



Learning Outcome

Assessment Criteria

Indicative Content

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| 1 1 Question | Know the definition of equity release, home reversion plans, lifetime mortgages and alternative methods of equity release / capital raising. | 1.1 | Describe the main product definitions. | 1.1.1 | The definition of equity release as in the Financial Conduct Authority (FCA) Handbook. | | |
| | | | | 1.1.2 | The definition of a home reversion plan as in the FCA Handbook. | | |
| | | | | 1.1.3 | The definition of a lifetime mortgage as in the FCA Handbook. | | |
| 2 7 Questions | Understand the principles of equity release, the types of equity release schemes available and the circumstances for which such schemes might be appropriate. | 2.1 | Describe the principles of equity release. | 2.1 | The principles of equity release, the regulatory definitions and generic advantages and disadvantages of equity release. | | |
| | | | | 2.2 | Describe the different types of equity release schemes. | 2.2.1 | The different types of equity release schemes available – draw down equity release, monthly capital release, mix and match (part lump sum / part monthly release), shared appreciation mortgages. |
| | | | | | | 2.2.2 | Regional variations within the UK. |
| | | | | 2.3 | Describe the market participants and their roles. | 2.3 | Market participants and their roles: providers, administrators, arrangers, advisers, conveyancers, solicitors and surveyors. |
| | | | | 2.4 | Describe the relevant regulation applied to equity release schemes and home reversion plans. | 2.4.1 | Regulatory requirements including the FCA's Conduct of Business rules for lifetime mortgages and home reversion plans, the sales process and documentation, product disclosure. The status of home reversion plan providers and the need to highlight extra risks when the provider is not FCA authorised. |
| 2.4.2 | The rationale of regulation for consumer protection under the Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB) and The Equity Release Council's Statement of Principles – the importance of independent legal advice, potentially vulnerable consumers, how mis-buying or mis-selling can occur, fair valuations, rights and liabilities as tenants, security of tenure, access to redress. | | | | | | |



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| | | 2.5 | Compare the features of home reversion plans and lifetime mortgages in relation to other schemes. | 2.5.1 | Features of home reversion plans, how they work, how they may be structured, and advantages and disadvantages in relation to other schemes. The impact on the consumer of what they are giving up (ownership of all or part of the property), the difference between legal and beneficial ownership, potential rental and associated charges. |
| | | | | 2.5.2 | Features of lifetime mortgage schemes, how they work, and advantages and disadvantages in relation to other schemes. |
| 3 4 Questions | Understand the types of consumer at whom equity release is targeted and their personal requirements, wants and needs. | 3.1 | Describe the types of consumer at whom equity release is targeted. | 3.1 | Type of consumer who may seek equity release solutions (asset rich/cash poor) – those who need to realise the value of their assets, those who choose to realise the value of their assets, those who choose to realise the value of their assets for a variety of lifestyle reasons, the need/desire to leave a legacy. The role of equity release as part of overall retirement planning. |
| | | 3.2 | Explain the requirements for capital sums and extra income. | 3.2.1 | Requirement for capital sums - funding home improvements, 'big ticket' purchases such as cars/holidays, helping family members, tax planning, financing health/long term care needs. |
| | | | | 3.2.2 | Requirement for additional income - supplementing retirement income, current and expected expenditure levels, financing health/long term care needs. |
| | | 3.3 | Describe the suitability of equity release. | 3.3 | The suitability assessment, taking into account the purpose of the equity release and investment vehicle used. Rationale for the suitability of equity release where used/part used to raise emergency funds placed on deposit (and the amount). |
| | | 3.4 | Describe the eligibility criteria for home reversion plans. | 3.4 | Typical eligibility criteria for home reversion plans, including personal and property status requirements. Impact/implications for single and joint applicants. |



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| 4 Questions | Understand the circumstances in which equity release may be appropriate. | 4.1 | Explain how consumer needs, health and individual circumstances, preferences and objectives inform and lead the advice process. | 4.1 | Impact on advice given and the approach to the advice giving process of the following – savings and investment levels, leaving an estate on death, capital versus income, maintaining a level of income / lifestyle comparable with that of pre-retirement income, disability, health and / or long-term care, vulnerability, lifestyle choices, requirements for temporary or guaranteed income, use of equity release as an alternative to trading down. |
| | | 4.2 | Explain the importance of consumers taking independent legal advice and the FCA requirement to confirm consumers have done so. | 4.2.1 | The importance of taking independent legal advice before committing to a legal contract. The division of responsibilities between providers/advisers and solicitors. The Equity Release Council requirement for a solicitor's certificate. |
| | | | | 4.2.2 | The FCA requirement for firms to obtain confirmation that consumers have obtained independent legal advice in relation to home reversion plans (MCOB 2.6A.5). |
| | | 4.3 | Compare the advantages and disadvantages of investing equity released for income and drawdown equity release. | 4.3 | Investing equity released for income versus drawdown equity release - suitability, advantages and disadvantages, temporary versus guaranteed income, impact on tax planning. Lack of inherent restriction on use of lump sum raised via equity release. |



