Looking at the bigger picture in later life

By Claire Askham, Head of Mortgage Sales, Buckinghamshire Building Society

Later life lending has become an increasingly important part of the mortgage market, but the customers behind these applications are rarely all the same.

Some are looking to remortgage an existing property. Others want to move home, release funds for a particular purpose or manage borrowing that extends beyond their expected retirement date. Their income can come from a combination of employment, pensions and other sources, while their credit history may not always be completely straightforward either.

For brokers, this can mean cases that need a little more thought… and a lender willing to look at the individual circumstances behind the application.

Looking at the whole picture

Reaching later life doesn't necessarily mean a borrower's circumstances become simpler.

Customers may still be working, transitioning gradually into retirement or already relying on pension income. They may have existing mortgage borrowing they want to restructure or plans that require a mortgage term extending further into later life.

That makes understanding both the borrower's position today and how affordable the mortgage will remain in the future particularly important.

It is also why manual underwriting can be so valuable.

Rather than relying solely on an automated decision, it gives lenders the opportunity to understand the customer's income, expenditure, plans for retirement and the overall sustainability of the borrowing.

And sometimes, that wider assessment needs to include their credit history too.

When the past isn't perfect

Credit problems aren't exclusive to younger borrowers.

Someone approaching or already in retirement may have experienced financial difficulties at an earlier point in their life. Equally, unexpected expenditure or a change in circumstances can result in the occasional missed payment or greater reliance on credit.

The presence of adverse credit does not automatically tell you everything you need to know about that borrower today.

At Buckinghamshire Building Society, our later life lending criteria can accommodate a range of previous credit issues, subject to our lending criteria and individual assessment.

For example, we can consider a range of historic missed payments, utility and communications defaults and some CCJs.

Even more significant historic events don't necessarily have to close the door permanently. An IVA or bankruptcy, for example, can be considered where it has been satisfied or discharged for at least five years, with no adverse credit since.

It comes back to understanding what happened, when it happened and what the customer's financial position looks like now.

The importance of the broker conversation

For advisers, later life cases can therefore benefit from an early conversation with the lender.

If a customer has an unusual income structure, borrowing extending into retirement or something sitting in the background of their credit history, discussing the case before submission can help establish whether there is a potential route forward.

It also gives brokers the opportunity to provide context.

A credit report can show that a payment was missed or a default occurred, but it cannot always explain the circumstances surrounding it, what has changed since or how the customer has managed their finances in the years that followed.

That information can be important when a case is being manually assessed.

More than an age or a credit score

Later life lending is ultimately about recognising that borrowers' circumstances continue to evolve as they get older.

There will always be cases where the borrowing isn't appropriate or affordable, and responsible lending must remain central to every decision. But age, retirement or an imperfect credit history do not necessarily provide the full picture on their own.

For brokers, the opportunity is to understand what the customer wants to achieve, explore the options available and work with lenders prepared to consider the individual circumstances.