



# Later Life Lending and Green Finance: What Does The Future Hold?

Can equity release aid efficiency-conscious consumers?

The pressing issue of climate change and its impact on the environment remains at the forefront of public discourse, capturing attention amid competing news stories such as war and the ongoing cost-of-living crisis similarly fighting for airtime.

For many, those seemingly separate narratives are intertwined, with harsher winters and rocketing wholesale energy prices in the immediate aftermath of the war in Ukraine pushing many into fuel poverty and 'heating or eating' dilemmas. Consumers' awareness of a need to update or enhance the efficiency of their home is met with the barrier of a lack of financial means (or, on a more fundamental level, of a lack of understanding of what to target to see the most significant gains), creating a cycle that isn't easy to navigate a way out of.

This was the theme at the heart of the opening keynote panel at the recent Equity Release Council summit, and if nothing else it demonstrated a keen awareness from the participants from several adjacent industries of both the inherent challenges when it comes to decarbonisation of the UK's housing stock, but also of the role equity release can potentially play in that journey. With £23bn of lending having taken place over the last five years, and a third of the country's housing being owned by over-55s, the synergies seem apparent.

The state of the UK housing stock continues to be a point of discussion, and even before the rising property prices became an additional factor, the lack of good quality housing was cited as a reason why many weren't moving or downsizing as part of their retirement

planning. The reality is that the UK has the oldest and least efficient housing stock in Europe, with 54% of properties being built before 1963, and 20% before 1919. Cumulatively, domestic housing currently accounts for nearly a fifth – or 17% - of our total CO2 emissions output, highlighting the work still to be done within the domestic housing space.

As mentioned, for some there will be the potential frustration of appreciating the need to update their home (either for their own quality of living and reduce their utility costs long-term, or in order to potentially provide a more valuable asset for their family as an inheritance), allied to an inability to do so amid their current financial situation.

As a financial tool designed to allow those in later life to meet their financial objectives and achieve their aspirations, should the equity release space be giving greater thought to the role it can play in this discussion - both in terms of what green finance initiatives it can develop, and the messaging around its current offering?

The residential mortgage market has offered a window into how green finance initiatives can work, with Nationwide offering 0% lending for efficiency-improving works to be undertaken. But at the same time, there needs to be consideration given to overcoming consumer anxiety and thinking from a customer's perspective. For instance, if we're genuinely going to be presenting a united front, then there needs to be greater thought given as to how the industry can come together to develop tools and resources that enable advisers to explain the possibilities, and potential benefits, to consumers.

An Energy Performance Certificate (EPC) is undoubtedly an effective starting point in this journey, which is why last summer we became the first lifetime mortgage lender to offer new customers the option of a free EPC assessment, should they opt for our Classic plan. The initiative came from an understanding that home improvements continue to be a significant reason for applicants releasing funds, and an appreciation of the growing awareness around home efficiency. The offer of a free EPC provides customers with a cost-effective starting point when it comes to efficiency enhancements, enabling them to make informed decisions and see the key areas to strategically target, likely costings, and potential long-term savings.

While undoubtedly a small step in the broader journey, the offer of a free EPC demonstrates how environmental considerations and later life lending can simultaneously deliver best customer outcomes and improve the quality of UK housing stock. We're excited about how the wider industry will develop in this area in the future, and how we can contribute as a lender for both advisers' and consumers' benefit. We hope the rest of the sector joins us in giving real thought to this increasingly important issue.

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