

Q

uestion: What are the biggest challenges facing the equity release market over the coming 12 months?

Each month, we ask our industry to answer one big question!



Jayne Almond is CEO of Stonehaven

The challenges facing the equity release industry in 2008 are not obstacles; they are opportunities. The coming year will present our industry with the opportunity to increase its appeal, to educate its consumers and to change its image.

The most important factor is growth. The bigger our industry becomes the better the innovation and service that comes from it. This growth must start at ground level, with an increase in the number of advisers distributing equity release products.

This growth must also be allied to an improved perception of our products, within our consumer base and the media. It is a question of educating consumers of the benefits and safeguards that surround equity release products, namely that customers will not have to make monthly repayments, that they will retain control and ownership of their property, and that there is no risk of losing their home or suffering from negative equity. With this message I believe we can also redress the historic image of equity release.



Daren Carter is managing director of In Retirement Services

One of the biggest challenges facing the equity release market is the lack of mainstream distribution. At present the product is distributed by a limited number of specialist IFAs and direct providers, most of whom generate their leads through direct marketing. While successful in growing the market to date, this has obvious limitations and, in order for the market to grow, more advisers need to be active in the market.

The outcome of the Retail Distribution Review may also benefit the equity release market and its advisers as holistic advice will be available to a much broader cross section of the population. Historically, by the time that a person needs equity release it may be 10 years since they required traditional financial advice and they probably no longer have a relationship with an adviser. However, the proposals under the RDR may change this resulting in more referral business.

As the market grows so will the opportunity for advisers and, while some new entrants may choose to establish proprietary equity



release business, many will choose to outsource all or part of the operation, particularly given the specialist nature of advice required. Regardless of what route is chosen it will be good news for all equity release consultants.



John Digman is head of Newcastle Equity Release Service

The largest challenge I perceive, is pushing to grow the market at a faster rate than previous years. There is now a clear awareness among consumers and the challenge is translating this into sales and action. Many other financial services sectors are feeling the grave implications of the credit crunch. However, this is not so for equity release. If we look across the pond to America with a looming recession and high repossession figures, we see that their equity release industry is buoyant. So perhaps the challenge is to remind consumers that equity release poses very little risk if house prices continue to fall. All SHIP providers offer a no negative equity guarantee and there are also a number of protected equity products on the market for those who wish to be prudent.



Keith Haggart is business director of retirement income at Prudential

The chequered history of the equity release market has meant many advisers have steered away from offering it as a solution in retirement. That's now changed for the better with the arrival of more flexible and innovative products. The changing needs of consumers in retirement, plus the backing of SHIP to grow confidence with those consumers, have also resulted in a growing market, and we need to be able to effectively support that demand. We've already seen an increase in the number of advisers operating in the equity release market, and our challenge is to assist with this trend. I believe education of both consumers and advisers is key.

Other areas of focus for this year will include the FSA Mortgage Effectiveness Review, which includes "high risk products" such as equity release and sub-prime mortgages. We will also be continuing to innovate in an increasingly competitive market.



Nigel Hare Scott is director at Home & Capital

The financial return for the adviser is not yet sufficiently attractive to encourage enough of them to get into a sector where transactions are mostly on a one off basis, with little prospect of selling ancillary products. Furthermore, the drawdown products, which are taking a larger share of the market, pay lower procurement fees than their lump sum equivalents. The providers must make it more worth-

while for advisers to get into the business. The second obstacle to development will continue to be the widespread view that equity release products are both risky and of poor value. Regrettably, a large number of people continue to take their financial advice from the press and TV/radio presenters in preference to qualified equity release advisers.

Although most people have the majority of their wealth tied up in their properties, releasing equity from the home continues to be considered by many as a last resort option. Overcoming this perception will remain a major challenge for participants in the sector who must continue to make every effort to promote the benefits of equity release to consumers.



Roger Hillier is head of equity release and protection product development at Partnership

The TEA challenge! The biggest tests to expand the equity release market can be summed up as the TEA challenge. And I'm not referring to Britain's favourite beverage. TEA stands for:

- T = TV & media
- E = Education of consumers
- A = Advice readily available

All three are inter-linked and probably have equal importance.

TV & media – the challenge is for more balanced reporting in the national media. While there has been some positive coverage around, especially with customer case studies, an unbalanced report, particularly if it's on national television, could deter many potential customers from considering equity release.

Education of consumers – too many potential customers are unaware or ill-informed about equity release. Somehow, they need to be made aware of how today's products and pricing are highly competitive for consumers, how they have the added protection of the FSA regulation and the adoption of TCF principles.

Advice readily available – this challenge has two parts. The first is to attract more intermediaries into this market and the second is to make it easier for potential customers to find out who can offer advice and how to contact them.



Dean Mirfin is business development director at Key Retirement Solutions

The greatest challenges for the equity release market come in two main guises. The first for firms and advisers, as always, is maintaining a compliant environment in a market where the products are becoming increasingly complicated. Some now have as many as 12 interest variations within a single product depending on a

mix of criteria, as if life wasn't challenging enough! The complexity is exacerbated by the need to identify decision factors within products and separate them for a client from those which may be red herrings. There are an increasing number of features and benefits which need to be factored in or out for clients. A factfinding process which achieves this effectively is essential. The second challenge continues to be enquiry generation. I never cease to be amazed at the number of advisers who don't mention equity release on their web sites or service leaflets. Once we get the client in front of us most of the challenge is done, the research is then the final challenge.

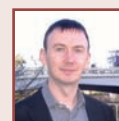


Vanessa Owen is head of equity release at LV=

There is little doubt that it is essential that consumers are well-informed and treated fairly when releasing equity from their home.

