



BANK OF ENGLAND 'EQUITY RELEASE' NUMBERS ARE BEING MISREAD

Statistics published last week by the BoE are not for bespoke Equity Release products, but for all re-mortgages for purposes other than a new house purchase

SHIP (Safe Home Income Plans) – the trade body for regulated Equity Release product providers – today has sought to clarify the numbers published last week by the Bank of England, as they are causing much confusion in the media.

The statistics reported by the Bank of England show a very dramatic fall (64%) in the year-on-year amount of money being taken from equity held in property through re-mortgaging for purposes other than purchase of another property. Unfortunately, many observers are taking this to apply to volumes in the bespoke Equity Release market when this is NOT the case.

Equity Release product sales did fall in Q1 this year, as reported by SHIP, but by only relatively small 13%. Most of this decline was attributed to the impact on consumer confidence caused by the collapse of Northern Rock and the dramatic beginnings of the so-called “credit crunch” – a hit that would show in Q1 because of the time taken to process Equity Release business.

SHIP's members have in fact been reporting that volumes are holding up reasonably well in the current market circumstances.

Whilst clearly the statistics reported by the Bank of England are newsworthy, reflecting another sign of the extent to which the credit crisis has impacted on the UK, it is important that these numbers are understood for what they are. One of the reasons for the drop off in volumes of this wider measure will be reluctance by the banks to allow people to extend their borrowing under a mainstream residential mortgage given the increased risk this will represent to them as a lender. This is a significantly different context to bespoke Equity Release products for those 55 and older, because the customer owns the property outright and repayment of the money released is not due until much later when the customer moves into care or dies.

Andrea Rozario, Director General of SHIP said:

“Contrary to the first glance interpretations of the Bank of England’s statistics published this week, we believe that the bespoke Equity Release market is relatively well positioned compared with the mainstream mortgage market. Longer term the outlook is positive as a the result of the fundamental drivers of Equity Release demand being very strong – including the UK’s ageing population, declining pension contributions and significant personal wealth being held in equity in property.

These factors, combined with the extent to which the current crisis in the mainstream mortgage market will push the lending industry to seek alternative source of business makes us confident the Equity Release market is well positioned for the future”

- ENDS -

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Notes for Editors

Safe Home Income Plans (SHIP) is the UK's leading professional body for equity release product providers, representing the interests of its members and championing high standards of delivery to the consumer through a mandatory set of minimum standards that all members must meet. It was launched in 1991 to promote safe schemes and currently 90% of the equity release market (in volume terms) is made up of SHIP members.

SHIP's members: Bridgewater Equity Release, Bristol & West Mortgages, Coventry Building Society, Hodge Equity Release, Home & Capital Trust, In Retirement Services, Just Retirement, LV=, More2Life, Bradford & Bingley, National Counties Building Society, New Life Mortgages, Norwich Union, Northern Rock, Partnership Home Loans, Prudential, Retirement Plus, Standard Life, Stonehaven Equity Release, Stroud & Swindon Building Society.