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Should you use your home to help out loved ones? Coronavirus crisis financial chill drives more to use equity release

- Equity release allows homeowners over 55 to release wealth built up in property
- Proportion of borrowers using it to help out relatives during the crisis rises 20%
- Average rate offered by lenders is now 4.34% according to data firm Moneyfacts
- [Here's how to help people impacted by Covid-19](#)

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Rising numbers of older homeowners are resorting to equity release to help out loved ones during the coronavirus crisis.

Despite the lockdown, equity release providers have handed out loans worth millions of pounds after strict rules were relaxed.

Figures from a leading broker show that last month more home owners were taking out the loans to give money to family.

Age Partnership says the proportion of borrowers using the wealth in their home to help out relatives had risen 20 per cent- from 13.13 per cent to 15.95 per cent of all loans secured in April.



Despite the lockdown, equity release providers have handed out loans worth millions of pounds after strict rules were relaxed

It comes as the housing market has been frozen by the pandemic — with lenders struggling to value homes and offers put on hold.

Equity release allows homeowners over 55 to release the wealth built up in their property. The debt only has to be repaid when they die or move in to long-term care.

But the loans come with compound interest charges, meaning the amount owed snowballs every month.

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Experts warn anyone considering tapping into their property wealth to be fully aware of how quickly this interest can build up, as the debt can wipe out the value of your home or leave your loved ones with very little to inherit.

The average interest rate offered by lenders is now 4.34 per cent, according to data firm Moneyfacts.

This is up from 4.2 per cent in March. A £250,000 loan on a £500,000 home would consume the value of the property in 16 years if interest built up every month at 4.34 per cent.

The age and vulnerability of those considering equity release means borrowers would normally have a face-to-face meeting with a legal adviser to ensure they understand the cost of the loan.

But these requirements have been changed to recorded telephone and video calls. The Equity Release Council says any cases where sufficient checks cannot be made should be delayed until after lockdown.

The industry is now also conducting drive-by valuations and remote property price checks to decide how much it will lend.

Age Partnership, the UK's largest equity release broker, says it saw a 13 per cent increase in quotation requests in March compared to January and February, but this interest waned slightly in April.

The average amount of money requested in March was £86,454 — up £18,139 from the £68,315 average seen in January and February.

Andrew Morris, senior adviser at Age Partnership, says: 'In March, when lockdown was announced, we saw a spike in clients coming to us for equity release quotations.

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this levelled out during April to more normal volumes.

'Many clients are looking for money to help their family, or for peace of mind so that they are in control of their finances.'

Adrian and Glynis Startin, both 67, took out a £30,000 loan against their family home in Rotherham, South Yorkshire, shortly before the lockdown to give cash to their two daughters, Laura and Samantha.

Adrian, a retired breakdown recovery mechanic of 34 years, says: 'Samantha has just moved into a new home, which needed lots of renovation.'

'And Laura, a single mum, needed a financial cushion so she doesn't need to worry about paying the bills.'

'We didn't want to watch them struggle so we took out an equity release plan to help them.'

In all, £1.06 billion in equity release loans were handed out in the first quarter of the year — up 14 per cent on the £936 million in the same period last year, according to Equity Release Council figures.

Jim Boyd, chief executive of the Equity Release Council, says: 'Market activity has slowed since the start of the year, reflecting the wider economy as households assess the impact of Covid-19.'

'However, the market is open as measures to safely provide advice and valuations mean that customers can still access equity release.'

Campaigner for the elderly, Baroness Ros Altmann, warns that the loans should be a last resort.

She says: 'Equity release can be dangerous and should not be entered into without understanding all the risks. It can be a lifeline, but if people take it out relatively young, it can have pernicious effects in the coming years.'

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