



## Flexible solutions in changeable times

How the equity release sector is continuing to innovate and develop its product offering

As the wider world continues its gradual trajectory towards relative normality, many in the equity release industry are looking forward to customers being more prepared to interact with the market, and by extension being more prepared to engage with retirement planning and its associated sectors.

While last year saw an understandable dip in activity levels, the equity release sector unequivocally demonstrated its resilience throughout 2020 and beyond, and the Q1 factors from the Equity Release Council support ongoing green shoots of recovery in spite of tightened lockdown restrictions and future uncertainty about the viability of traditionally popular uses of funds such as holiday and car purchases.

The most recent figures from the ERC show that a total of £1.14bn was released in Q1, which represents a 7% year-on-year increase from the same period in 2020. We also saw roughly 3,000 more total customers (i.e. both new customers, and returning drawdown and further advance customers) served than during the first lockdown in Q2 2020, and that includes factoring existing customers' reluctance to access reserves on drawdown plans. In fact, activity for returning drawdown customers was at its lowest point for the past four years – though it should be noted that nearly 60% of customers are taking out drawdown plans, over a lump sum equivalent.

We're also seeing increasing loan sizes, with the first instalment of a drawdown mortgage now sits at just under £90,000, with average lump sum plans reaching just over £123,000. This can be attributable to a number of factors, including: consumers making the

most of rising house prices to access greater amounts, typical small-release lifestyle purchases such as holiday and cars dropping off markedly (affecting the average figures), greater interest from those with more valuable homes, and a greater focus on typical high-value fund uses such as debt repayment and gifting (the latter proving to be especially prevalent amid the ongoing Stamp Duty holiday).

But just as quickly as the landscape has marked changes over the last 15 months or so, so it can again. It's undoubtedly going to massively affect customer attitudes, with people potentially going to be increasingly cautious when it comes to making major financial decisions unless they know the solution they choose has the flexibility to be adapted to suit potential future large-scale changes in their lifestyle. With recent events having demonstrated to customers just how changeable the world can be, they are doubtless looking not only for increased flexibility in their products to allow them to manage them whatever their needs in the future, but also for products which give them the confidence are (or can be) tailored specifically to their circumstances.

Recognising this, and with a strong culture of product innovation that has continued regardless of the pandemic, we've improved the pricing structure of our Classic lifetime mortgage range which offers flexible pricing options and by extension provides personalised interest rates and a streamlined adviser experience reducing the 12 LTVs into 4 product variants. Under the new customer-centric initiative, customers will benefit from a unique and personalised quote that is contingent on several factors including age, loan amount,

property type and postcode - ultimately allowing for more competitive pricing and lower cost of borrowing for customers.

Additionally, we've sought to expand our customer offering to those wishing to repay large amounts of their lifetime mortgage ERC-free through the addition of our Heritage Freedom 20 product, affording applicants aged between 55 and 80 the ability to now repay up to 20% annually and following on from last year's successful launch of Freedom 40 (which allowed up to 40% annual repayment ERC-free).

The later life sector has undoubtedly weathered a difficult period immeasurably better than other sectors (both financial and beyond), but now faces a new challenge: that of winning customer confidence and continuing to innovate to offer products that both provide flexibility throughout the loan term, but also the peace of mind of being individually tailored to customers' specific needs.

The lifetime mortgage sector now offers a greater number of products than ever before - but as impressive as that is, it means nothing if they're unattractive or unsuitable for customers. As a result, it's imperative we continue to understand our customers and provide effective solutions that meet their requirements today, tomorrow, and in the future.

**Paul Carter, CEO,  
Pure Retirement**

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