

SHIP Response to Commission Green Paper on Mortgage Credit in the EU

Background

- SHIP (Safe Home Income Plans) is the UK's leading professional body for equity release product providers, representing the interests of its 18 members who provide both Home Reversion Plans and Lifetime Mortgage Products. It was established in 1991 to promote safe schemes. At present, 90% of the UK equity release market (in volume terms) is represented by SHIP members.
- SHIP's current 18 members* are: Bridgewater Equity Release, Bristol and West Mortgages, Ecclesiastical Life, GE Life, Hodge Equity Release, Home & Capital Trust, In Retirement Services, Just Retirement, Key Retirement Solutions, Mortgage Express, National Counties Building Society, New Life Mortgages, Northern Rock, Norwich Union, Portman Building Society, Prudential, Standard Life, Stroud and Swindon Building Society.
- SHIP members provide a wide range of equity release products that enable the elderly to make use of the capital value of their home without having to sell up and move house. The members sign up to abide by a set of consumer protection principles, which significantly improves the protection offered to customers and generally the quality of business transacted. These principles are in addition, but complementary to the firm's regulatory and legal obligations.
- The SHIP product standards have been adopted by several other countries as a starting point to their markets most noticeably New Zealand and Sweden. SHIP has also contributed to discussions with other EU member states in helping them consider issues in the equity release market including the French Government.
- SHIP believes the UK has the most developed equity release market in the world and given the length of time it has been established it has much to offer the debate and how these proposals may effect this growing and important market.

Comments on the Green Paper

- Although SHIP do not feel the arguments in favour of EU legislation on mortgages in the Green Paper has been fully made, there may be some merit at looking at some high level principles in this area across Europe to protect consumers. It would appear entirely in line with a risk based approach to take some proactive steps to avoid potential future consumer issues and to ensure there is no kind of regulatory arbitrage that would be at the expense of consumers or the development of this market, where ever consumers may reside in Europe.

- It is hard to see a “complete” Single Market for retirement equity release mortgages developing in the short term, due to the local financial complexities, different tax regimes, currency issues and local trends and social attitudes – but that is not to say, this will not develop locally within a Single Market framework. In this respect, we would be delighted to offer our support in working on designing some high level principles.
- We feel the EU market for retirement equity release products will grow and in some markets significantly in the next few years. The position and value of Equity Release may become acute, as private pensions are required to make up for state’s pulling back from unsustainable pension promises and the longevity risk. Generally it is possible to foresee lifestyles for those at or in retirement being supplemented by releasing capital in their homes to provide an income.