through Equity Release



www.equityreleasecouncil.com

What types of Equity Release products are available?

There are two main types of equity release:

Lifetime Mortgages and **Home Reversion plans**. Both types are regulated by the Financial Conduct Authority (FCA). By using an equity release product, a home owner can draw a lump sum and/or regular smaller sums from the value of their home, while continuing to remain living in it.

LIFETIME MORTGAGE

A Lifetime Mortgage is a type of mortgage where you can choose to extract your funds in a single lump sum and/or in smaller amounts over time up to the maximum limit agreed with the plan provider. You retain full ownership of your home and any interest on the loan can be paid or rolled up. The loan and any interest is repaid by your estate when you either die or move to permanent long term care. If you are part of a couple, the repayment is not made until the last person living in the home either dies or moves to long term care. In other words, both you and your partner are free to live in your home for the rest of your lives. You can also elect to retain some of the value of your property as an inheritance for your family, meaning that you can benefit from releasing equity while ensuring you have something to pass on to your children.

With some plans you can make monthly interest repayments in part, or in full. That way, you can maintain the debt to the initial capital before interest. If you choose to make interest repayments, you still have the option to move to a roll up arrangement at a later date if you wish, but always discuss details with your plan provider. How much can be released is dependent on your age and the value of your property. Some providers may offer larger sums to those with certain past or present medical conditions.

HOME REVERSION PLAN

A Home Reversion plan also allows you to access all or part of the value of your property while retaining the right to remain in it, rent free. With Home Reversion, the provider will purchase all or a part percentage of your house. You will know precisely what portion of your property you have parted with and, equally, what has been ring-fenced for later use, possibly to leave in a Will. The percentage you retain will always remain the same regardless of the change in property values, unless you decide to take further cash releases. At the end of the plan your property is sold and the sale proceeds are shared according to the remaining proportions of ownership.

Again, depending on your age and medical conditions, you may be able to access more funds. You will be provided with a tax free cash lump sum (or regular payments) and a lifetime lease, guaranteeing you the right to stay in your property rent-free for the rest of your life. There is no day to day interference and no restrictions in treating the house exactly as before; as a private home to live in freely.

What is Equity Release?

Equity Release provides home-owners over the age of 55 with the facility to release money from their home, which they live in as their main residence to supplement their income without necessarily having to make any monthly repayments.



What can Equity Release be used for?

Equity release can be used for a variety of purposes. These can include:

- » Adapting / improving your home to enable you to remain living in it independently for longer
- » Paying off debts, such as outstanding mortgages or credit cards
- » Paying for help around the home, including domiciliary social care
- » Purchasing a new car or other 'large ticket' item
- » Providing financial assistance to your children and grandchildren – perhaps with a deposit on a house or to help them through university
- » Taking a holiday of a lifetime, perhaps to visit family living overseas

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

You could start by visiting the FAQs section on our website where you will find clear answers on most of your questions on equity release options. Prior to making a decision to take out a plan you should speak to a fully qualified equity release adviser who can explain what is involved, discuss the options available to you and the implications regarding your state benefits and tax obligations. Each individual's circumstances need to be assessed and this is why financial advice is a must in the process. Always look for a Financial Adviser who is a member of the Equity Release Council to be assured that you are dealing with a fully qualified and experienced individual, who

has voluntarily signed up to and demonstrates the Principles of Membership ensuring that you, the customer experiences the highest possible standards when considering your options.

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

What do I need to consider?



Always look out for the **Equity Release Council logo** when seeking advice on equity release to ensure you are dealing with a Council member. Look out for our logo on their literature and check the members' directory list on our website or call us at 0844 669 7085 if you don't have access to the internet. The Council promotes very high standards of conduct and practice in the provision of advice on equity release and to the characteristics of products. Specifically, customers of Equity Release Council members' enjoy three levels of protection, encompassing a structured financial advice process, face-to-face legal advice and product safeguards established in the SHIP standards since 1991.



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



All members are listed on our website at <http://www.equityreleasecouncil.com/member-directory/>. This is a fully searchable facility enabling consumers to confirm membership credentials or to search for a member operating in their area.



If you make the decision to take out either a Lifetime Mortgage or a Home Reversion, you must also take **independent legal advice**. You have the option to instruct a legal adviser of your choice. Your solicitor will discuss the terms and conditions of your contract and will only sign an Equity Release Council recognised certificate, when they are satisfied that you fully understand your rights, obligations and benefits. Legal firms who are members and well experienced in this particular field are also listed in our member directory. Always look out for our logo on their literature and whichever legal adviser you choose ask them about what experience they have in this area.



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



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



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

Regulations and other information

Both Lifetime Mortgages and Home Reversion plans are regulated by the Financial Conduct Authority (FCA). This means that firms selling these plans have to meet clear standards. If firms fail to meet these standards then the FCA will take action.

