

Factsheet 65

Equity release

February 2024

About this factsheet

This factsheet provides information about different types of equity release, such as lifetime mortgages and home reversion plans. It includes information on:

what to consider before deciding on a particular product

equity release regulations and safeguards

how to choose an adviser.

Information is also given on sale and rent back schemes, which are not the same as equity release but share some common features.

The information in this factsheet is intended only as a guide. We recommend that you get independent advice from a fully qualified and experienced equity release adviser if considering this as an option.

Neither Age UK (nor Age Co, which sells products and services and is owned by Age UK) offer equity release. If you think you may have signed up for an Age UK or Age Co branded equity release product in error since 2020, please contact Action Fraud as soon as possible.

The information in this factsheet is correct for the period February 2024 to January 2025. However, rules and guidance sometimes change during the year.

The information given in this factsheet is applicable in England and Wales. If you live in Scotland or Northern Ireland, contact Age Scotland or Age NI for information applicable to those nations. Contact details can be found at the back of the factsheet.

Contact details for other organisations mentioned in the factsheet can be found in the *Useful organisations* section.

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If you are interested in equity release after considering all other options, make sure you get the best possible advice before taking out a product. All firms selling equity release must offer advice first. If a firm is a member of the Equity Release Council, they must arrange for you to have at least one face to face meeting in person with a solicitor. The solicitor may work for the same firm, but should act independently.

Firms providing or advising on equity release should be authorised by the Financial Conduct Authority (FCA), although some firms operate without authorisation. Check an adviser is FCA registered and qualified to give equity release advice. Proper authorisation means you are protected if you receive bad advice or your product, provider or adviser goes out of business check an adviser is

3.6 Other changes in circumstances

Consider changes to your

If a firm has insufficient knowledge of means-tested benefits to reach a decision, they must refer you to an appropriate source of information such as the Pension Service, HM Revenue and Customs, or Citizens Advice.

It is a good idea to get a full benefit check *before* considering equity release. Many older people are entitled to, but do not claim, social security benefits, both means-tested and non-means-tested.

Maximising your income in this way may mean you do not have to touch the equity in your home. If you are already claiming everything you are entitled to, understanding more about your benefits position helps you to reach an informed decision about

Pension Credit Assessed Income Periods

If you were getting PC before 6 April 2016, an Assessed Income Period (AIP) may have been set. Since 6 April 2016, no new AIPs have been set. An AIP is a set period of time during which you are not required to report any changes in certain types of income, called '*retirement provision*'. This includes income from:

a retirement pension (other than state retirement pension)

an annuity (other than retirement pension income) capital.

This means if you have an increase in, or subsequently start to receive, retirement provision during an AIP, you do not have to report this to the DWP. All other income changes affecting your PC entitlement must still be reported as usual. Capital and income from an equity release product count as retirement provision.

All remaining AIP's are indefinite. Certain events bring an AIP to an end early, even if it was indefinite when set up. This includes bereavement, separation, a new partnership, or going into a care home.

Taking out an equity release product if you get PC with an AIP

If you take out equity release while on PC and in an AIP, you do not lose any PC while the AIP continues. If your AIP ends, your entitlement to PC is reassessed and income or capital from the equity release product is taken into account and can affect entitlement.

Taking out an equity release product if you get PC without an AIP

If you take out equity release while on PC and not in an AIP, you must report the change in circumstances to the DWP. Equity release income or capital is taken fully into account in the means test and, in most cases, the amount of your PC award is reduced or you might lose it altogether.

3.11 Mortgage interest relief

Mortgage interest relief is

3.12 Charges for care services

The money you receive from an equity release product can help you to meet care and support costs. However, it is usually only a useful part of the care planning process if you want to fund care in your own home.

If you think you may need to move into residential care, now or in the future, equity release may not be suitable. This is because

Deprivation of capital

If you release equity and give the funds away, for example to a family member, the local authority may say you have deliberately deprived yourself of capital. You may have to pay for services in full if they think resources have not been fully disclosed or been deliberately put beyond the reach of the financial assessment. Eligibility for help with future care home fees can be affected, so discuss this with your financial adviser.

For more information, see factsheet 40, *Deprivation of assets in social care*. In **Wales**, see Age Cymru factsheet 40w, *Deprivation of assets in the means test for care home provision in Wales*.

3.13 Inflation

If you take out a product that provides a regular income, check if the income is fixed or can be increased. If the income is fixed, it does not increase in line with inflation. This means the real value of your income reduces over time.

3.14 Tax

The money you release is tax free. Income raised from investing this money may increase your income tax, although most providers do not allow equity release for investment purposes. You may cut Inheritance Tax bills by reducing the value of your estate, but the tax saved may be less than the total cost of the product.

A financial adviser can give more detailed information about tax implications. An FCA-authorized equity release adviser must consider your tax position when assessing whether an equity release product is suitable for you. If they have insufficient knowledge of tax allowances, they must refer you to an appropriate

4 Lifetime mortgages

4.1 Roll-up lifetime mortgages

A roll-up lifetime mortgage is a loan secured against

Because you take out smaller amounts of money over a period of time, your debt grows more slowly than if

It may work out more expensive in the long term than downsizing.

With lifetime mortgages, you may face early

Advantages

You receive a tax-free cash lump sum to spend as you wish.

Unless you sell 100 per cent of your property, you continue to share in any increase in its value.

You know what share of your home you can leave to your family, although you do not know the value of that share.

alternative methods of raising money needed, for example a grant or a further mortgage advance
whether you appear to meet the provider's eligibility criteria for equity release
your preferences for your estate (for example, whether you want certainty over what you will leave in your will)
your health and life expectancy
your future plans and needs, for example, are you likely to need to raise further funds, or move house?
if you need to make regular payments under the product, whether you have a preference or need for stability in the level of payments, and how you will be affected by future interest rate changes
whether you have a preference or need for other features of an equity release product
in relation to lifetime mortgages, whether it is better for you to pay any fees or charges upfront rather than adding them to the amount owed.

