

Equity release

29 September 2009

Equity release



- ☛ Should be “a last resort”
- ☛ “You should be wary ... and take advice from an Independent Financial Adviser with a qualification in equity release and independent legal advice before going ahead.”
- ☛ Problems include:
 - ☛ Poor advice
 - ☛ High minimum amounts
 - ☛ Expensive products
 - ☛ Inflexibility
 - ☛ Early Repayment Charges

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Which? equity release research



Objective: to investigate whether the financial advisers in our study complied with industry regulations in terms of:

- the initial information they provide to customer
- the quality of their fact-finding
- the information they provide to customers concerning equity release schemes and
- the suitability of the recommendations they made

In addition we tested the quality of advice against our own benchmark standards.

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Scenarios used:

- ❖ **Scenario 1** - Couple in early sixties recently retired. Comfortably off, have reasonable pensions which cover day to day living expenses with a few luxuries. However no large capital sum to fall back on, only a small emergency fund of around £3000. Have approached adviser/company as they have a major DIY project they wish to fund such as conservatory, extension. Want to borrow a lump sum, about the equivalent of 30% of the equity of their home.
- ❖ **Scenario 2** - Single person early seventies. On very small income - state pension of £165 per week. Is looking for ways to raise a small capital sum (approximately £5,000) for essential repairs to the property and to increase income.

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Specifically we tested:

- How well advisers explained and communicated information about their status and their costs
- How well advisers assessed the customer's financial and personal situation (the factfind)
- How well advisers addressed both the pros and cons of all types of equity release schemes, i.e. roll-up lifetime mortgages, interest-only lifetime mortgages and home reversions
- How well advisers addressed the alternatives to equity release
- How suitable the advisers' recommendations were

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- 32% had an overall pass
- 35% gave a recommendation but failed to conduct an adequate fact find
- 37% of advisers failed to ask the fieldworker about state benefit entitlement
- 5 advisers out of 8 failed to direct the fieldworker to investigate local authority grants
- 17% failed to ask about income
- 42% didn't adequately cover how the debt would grow
- 32% of advisers failed to disclose status correctly
- 45% of advisers failed to discuss the cost of advice early in the interview
- 50% of advisers failed to discuss alternatives to equity release in any depth