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SHIP takes action

The summer has been an interesting time for SHIP. Following Which?'s much publicised equity release mystery shopping exercise which criticised advice given in the area, it has come out all guns blazing.

Commenting on the Which? research, Andrea Rozario, director general of SHIP, said: "We believe that when you look at this piece of research, you need to look at what has been excluded as well as what has been included. Which? has criticised the process for advice, but not the actual fundamental outcome of that advice, nor the products themselves. This is a step forward from last year when they branded equity release a 'product of last resort'.

"But continuous improvement is needed. Although there are estimated to be over 7000 people who have taken the specialist equity release exams, the fact that Which? has found issues with the processes of some of the 40 advisers reviewed shows there is absolutely no room for complacency. Advice is a crucial step in the equity release process - and with each client's needs being highly individual and unique - one that should be closely monitored to ensure consumers are getting the best help possible."

SHIP then launched a discussion paper to provoke debate around the barriers to growth that this market is facing.

At the heart of the SHIP Paper, entitled Facing the Future, Redefining Equity Release, was new research which showed that there is no longer one 'type' of equity release customer, but many. People, at or after retirement, turning to equity release products are becoming more diverse in their needs and circumstances, and are putting their property equity to a much wider set of uses than before,

including funding care, tax and estate planning, or enhancing their lifestyle.

Yet SHIP is concerned that while the current regulated equity release sector is doing much to respond to these trends, there are some serious constraints. Indeed market weaknesses are restricting the sector's capacity to adapt products, advice processes, compliance regimes and pricing to fully meet these emerging needs.

SHIP's debate involved key stakeholders, such as the Government, regulators, consumer organisations and the voluntary sector, as well as the equity release industry and wants to look into how the sector can evolve to better meet the needs of different types of customer.

As part of this discussion, SHIP is calling for the Government to launch a formal enquiry into the role which equity release could play in helping to fund today's and tomorrow's retirement funding needs. SHIP has identified many areas that could evolve to fully meet the needs of all customers wishing to utilise property equity, but the big question is when, if ever, it might be prudent to allow that evolution. Key topics for discussion are:

- The capacity for product providers to innovate and improve the flexibility of what is offered to customers, both to traditional customers for which strong safeguards are essential and emerging, better off customers. Equity release is currently regarded as 'high risk' for both. There is no ability to reflect degrees of risk appropriate to different client types
- The cost structure of products relevant for each type of customer: full guarantees are very valuable for many customers, but

may be an unnecessary expense for others.

- Whether Government can clarify how benefits eligibility is affected by different types of equity release and make it clear that the equity released is not subject to tax
- Whether, to increase the safe availability of equity release, Government could consider any element of state support, for those most in need, as has been adopted in other countries

The SHIP discussion went down well with the industry.

Commenting on it, Simon Little, director of Home & Capital, said: "The SHIP discussion paper brings an issue of critical importance to the fore: how we face the challenges of Britain's ageing population and meet the cost of retirement.

"It's clear to all the current pensions arrangement is unsustainable. In under a quarter of a century, a sharp increase in Britons reaching retirement age, combined with rising life expectancy, will see the system overwhelmed and unable to cope. Inadequate pension provision - not helped by the end of final salary pension schemes - will mean pensioners either meet the cost of retirement on their own or face poverty. The growing number of older people requiring care means the issue of funding care provision is also a key consideration - both for individuals and the state."

Yet Key Retirement Solutions has called on SHIP to engage more directly with consumers in the shaping of the future of the equity release market in the UK. It believes that whilst SHIP lists a number of bodies and organisations with whom they want to have discussion and debate, which include the Government, The Financial Services Authority, and intermediaries, there is no mention of direct discussion with consumers themselves.

Dean Mirfin, Key Retirement Solutions group director, said: "It is inconceivable that such an important process should exclude direct consumer research, and we urge SHIP to engage with those who matter the most, the customer, to help with the shaping of the market in the UK. The discussion paper highlights the limited intelligence for the equity release market and we believe that some of the more meaningful data rests with today's and tomorrow's consumers."

And LV= believes that if the equity release market is to evolve then SHIP has to evolve too. According to Vanessa Owen, LV= head of equity release: "The role SHIP has played as a trade association for regulated equity release providers in the UK over the last 18 years has been vital, and should not be underestimated. The code it has developed has been central to ensuring the protection and peace of mind of consumers who have purchased SHIP compliant lifetime mortgages and home reversion plans.

"However, we believe that if the market is to truly evolve and be in a position to tackle the needs of its growing diverse customer base, then SHIP as a body needs to evolve with it. LV= believes this means extending the protection offered and using the SHIP brand to provide reassurance not just on product features but also enabling advisers to become SHIP approved themselves as this would help reassure consumers that they fully understand the market. The end benefit would be even greater protection for consumers.

"What we would like to see is:
● The SHIP Code of Practice evolved to allow for greater flexibility in designing products that meet the needs of

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consumers.

- Any product rating devised to recognise the information needs of consumers with credit given to those products with clear and easily comprehensible terms.
- Security of Tenure to remain sacrosanct for 'Gold' plated products.
- The inclusion of advisory firms and solicitors practices within SHIP and excellence in consumer protection in these areas to be able to be recognised by carrying the SHIP brand."

There is no doubt that the changing pensions landscape in the UK will mean that more people over the coming years will look to equity release as a viable option to support them in their retirement. The debate on equity release continues.