We feel that this is an appropriate option for many consumers given the changing wealth distribution patterns. The challenge is for consumers to feel comfortable that they are getting good value. To achieve this consumers need access to quality and relevant advice. While the Chartered Insurance Institute's CF7 and HR1 qualifications are not compulsory, they are a minimum requirement for any adviser serious about equity release and the benefits it can offer clients. Ongoing adviser assistance, training and development are fundamental to ensure the market sector reaches its full potential.

This is further backed up by some claims that homeowners could actually pay over the odds by going directly to product providers, rather than using independent financial advisers. One estimate suggests consumers could pay as much as £11,000 more for the same lifetime mortgage, as in certain cases a higher interest rate is charged.



Anthony Rafferty is head of marketing at Norwich Union Post Retirement Products

My main concern for the coming year is that many of the pundits and commentators on the housing market will talk us into a worse market position than we are actually in. If they continue talking the market down, this will become a self fulfilling prophecy. Indeed, the more we talk about a so-called crisis then the more likely it is to happen. The challenge for equity release providers in 2008 will be to give customers a true value of their home in our valuations. This will prove difficult and will mean managing clients' expectations following many years of high house price growth.

Another challenge the equity release industry has to face in 2008 is distinguishing between FSA-regulated products (in the form of lifetime mortgages and home

THE BIG QUESTION

reversion schemes), and those such as sale and leaseback products. These products have been the focus of much negative coverage of late which of course has had a knock-on effect on the equity release market. While educating consumers on the distinction is no easy feat, this is a challenge which must be undertaken.



Stuart Rathe is equity release team leader at Home

Plus

I think that the biggest challenge facing the equity release market remains the issue of public perception. It is likely that the next generation of newly retired "baby boomers" will be more comfortable with the idea of equity release and debt in retirement, but with continuing media scrutiny of the industry and a lack of consumer confidence due to problems with worldwide markets, there is still some real concern about the safety of equity release plans among the clients that I deal with.

As a specialist solicitor I was inundated with calls from concerned customers after the airing of the ITV1 Tonight Show on sale and rentback late last year. Customers with whom I had already consulted about their proposed equity release plan and to whom I had explained the SHIP guarantees suddenly acquired cold feet. It is important for a clear distinction to be drawn between sale and rentback and SHIP regulated equity release plans and for all professionals involved in the field to work together to ensure customers feel safe and secure. There is so much innovation in the equity release market that could fall on deaf ears if potential customers still feel too frightened to dip their toes in the water.



Andrea Rozario is director general of Safe Home Income Plans (SHIP)

Representing over 90% of the equity release sector in terms of volume, SHIP's 20 members predict that the growth witnessed in 2007 is set to continue into 2008, with the sector looking towards a buoyant future.

One of SHIP's primary challenges over the next 12 months will be to continue its calls for the correct portrayal of the equity release industry and to stress the importance of safe products for consumers, alongside distinguishing the difference between regulated SHIP members and the unregulated sale and leaseback market. SHIP anticipates that the full regulation of both lifetime mortgages and home reversions will improve confidence in the sector, and will continue to strive towards increasing awareness and informing customers of the benefits of these types of product as well as quashing negative perceptions surrounding the industry.

In spite of recent market conditions, the equity release sector has still experienced 5% growth in 2007 compared to full year 2006 although it remains to be seen what will happen with housing market conditions over the coming 12 months. However it is clear that the promises that the members of SHIP abide by have never been more relevant. Consumers can have peace of mind that they are protected from negative equity and will have security of tenure.



David Wright is managing director at Sixty Plus

I believe the biggest single challenge this coming year is reputation. Bad publicity, disproportionate and often irrelevant in my opinion, is hard to shake off. Equity release still has a stigma of being an action of last resort and far more expensive than it really is.

The solution is education – of the media, the public, IFAs and solicitors in order to bring equity release into the mainstream where it belongs. Education of the public must come from good PR, marketing and using the good name of SHIP in a more public facing role.

Another challenge that may become apparent is concern of a slow down or reverse of house prices combined with the credit crunch. Although such issues shouldn't stop someone taking equity release, concerns surrounding the economy may breed inertia.

The market is large enough to be competitive and the products are keenly priced and innovative. Although there are doubt-

less changes and improvements to come, the only thing holding the sector back is fear and a lack of understanding.



Duncan Young is CEO at Retirement Plus

I have been asked several times recently if the equity release market will see new product providers entering the field. In 2008, unless there is a radical upsurge in business levels I believe that the question will be one of: who is packing up their bags and leaving. SHIP statistics show that in 2007 total new business was £1.2bn which means that on average the 20 SHIP members advanced just £60m. That, in the world of financial services, is a tiny figure and has to call into question the viability of some operations. This viability doesn't necessarily matter if the future is rosy – but another false dawn could mean closure. This will have a serious knock on effect as the excellent SHIP initiative with Andrea Rozario is dependent on there being sufficient SHIP members to meet the establishment and running of a professional trade body. Members dropping out of SHIP would therefore cut the power of the trade body just at the time when a concerted positive effort is required.

So a bleak prognosis – let us hope the market expands and my concern does not materialise.



Home & Capital

Equity release specialists since 1978

Home & Capital

- Established home reversion plan provider
- Specialist equity release advisers
- Support and assistance to intermediaries
- Flexible solutions to suit individual needs

The home reversion plan

- Lump sum or annual payments
- Fully portable plan without penalties
- Top up opportunities
- SHIP endorsed product

For further information or a client illustration 0845 601 3260

www.homecapital.co.uk Please quote ad reference: RP/03/08/a

Home & Capital is a trading name of Home & Capital Trustee Company Ltd, which is authorised and regulated by the Financial Services Authority under FSA No. 464862

WINNER
BEST HOME
REVERSION
PROVIDER



“Equity release...a return for the future”



For adviser use only
- not suitable for use with clients