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| 5 5 Questions | Understand the impact on consumers' future options. | 5.1 | Explain the impact of equity release on inheritance tax planning options, ability to vary and right to move. | 5.1.1 | Impact on net estate and its transfer/management: saving Inheritance Tax versus costs of equity release. The importance/impact of - any inheritance protection guarantees (and that the cost of these is passed on to the consumer). -shared appreciation or house price inflation guarantees. |
| | | | | 5.1.2 | Variation and portability – whether product accommodates any potential lifestyle change if desired or needed, impact on right to move. |
| | | 5.2 | Explain the legal considerations which can impact on consumer options. | 5.2.1 | The importance of legally registering the arrangement correctly and the provider's duty of care to ensure the solicitor takes on responsibilities regarding contract issues, title, registration of lease etc. |
| | | | | 5.2.2 | Impact of single versus joint occupiers; last survivor basis of schemes, joint tenancy/tenants in common. |
| | | | | 5.2.3 | Impact of ending scheme early or on death or need to enter long-term care (qualifying termination event) and early repayment charges. |
| | | | | 5.2.4 | Impact of plan provider's definition of entering long-term care. |
| | | | | 5.2.5 | In respect of lifetime mortgages, the impact of guarantees regarding 'no negative equity' / legacy element. |
| | | | | 5.2.6 | The impact and importance of: - powers of attorney for both property and financial affairs, and health and welfare. - a valid will vs. dying intestate. |



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| 6 8 Questions | Understand the key features, relative advantages and disadvantages of different types of equity release arrangements and principal alternatives. | 6.1 | Describe the key features of different types of equity release arrangements and principal alternatives. | 6.1.1 | The features, benefits and risks of lifetime mortgages: rolled up interest (income, lump sum, compound v simple interest), home income plans, interest-only mortgages (including hybrid lifetime mortgages where consumer can opt to roll up interest at any time in the future), drawdown mortgages, other lifetime mortgage products coming into market. |
| | | | | 6.1.2 | The features, benefits and risks of home reversion plans in relation to the individual client / potential reversion occupier – implications of equity sale, reasons why amount received under a home reversion plan will be less than the open market value if property sold with vacant possession, independent valuation requirement, other factors influencing provider's offer, potential for future equity if % share retained, lifetime lease conditions and implications (rules of occupancy, ability to let or sub-let, waivers and indemnities for residents other than reversion occupier, maintenance provisions, buildings insurance, need to consult the reversion provider if the occupier wishes to leave the property empty or undertake structural alterations), and right to reside in property until death or entering into long-term care, generic examples of advantages / disadvantages, rights of partner to live in property (joint home reversion plans) – 'last survivor', variations in types of plan and how these impact on individual client / potential reversion occupier. |
| | | | | 6.1.3 | Retirement interest-only mortgages – definition, comparison with lifetime interest-only mortgages and when they may be suitable. |
| | | 6.2 | Explain the advantages and disadvantages of different types of equity release arrangements and principal alternatives. | 6.2 | The advantages / disadvantages of lump-sum products against those offering flexible drawdown. |



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| 7 4 Questions | Understand the rules relating to State benefits and taxation, the sources of information and specialist advice regarding the implications on these of entering into an equity release arrangement. | 7.1 | Describe the conditions for eligibility for State benefits. | 7.1 | Establishing the consumers' eligibility for and take up of benefits - the need to explore customers' entitlement to benefits whether being claimed or not. |
| | | 7.2 | Explain the impact of the rules of State benefits on equity release arrangements. | 7.2.1 | Methods of assessing financial implications of equity release versus impact on means tested benefits, including supplementary sources of information for advisers. Impact on local authority funded long term care. |
| | | | | 7.2.2 | Difference in impact between different equity release schemes. UK variations, sources of information and specialist advice and when to refer. |
| | | 7.3 | Explain the impact of the rules of taxation on equity release arrangements. | 7.3.1 | Impact on tax position e.g. impact on age related allowances. Difference in impact between different equity release schemes. |
| 7.3.2 | Sources of information and specialist advice and when to refer. | | | | |
| 8 6 Questions | Analyse the suitability and affordability of the different types of equity release plans and the main alternatives for different types of consumer. | 8.1 | Determine the suitability and affordability of the different types of equity release plans and the main alternatives for different types of consumer. | 8.1.1 | Lifetime mortgage products, options and distinguishing features including the impact of choice on the estate. |
| | | | | 8.1.2 | Home reversion plans – legal title, impact on death, occupant status, opportunity for further equity release if only part sold initially, the short-term and long-term costs, including property insurance, property maintenance and the impact of choice on the estate. |
| | | | | 8.1.3 | Alternative options – trading down / downsizing, disposing of other assets, consider use of existing savings and investments, grants (options available and where to find relevant information/advice), seeking additional income e.g. via part-time work, sale and rental (and the impact on State benefits), potential to let part of the property to generate an income, conventional borrowing (e.g. remortgage, bank loan, credit card), informal arrangements (e.g. borrowing money from relatives), review of personal pensions, debt advice including debt consolidation advice from Citizens Advice, review of lifestyle / expenditure, anticipated legacies and inheritances. |
| | | | | 8.1.4 | How personal health circumstances and needs affects options/choice of product. |