You should only accept recommendations from a firm and take out equity release if you are satisfied these issues have been considered. Make sure all other relevant issues are considered, such as the impact of equity release on your current or future entitlement to local authority funded care.

Under the FCA rules, you must be given a '*key facts*' document for each product an adviser is recommending. This sets out the details of the product, including associated costs and risks. Make sure you read it thoroughly and ask about anything that is not totally clear.

You can complain to the Financial Ombudsman Service if an authorised adviser fails to follow the FCA rules.

6.2 Equity Release Council members

Many lifetime mortgage and home reversion providers are members of the Equity Release Council. Under their '*overarching principles*,' members agree to treat customers fairly and always act in their best interests.

You must be provided with fair, simple and complete information about a product, including a clear explanation of its benefits and limitations and your obligations under the contract.

You must be given a suitability report, ideally in writing, explaining why the adviser believes that equity release is suitable for you and why the particular product being recommended suits your individual circumstances.

As a matter of good practice, you should be sent or offered a written record of suitability information provided over the telephone – request a copy if this is not offered.

You must be able to choose your own solicitor to carry out the legal work in connection with the product.

Products should meet certain standards. For example, with lifetime mortgages, interest rates should be fixed. If they are variable, there should be a ‘*cap*’ (upper limit) which is fixed for the life of the loan.

You should have the right to remain in your property for life or until you need to move into permanent long-term care, provided the property remains your main residence and you abide by the terms and conditions of your contract.

You should be able to move to another property if certain criteria are met, such as the new property being acceptable to your product provider as continuing security for your equity release loan.

For lifetime mortgages, customers should have the right to make voluntary penalty free repayments, subject to lender criteria.

The product should have a ‘*no negative equity*’ guarantee. This means when your property is sold, neither you nor your beneficiaries will be liable to pay more than the amount of equity left after agents’ and solicitors’ fees have been paid.

A Council member must tell you if a product does not meet all of the product standards and explain what the risks are.

7 Choosing an adviser

You should always seek advice from an FCA-authorized and properly qualified equity release adviser, who is not restricted to selling products from just one or two firms.

The MoneyHelper website has a directory of retirement advisers and its website has information on how to find the right one.

The Equity Release Council has member directories of equity release advisers, providers, and solicitors with equity release experience.

Choose a solicitor who acts on your behalf only, not one recommended by the company providing the equity release.

Things to consider

When choosing an adviser, the following tips and questions may be helpful:

check the adviser is FCA authorised

have they passed specialist equity release exams?

are they independent or restricted to offering products from one or two providers?

what experience do they have in advising on these products?

have they assessed whether a product

8 Sale and rent back schemes

Sale and rent back (SRB) schemes are not equity release and are usually offered to homeowners facing repossession action. With this arrangement, a firm buys your house, usually for 70 or 80 per cent of the market value and rents it back to you at a market rent.

You can use the cash to settle your existing mortgage and any arrears you have while staying in your home. Some companies offer an option of buying back the house later at market value.

In most cases, these schemes do not guarantee occupancy for life. In **England**, your tenancy is an assured shorthold tenancy. In **Wales**, following the implementation of the *Renting Homes (Wales) Act 2016* on 1 December 2022, this is called

If you are having difficulties paying your mortgage, seek advice. For information about dealing with mortgage arrears, see the Citizens Advice website, or contact your local Citizens Advice or StepChange Debt Charity.

For information on assured shorthold tenancies in **England**, see section 5 of factsheet 68, *Preventing*

Useful organisations

Action Fraud

www.actionfraud.police.uk
Telephone 0300 123 2040

National fraud reporting centre, providing advice and information about fraud and scams.

Citizens Advice

England or Wales go to www.citizensadvice.org.uk
In England telephone 0800 144 8848
In Wales telephone 0800 702 2020

National network of advice centres offering free, confidential, independent advice, face to face or by telephone.

Equity Release Council

www.equityreleasecouncil.com
Telephone 0300 012 0239

Industry body for the equity release sector.

Financial Conduct Authority (FCA)

www.fca.org.uk/
Telephone 0800 111 6768 (freephone) or 0300 500 8082

Regulates financial services in the UK and can confirm whether your financial adviser is authorised.

Financial Ombudsman Service

www.financial-ombudsman.org.uk/
Telephone 0800 023 4567

Independent service for settling disputes between businesses providing financial services, including FCA-authorised equity release providers and advisers, and their customers.

MoneyHelper

Office of the Public Guardian

www.publicguardian.gov.uk

Telephone 0300 456 0300

Supports and promotes decision-making for those who lack capacity or would like to plan for their future.

StepChange Debt Charity

www.stepchange.org/

Telephone 0800 138 1111

Provides free, expert debt advice online and over the telephone. Can recommend appropriate debt solutions including equity release and offer support with setting these up.

Age UK

Age UK provides advice and information for people in later life through our Age UK Advice line, publications and online. Call Age UK Advice to find out whether there is a local Age UK near you, and to order free copies of our information guides and factsheets.

Age UK Advice

www.ageuk.org.uk

0800 169 65 65

Lines are open seven days a week from 8.00am to 7.00pm

In Wales contact

Our publications are available in large print and audio formats

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The evidence sources used to create this factsheet are available on request.

Contact *resources@ageuk.org.uk*

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Every effort has been made to ensure that the information contained in this factsheet is correct. However, things do change, so it is always a good idea to seek expert advice on your personal situation.

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