

Client: Home and Capital
Source: Sold Out (Main)
Date: 01 January 2009
Page: 32
Circulation: 19000
Size: 274cm2
AVE: 698.7

AGE OLD PROBLEM

Retired homeowners are deferring decision making until the economic outlook improves, according to trade body...

The number of homeowners taking out equity release plans dropped by up to a third in the last year, according to new figures.

The total amount of money retired people unlocked from their homes fell by nine per cent to £1.1 billion in 2008, the lowest level since 2002, according to SHIP, the equity release trade body.

The total number of equity release customers dropped by only four per cent, suggesting that the amount of cash homeowners are taking from their property has also shrunk.

The popularity of home reversion plans, one type of equity release, has fallen by 30 per cent. The plans allow homeowners to borrow a lump sum,

repayable when their house is sold. There were only 1,063 plans approved in 2008, down from 1,529 in 2007. Retired customers are deferring the decision until the economy improves, according to Ship.

Andrea Rozario, Director-General of SHIP, said, "A slight decline in business volumes in 2008 was to be expected given the turbulence in the economy over the past 12 months."

Equity release enables retired homeowners to unlock money from their property without having to sell their home or move. They can do this either by taking out a lifetime mortgage which is not repaid until they die or sell their home, or by selling a proportion of their property to a home reversion company. The biggest reason why customers opted for equity release was to pay for home improvements. However, there

is evidence of a rise in homeowners using equity release to consolidate unsecured debt.

The popularity of flexible drawdown policies increased during the year, with them now accounting for 55 per cent of all products sold, compared with 47 per cent in 2007, which could partly explain the slide in equity release figures. The policies allow customers to increase the level of credit against their home, rather than apply for new policies, but this increased borrowing is not accounted for in Ships figures.

Nigel Hare-Scott, Director of Home & Capital, said, "The endless bad news about the economy has encouraged some borrowers to delay a decision on equity release but we see this as business delayed rather than business loss. Retired customers are still interested in equity release."