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| <p>9</p> <p>6</p> <p>Questions</p> | <p>Assess the advantages, disadvantages and potential risks to consumers associated with taking out equity release and when these might arise.</p> | <p>9.1</p> | <p>Describe the advantages, disadvantages and potential risks to consumers associated with taking out equity release and when these might arise.</p> | 9.1.1 | Factors that influence whether the consumer has access to further funds e.g. possible restructuring of pensions and other investments. |
| | | | | 9.1.2 | Impact on tax liability, State benefits and local authority funded care (including eligibility for a deferred payment agreement (DPA)). |
| | | | | 9.1.3 | Impact of use of finite resource – e.g. sale proceeds can only be spent once, impact of inability to finance later long term care needs. |
| | | | | 9.1.4 | Potential restrictions regarding future alternations to the property and impact of any repair / maintenance and insurance clauses. |
| | | | | 9.1.5 | Impact of divorce and / or remarriage. |
| | | | | 9.1.6 | Impact of inflation on fixed income. |
| | | | | 9.1.7 | Impact of not being able to use home as security for potential future borrowing, loans or mortgage. |
| | | | | 9.1.8 | The purpose of the loan / equity release. |
| | | | | 9.1.9 | Ability / inability to repurchase or inheritors to repurchase equity share and financial implications of seeking to repurchase equity share. |
| | | | | 9.1.10 | Impact of limitations within lease |
| | | | | 9.1.11 | Principle terms of lifelong lease. |
| | | | | 9.1.12 | Impact of terms and conditions arising from variations. Other factors and associated costs. |
| | | | | 9.1.13 | Impact of future inability to sub-let or allow anyone (including family members) to gain tenancy rights or even live in property without permission. How debt can increase rapidly where interest is rolled-up under lifetime mortgages and how it is scheduled. |
| | | | | 9.1.14 | The possibility of negative equity (certain products and providers that are not within The Equity Release Council). |
| | | | | 9.1.15 | The terms associated with early repayment. |
| | | | | 9.1.16 | The impact equity release arrangements have on future choices including the likelihood that a surviving spouse will need/want to move. |
| | | | | 9.1.17 | The impact of loss of capacity. |



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| 10 5 Questions | Assess the relative levels of risk for different consumers taking account of their individual circumstances. | 10.1 | Assess the relative levels of risk for different consumers, taking account of their individual circumstances. | 10.1.1 | Life expectancy and health considerations. |
| | | | | 10.1.2 | Amount of equity and the amount consumers wish to release. |
| | | | | 10.1.3 | Purpose of the equity release. |
| | | | | 10.1.4 | Impact upon beneficiaries and on existing and planned provision for long-term care. |
| 11 25 Questions | Apply suitable equity release solutions to the circumstances of different types of consumer. | 11.1 | Apply suitable equity release solutions to the circumstances of different types of consumer. | 11.1.1 | Provision of ethical advice and requirements of FCA rules. |
| | | | | 11.1.2 | Methods of verifying information supplied by consumers. |
| | | | | 11.1.3 | Methods of checking that equity release solutions match consumers' needs, demands and circumstances - now and in the future. |
| | | | | 11.1.4 | How life expectancy, health and lifestyle might influence choice of equity release product and how anticipated changes to health might influence the date at which the scheme ends. |
| | | | | 11.1.5 | Importance of deciding whether or not to discuss solutions with the consumer's family/potential beneficiaries; the appropriateness, implications and influence of third party involvement and when this is appropriate. |
| | | | | 11.1.6 | Explaining complex technical matters and checking consumer understanding. |
| | | | | 11.1.7 | Rule requirements relating to financial promotions and to disclosure. |
| | | | | 11.1.8 | Generic assessment of suitability, including instances when equity release is not the most appropriate course of action. |
| | | | | 11.1.9 | Minimum standards for suitability as required under FCA rules (identify client needs and meet them in the most cost-effective way). |
| | | | | 11.1.10 | Measures in place to protect consumers' interests – regulation, complaints processes, FOS, FSCS, The Equity Release Council. |
| | | | | 11.1.11 | Requirements of rules regarding equity release applicants (and third party occupants) taking independent legal advice. |
| | | | | 11.1.12 | Lifetime mortgage products and options, including importance of a no negative equity guarantee and the impact of choice on estate. |