



## Written evidence submitted by the Equity Release Council to the Financial Guidance and Claims Bill Public Bill Committee

### Purpose

---

x. To inform the Committee of the Equity Release Council's view that the new Single Financial Guidance Body should provide guidance on all aspects of retirement income, including housing wealth, to the benefit of people in or approaching retirement.

xi. This relates to Part 1 of the Bill, regarding the merger of the Money Advice Service, The Pensions Advisory Service and Pension Wise.

### Key points

---

1. Financial decision making is a complex matter and bringing together existing guidance bodies under the SFGB should enable people to make informed choices about their retirement income by including information on using housing wealth during retirement.
2. Retirees must consider their long-term retirement income as well as their short-term finances, and the possibility of any shortfalls in their pension provision. The SFGB should encourage this by ensuring that consumers understand the range of options available to them, and that the use of housing wealth is considered alongside pension income.
3. The Pensions Advice Allowance includes advice on housing wealth. A complementary approach where the SFGB provides impartial guidance to help inform consumers, will particularly support those who are either unwilling or unable to afford advice.

### Suggested areas for improvement

---

4. The Bill should make provision for the Single Financial Guidance Body to give people wide ranging pensions guidance which considers all forms of funding for retirement, including housing wealth, to be fully effective and fulfil its aim of empowering customers to make informed decisions about their pensions and retirement income. This could be done through the following amendment:

**Page 3 Line 11.** After clause 3 (6), insert a new subsection:

*“As part of its money guidance function, the single financial guidance body must also provide guidance on sources of retirement income beyond pensions, including housing wealth, to enable appropriate and informed financial planning for retirement that accounts for all of a person’s assets.”*



5. The Bill provides an opportunity to signpost savers to resources more appropriate to their needs, where information on certain financial products is beyond the expertise or remit of the SFGB. For example, customers with a significant amount of housing wealth but little cash wealth could be directed to the Equity Release Council's website to find information on how equity release products could assist them.

### **Retirement funding and the new Single Financial Guidance Body**

---

6. The Council recognises that independent guidance is key to helping consumers make informed choices about their retirement income, especially following the introduction of pension freedoms. The Council's white paper, [Equity Release Rebooted](#), estimates that the average value of a defined contribution pension in 2012-14 was only £30,200, while over 55s in England possess approximately £1.8 trillion in housing wealth – highlighting the value of this to over 55s considering their options for retirement income.<sup>1</sup>
7. The Council has continuously emphasised that financial guidance – as currently dispensed through Pension Wise – should encourage individuals to consider their wider assets, particularly their housing wealth, to make effective decisions about their retirement income. This suggestion was supported by the Work and Pensions Committee's 2015 report on pensions freedom guidance and advice, which stated that:  
  
*“Pension Wise guidance is currently too narrow for too many consumers. Decisions about retirement income products are not best made in isolation from information on property wealth, benefit entitlements, tax implications, care costs or debts. We recommend the Government work with the FCA and guidance providers to develop a more holistic Pension Wise service that offers more personalised support (Paragraph 37).”<sup>2</sup>*
8. Now that Pension Wise is set to be absorbed into the new SFGB, along with The Pensions Advisory Service and the Money Advice Service, this offers a valuable opportunity to redesign services to better suit consumers' needs, ensuring they consider information such as their property wealth when making wider decisions about their pensions.
9. The Government confirmed last year that the Pensions Advice Allowance – enabling savers to take £500 from their pension pot to pay for financial advice on their retirement – can be used for savers to seek advice on “whether income from a pension will be sufficient for an individual's retirement,

---

<sup>1</sup> <http://www.equityreleasecouncil.com/document-library/equity-release-rebooted-white-paper-april-2017>, p7

<sup>2</sup> [House of Commons Work and Pensions Committee, 'Pension freedom guidance and advice', First Report of Session 2015-16](#), p15



or whether they may want to supplement this income by releasing equity from their house.”<sup>3</sup> This demonstrates a growing recognition of the use of housing wealth during retirement, and should be complemented by similar provisions from the SFGB.

### What is equity release?

---

10. Equity release allows individuals aged 55 and over to release money from the property they live in, as a lump sum or in regular smaller sums, without having to make any monthly repayments. Customers retain the right to live in the property rent free until the end of the mortgage term, namely death or moving into long-term care. There are two types of equity release products – lifetime mortgages and home reversion plans – which are both regulated by the Financial Conduct Authority (FCA).

### Equity release in numbers

---

11. The Council’s statistics have demonstrated the continued growth of equity release products in recent years, with annual lending surpassing £3 billion for the first time in 2017.<sup>4</sup> This figure increased by 42% from the £2.15 billion lent in 2016, and the total number of new equity release plans agreed in 2017 increased by 34% from 2016, from 27,563 to 37,037.
12. The Council’s [Equity Release Market Report Autumn 2017](#) also highlighted that the average amount lent under an equity release policy during H1 2017 was £95,386 for lump sum plans, and £59,958 through drawdown plans with an additional £33,949 reserved for future use. With a typical 55-64-year-old only having an average of £30,200 in their pension pot, this demonstrates the significant potential to use housing wealth to supplement retirement income.

### Further information

---

13. Should you require any further information on any aspects of this briefing, please contact Rhiannon Sanders at [equityreleasecouncil@whitehouseconsulting.co.uk](mailto:equityreleasecouncil@whitehouseconsulting.co.uk) or on 020 7463 0697. Further information on equity release and related issues can also be found on the Equity Release Council’s website: <http://www.equityreleasecouncil.com/home/>.

**Submitted by the Equity Release Council**

**26/01/2018**

---

<sup>3</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/589163/Pensions\\_Advice\\_Allowance\\_response\\_to\\_the\\_consultation\\_web.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/589163/Pensions_Advice_Allowance_response_to_the_consultation_web.pdf), p.6

<sup>4</sup> ‘Equity release records broken as unprecedented Q4 activity sees 2017 lending reach £3.06bn with annual growth at a 15-year high’, available at <http://www.equityreleasecouncil.com/news/equity-release-records-broken-as-unprecedented-q4-activity-sees/>.