

# Later Life Lexicon

A vocabulary guide for  
the later life lending sector

Developed by Air



# Later Life



## 'Later Life customer/borrower'

An individual aged 50 or above who is looking to take out a mortgage product, whether remortgaging or freeing up equity. This can be direct or via an intermediary and applies to all mortgage products – even traditional mortgages where they apply.



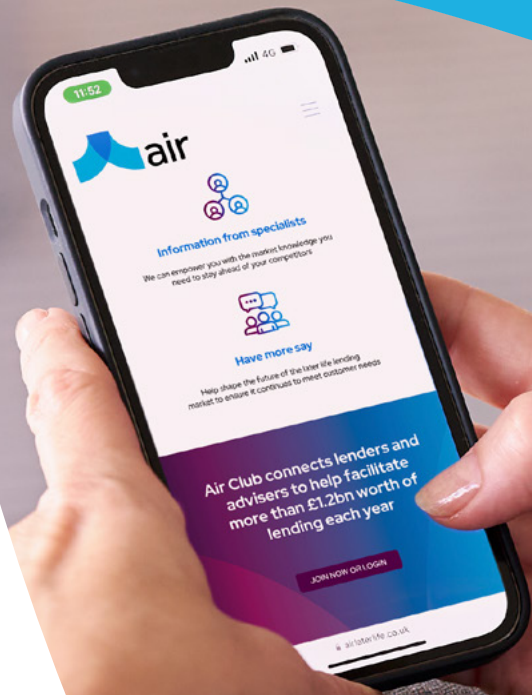
## 'Later Life Lending'

The act of providing mortgage products to the above later life customers. This includes traditional mortgages with higher age caps, equity release, retirement interest-only products, and hybrid products.



## 'Later Life Sector'

The industry servicing the over-50 borrowers, or would-be borrowers in the UK. This includes mortgage lenders (both traditional and specialist, financial advisers (both traditional and specialist), adviser networks, trade bodies such as UK Finance, the Equity Release Council and Association of Mortgage Intermediaries and any other financial professionals offering products or services to the over-50 age group.



# Product Types



## Traditional mortgages for over-50s

According to UK Finance, new lending where the term extends into retirement (65) accounted for around 60% of all lending in the UK in August 2023. Compared to when the later life lending sector was first created, many traditional mortgages now have age caps that extend well into a borrower's retirement. For clients looking to remortgage, these can offer valuable solutions but are more limited by income and ability to make repayments than specialist later life products.



## Equity Release

Equity release is an umbrella term for Lifetime Mortgages and the lesser used Home Reversion Plans. When a customer takes out a lifetime mortgage, they retain full ownership of their home and any interest on the loan can either be paid monthly, on an ad-hoc basis or rolled up into the loan amount. The loan and any outstanding interest are repaid when the borrower dies or moves to long-term care, and for plans which adhere to Equity Release Council Standards cannot exceed the value of the property providing the terms and conditions have been adhered to.



## Retirement interest-only Mortgages (RIOs)

Only available on a main residence, a RIO is similar to a standard interest-only mortgage, however the loan is usually only paid off when the borrower dies, moves into long-term care or sells the property. Affordability is based on the ability to meet monthly interest payments and the property can be at risk if repayments are not met.



## Payment Term Lifetime Mortgages

A lifetime mortgage under which the customer commits to a regular payment at outset which reflect all or part of the interest to achieve a higher LTV at outset than would otherwise be available. Whilst the product will provide security of tenure from outset this is dependent on maintenance of the agreed payment.



## Optional Payment Lifetime Mortgage

An lifetime mortgage under which the customer commits to a regular payment at outset which reflect all or part of the interest. Depending on the specific terms of the product the payment may or may not generate preferential terms and also may or may not have commercial implications in the event the payment ceases, but in any event security of tenure is not dependent on maintenance of the payment.




