

The Bank of Family: Using lifetime mortgages to facilitate family gifting

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Household budgets across the UK are continuing to face the squeeze from the financial pressures brought about by high inflation. In an era that constantly sees the average house price creep into new territory, the role of the Bank of Family has never been more significant.

The UK's ninth largest mortgage provider

Data from Legal & General (L&G) has shown that parents, grandparents, and other relatives supported a record 335,300 property purchases in 2024 alone, with the value of this lending topping £9.2bn. Such was the extent of this intergenerational help, if the Bank of Family was a traditional lender, it would rank as the ninth largest mortgage provider in the UK.

Much of this family gifting was directed towards first-time buyers, with L&G estimating that 68% of Bank of Family support in 2024 helped young people onto the property ladder.

Interest rates remain elevated in 2025, and amid the high cost of living with it, UK families are turning to more creative ways to unlock capital.

Lifetime mortgages

One solution gaining more attention is a lifetime mortgage, which allows older homeowners to access tax-free cash tied up in their property while retaining ownership and the right to stay in their home. This unlocked equity can be used for many purposes, one of which, as L&G noted, has paved the way for the Bank of Family.

Through family gifting, an early inheritance can give younger generations the ability to control the timing of the gift, and older generations the emotional benefit of seeing their loved ones improve their lives.

L&G has estimated that while 48% of parents and grandparents used cash savings in 2024 to help loved ones, one in eight also used the cash last year to downsize. Family gifting, however,

could help avoid the need to downsize, and ultimately the decision to leave the family home.

Despite the potential of this approach, using a lifetime mortgage does require careful planning. L&G's findings revealed that only one in seven Bank of Family lenders are currently seeking financial advice before providing support, which could leave them exposed to risks.

Advisers have a vital role to ensure that using a lifetime mortgage for family gifting aligns with long-term financial goals and avoids unintended tax or estate implications. Bank of Family lenders and recipients must understand the costs, the impact on inheritance, and consider all available options.

A Growing Trend

Bank of Family lending has increased by 69% in the last four years and looking ahead, this support is forecast to reach £11.3bn by 2026. L&G has estimated that Bank of Family support will back over 377,400 property purchases, which would equate to a national property value of £162bn.

As intergenerational gifting becomes increasingly common, advisers have a role to help family lenders gift with confidence, plan holistically, and make a meaningful impact, all without compromising their own financial security.

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