



Equity Release -
Highlighting the true
cost of products

Supporting Consumer Duty

Just some of the ways The Exchange is supporting
you deliver the principles of Consumer Duty



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Design of products & services



Price & value



Consumer understanding



Consumer support

Supporting Consumer Duty

Equity Release - Highlighting the true cost of products

Providing insights into the actual cost of products, and the amount that would need to be paid back at a certain age, helps consumers better understand the options available and how they compare to each other.

By showing the impact of compound interest and how the loan could roll up to a higher amount than expected, demonstrates how rates and fees can impact the size of the loan in future.

These insights are key to ensuring customers understand products as fully as possible, and therefore to achieving this outcome.



Robert Bowes
Senior Product Manager



Consumer understanding

The Consumer Duty's '**consumer understanding**' outcome requires firms to give consumers the information they need, in a way they can easily understand, at the right time in the process



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Supporting Consumer Duty

Equity Release - Highlighting the true cost of products

- ▶ **Net loan** - true amount that can be borrowed by the policyholder(s)
- ▶ **Total cost of loan** - total amount that will need to be paid back if the policy continues to assumed term
- ▶ **Cost per pound** - the amount that needs to be paid back for each pound borrowed; a strong indicator of value

Lifetime mortgages (214) Unsuccessful quotes (14) Quote input

Quote produced for **Mr John Smith**, obtained on **21/03/2023**, for **Whole of Market**, with reference **230321045020919**. Transaction Number **324459714**.

Provider / Product	Initial sum	Net loan amount	MER	AER	Total cost of loan	Cost per pound	Interest type	Product fees	ERC	Commission
canada life Capital Select Platinum Plus (CB)	£180,000	£185,400	8.01%	8.31%	£1,042,621	£5.62	Roll up (F)	-	Fixed	£4,140.00
AVIVA Lifestyle Flex Opt £1000 Cashback PHYSVAL Fix	£181,800	£182,795	7.48%							
AVIVA Lifestyle Flex Opt £1000 Cashback PHYSVAL Var	£181,800	£182,795	7.48%							

Comparison Report

Equity Release

First life
Mr John Smith
Male
Date of birth: 01/01/1960 (age 63)
Medical data: No
House name / number: Not supplied
Basis of sale: Whole of market
Advice fee: £0.00

Property value: £600,000
Property type: House detached
Ex-local authority: No
Inheritance protection: No
Property location: England
Property postcode: GL19 3DT
Tenure: Freehold

Residence type: Main residence (not retirement property)
Sell on fee: No
Initial advance: Maximum
Regular payments: No
Reserve facility: No
Product types: Lifetime interest only / servicing (full), Lifetime roll up
Early repayment charges: Fixed, Variable
Include cashback in requested loan: No

LIFETIME MORTGAGE QUOTES						
Provider	Product	Loan Amount	Interest Rates	Interest Type	Fees and Commission	ERC
Canada Life	Capital Select Platinum Plus (CB)	[£] [0] [F]	Initial advance: £180,000.00 Net loan amount: £185,400.00 Total cost of loan: £1,042,621.39 Cost per pound: £5.62	MER: 8.01% AER: 8.31%	Roll up (F) Product fees: £0.00 Commission: £4,140.00	Fixed

ERC Details: 8% for the first 5 years, 6% for 3 years after that, 0% thereafter.



Consumer understanding



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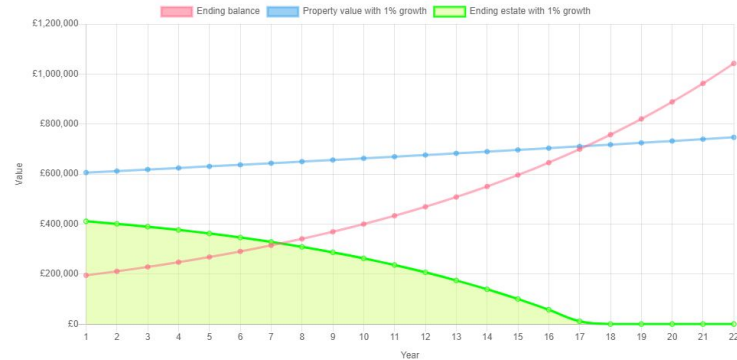


Equity Release - Highlighting the true cost of products

- ▶ **Annual interest** - shows the impact of rolled up interest on the term of the mortgage
- ▶ **Model growth rate** - allows you to review the impact of house growth rates on the equity remaining

Annual interest table

Year	Starting balance	Additional payments	Annual interest	Ending balance	No property growth		0% property growth	
					Ending value	Ending estate	Ending value	Ending estate
1	£180,000.00	-	£14,959.28	£194,959.28	£600,000.00	£405,040.72	£600,000.00	£405,040.72
2	£194,959.28	-	£16,202.50	£211,161.78	£600,000.00	£388,838.22	£600,000.00	£388,838.22
3	£211,161.78	-	£17,549.04	£228,710.82	£600,000.00	£371,289.18	£600,000.00	£371,289.18
4	£228,710.82	-	£19,000.00	£247,710.82	£600,000.00	£353,638.22	£600,000.00	£353,638.22
5	£247,718.31	-	£20,580.00	£268,298.31	£600,000.00	£335,287.22	£600,000.00	£335,287.22
6	£268,305.46	-	£22,290.00	£290,595.46	£600,000.00	£316,036.22	£600,000.00	£316,036.22
7	£290,603.55	-	£24,150.00	£314,753.55	£600,000.00	£295,885.22	£600,000.00	£295,885.22
8	£314,754.77	-	£26,150.00	£340,904.77	£600,000.00	£274,834.22	£600,000.00	£274,834.22
9	£340,913.12	-	£28,330.00	£369,243.12	£600,000.00	£252,883.22	£600,000.00	£252,883.22
10	£369,245.42	-	£30,680.00	£400,000.00	£600,000.00	£230,032.22	£600,000.00	£230,032.22



Please refer to the lender KFI for full projections, noting that the assumptions and the term used by this system may differ. The projections shown in this table/graph are based on roll up, excluding fees and repayments, and may also differ from the Total Cost of Loan for these reasons.

Change growth rate (%): 1



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