Under-occupying and non-moving – what's behind the calls to lower stamp duty for downsizers.

By Charlotte Grimshaw,

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Stats collated by the International Longevity Centre UK* show that only 11% of the 1 million property purchases annually in England involve buyers aged 65+, despite them making up 38% of adult households. As well as **staying put**, those in later life are **under-occupying** the homes they're in. The same study revealed that 40% of the 75+ population live alone, and 63% have 3 or more bedrooms.

This explains why many – from academics to estate agents - are now questioning whether a reduction in stamp duty for downsizers could give the housing market a boost. This would increase the supply of homes for sale and, in turn, give the younger generation space in which to grow their families.

Whatever happens with stamp duty legislation this year, it's important to remember that downsizers have access to significant choice with their mortgage options. Gone are the days where equity release was the only option!

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Mortgages have come a long way since your later life clients first got on the property ladder. While they may think a 'standard' residential mortgage is out of reach, quite often it might just provide the most sensible answer to their later life plans. It wasn't that long ago that it was assumed that a mortgage would have to have been redeemed before retirement or a seventieth birthday at the latest.

How things have changed. As our population ages, and life expectancy has increased, lenders have changed their policy and criteria to keep pace with how people live their lives. Some lenders, like us, have no maximum age at all.

Lenders will now look at income from BTL portfolios and investments. Pension pots and SIPPs can also be used. For example, we'll use 80% of a SIPP or pension pot and divide by mortgage term, and we'll use 100% of state and company pensions.

Interest only is also a viable option that's widely accessible to many who've decided not to redeem mortgages.

LTVs will vary for interest only options and may depend on how much equity there is in a property (we require £200k for IO, for example).

In addition to traditional downsizing, a mortgage, or remortgage, in later life might be used to fund any of these:

- **Downsizing on your own timeline** – clients can purchase and move into a new, smaller home at their own speed, with just one transaction at a time and potentially breaking a chain. Then, once ready, they can sell their previous property and use the surplus income for retirement spending.
- **Releasing cash** – Home improvements, home adaptions, gifting to family, school fees for the grandchildren.
- **BTL income** – purchasing a new home whilst retaining the former property to rent out (providing an additional monthly income and continued future investment).

When you're placing a case we consider every application individually, by manually underwriting.

All details and lending criteria correct as at 19 June 2024. *https://ilcuk.org.uk/shortage-of-right-size-homes-harms-health/

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