## Hybrid Product

A Hybrid product is a product which includes after an agreed period a conversion into interest roll up but does not satisfy the regulatory definition to be classified as a Lifetime Mortgage. This may for example be a product designed very similarly to a PTLTM but where the payment during the mandatory payment term is greater than full interest only and therefore includes a period where both capital and interest is being repaid before moving into roll up.

# Mortgages

 Traditional products

 Later life specialist lending

Equity Release      Home reversion      RIOs

PTLM      OPLM      Hybrid



# Regulatory

The FCA Consumer Duty introduces a new Principle for Businesses. Principle 12 requires that "A firm must act to deliver good outcomes for retail customers."

Guidance on meeting the compliance requirements for the Consumer Duty can be found in the FCA Handbook & associated FCA guidance documentation and in Air Academy but, pertinent to the later life lending sector, this requirement includes clauses around customer understanding, product choice and suitable advice.

Under the Consumer Duty, it is imperative that later life professionals consider (amongst other requirements) how to offer customers a wide range of choice, sufficient knowledge that they understand the risks and impact of products on offer and show due consideration of consumer vulnerability and affordability. Financial Advisers that only offer advice on one product type, for example, or do not have referral processes, may struggle to efficiently and effectively meet these requirements. Later life professionals might also consider providing an ongoing monitoring service for regular check ins, though this is not mandatory and should be made clear whether it will or will not be part of their service.



## A brief history of later life lending

The development of the first later life product (few traditional mortgages extended into retirement at this point).

1965

Efforts made to address concerns around home reversion plans, such as the formation of the Equity Release Council.

2001

1978

The development of the first home reversion plan, equity release mortgage, RIO and, now, PTLM and interest reward products.

2017-2022

Various FCA reviews into the sector, including criticism of home reversion plans, the FCA Consumer Duty and the recent FCA review.

# 'Comprehensive Conversations'

## A movement for the Later Life Sector

The Comprehensive Conversations movement is a collaboration between advisers, lenders, networks and wider mortgage professionals that considers the UK mortgage market as a cohesive whole. Rather than discrete mainstream and later life markets there should be a recognition that there is overlap and therefore alternatives in the propositions offered. We need to ensure customers/clients are directed toward considering all potential options which can meet their needs regardless of entry point, the qualifications held by a particular adviser and the scope of the product range included in their advice proposition. For the over-50s, this may mean later life products via triage & referral, however this is not always the case and depends on the client circumstances.

Specifically, it aims to better serve later life borrowers by ensuring that they have access to – and advice on – a wider range of later life products, and that customers/clients make informed decisions, with full understanding of the products being discussed.

Members of the movement support each other through educational material, collaboration, new product development from lenders and engagement with networks and clubs that can provide triage and referral options for customers as needed.



The Comprehensive Conversations Movement can be joined by signing up to the Manifesto, available here:

**THE COMPREHENSIVE  
CONVERSATIONS  
MANIFESTO**

# Advocating for better practice

**'Safer tracks'** refers to new adviser business processes that are designed with FCA Consumer Duty requirements in mind, through following the same considerations that underpin the Comprehensive Conversations movement. They aim to support the delivery of good customer outcomes in a structured way.

**Advisers on 'safer tracks'** are making full use of education, navigator tools, networks, sourcing tools and CPD development to help meet FCA requirements and understand the sector. They keep affordability, vulnerability, consumer understanding and product range at the heart of client discussions to meet the products & services and price & value outcomes under the FCA Consumer Duty.

**'Offer more options'** is a shorthand term referring to the heart of the Comprehensive Conversations movement – ensuring that borrower/customers have access to a greater range of products and the expert independent advice to choose the correct option for their circumstances. Offering more options allows the market to come together as one, with specialist products for different needs, rather than being split into mainstream and later life.

## Further Reading

[Equity Release Council](#)

[FCA Review of Later Life Sector](#)



For more information on the  
Comprehensive Conversations  
movement, visit the Air website at:

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