Under the regulations, all equity release literature and advertisements must be fair, clear and not misleading. The key documents you receive from a firm will be presented in a certain way – these are the Initial Disclosure Document and the Key Facts Illustration. Both have the “keyfacts” sign. This should allow you to more easily understand and compare, if required, any recommended products and services.

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

All Equity Release Council adviser members will also follow a Council endorsed checklist which can be downloaded from our website **www.equityreleasecouncil.com**.

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

Complaints

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

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

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

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

The Standards Board Chairman, The Equity Release Council, 3rd Floor Bush House, North West Wing, Aldwych, London, WC2B 4PJ.

Or email us at: **standards@equityreleasecouncil.com**

Or call us on: **0844 669 7085**

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

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

About the Equity Release Council

The Equity Release Council (The Council) was formed in May 2012 to create a united voice for the industry and build on the legacy of Safe Home Income Plans (SHIP), founded in 1991 as the trade body for equity release product providers. Since the expansion and rebranding of SHIP as the Equity Release Council, its membership now stands at over 350 and includes advisers, solicitors, surveyors, product providers, intermediaries and other industry professionals – each committed to support the Council's Statement of Principles, and related standards.

The robust standards of consumer protection upon which SHIP was founded have underpinned the development of a flourishing sector which has served over 300,000 consumers, loaned more than £14.5bn since 1994 and enjoys exceptional customer satisfaction rates.

The Council and its members work to ensure customers can safely use this form

of borrowing to support their retirement income. In addition, The Council aims to boost public and political awareness of equity release as a solution to many of the financial challenges affecting people over the age of 55 across the UK.



Nigel Waterson is The Council's Chairman, and is a former Conservative MP, Shadow Pensions Minister and Shadow Minister for Older People. A former lawyer, he chaired the All Party Group for Older People at Westminster and campaigned on issues affecting older people, including scrapping the default retirement age. He is also Chairman of the Trustee Board of NOW;Pensions, a Trustee of the International Longevity Centre and a member of several

organisations that work to help people in later life.



Chris Pond, chairs The Council's Standards Board and is a former Labour MP, Minister with Department for Work and Pensions (DWP) and Parliamentary Private Secretary with HM Treasury under Gordon Brown. A former lecturer in Economics, Chris was also a director at the FSA (precursor to the now FCA) involved with the establishment of the Money Advice Service (MAS). He is also a council member of the Institute for Fiscal Studies and chairs Credit Action.

Both Chairmen have worked at the heart of government and have a thorough understanding of the financial issues affecting older people.

Statement of Principles

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

Our members will –

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

Our provider and adviser members comply with the Financial Conduct Authority's (FCA's) rules governing the sale of equity release products. These rules include the requirement that all customers who buy equity release plans are fully advised by a qualified adviser.

In addition, our members have voluntarily adopted further safeguards, including product standards and a requirement for all customers to receive independent legal advice when taking out an equity release product. These,

among other safeguards, are set out in our Rules & Guidance (available on our website) and are designed to give you confidence in our members and their products and services.

Product standards

Our product standards are set out below:

- » For lifetime mortgages, interest rates must be fixed or, if they are variable, there must be a "cap" (upper limit) which is fixed for the life of the loan.
- » You must have the right to remain in your property for life or until you need to move into long-term care, provided the property remains your main residence and you abide by the terms and conditions of your contract.
- » You have the right to move to another property subject to the new property being acceptable to your product provider as continuing security for your equity release loan.
- » The product must have a "no negative equity guarantee". This means that when your property is sold, and agents' and solicitors' fees have been paid, even if the amount left is not enough to repay the outstanding loan to your provider, neither you nor your estate will be liable to pay any more.

Our members are only allowed to tell you that a product meets these standards if it meets **all** of them. If you are offered or are considering a product that does not meet all of the standards, the product literature must explain

which standards are not met, and give an illustration of the types of risk that this might pose for you.

Independent legal advice

You may choose your own solicitor to carry out the legal work in connection with your plan. Before the plan is completed, your solicitor will be provided with full details of the plan, including the rights and obligations of you and your product provider under the contract, should you choose to go ahead. Both you and your solicitor will be required to sign a certificate confirming that these rights and obligations have been explained to you and that you wish to proceed with the plan.

Information about and explanation of your equity release plan

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

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

Equity Release Council

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

CHECK THAT YOUR CHOSEN PLAN WILL MEET YOUR NEEDS IF YOU WANT TO MOVE OR SELL YOUR HOME OR IF YOU WANT YOUR FAMILY TO INHERIT IT. ALWAYS SEEK QUALIFIED FINANCIAL ADVICE.