Equity Release Market Insight

Q2 2025

Pure Retirement

Introduction

Paul Carter, Pure Retirement CEO

Welcome to the latest edition of our quarterly Equity Release Market Insight report, focusing on the key trends and headlines from Q2 2025. Read on for insight from the Equity Release Council, some of the trends and patterns that we've uncovered from our own data, and the key headlines from across the sector covering demographics, consumer habits, and the key updates from the market.

Q2 property trends

In Q2 nearly one in eight (12%) of our new plans were taken out by owners of high value properties – i.e. from owners of homes with a value of at least £700,000.

This represents a marked quarterly uptick, with this demographic accounting for 9% of the lender's business in Q1 of this year. Additionally, it's an increase from the 10% seen in Q2 2024.

We also found that the majority of business came from owners of properties in the £250,000 -£399,000 range, accounting for nearly four in ten (36%) of new business in Q2, up from the 32% seen in Q1 and on par with what was seen in Q2 of last year.

Our findings also saw a quarterly average house price among new customers of over £404,000, continuing a longstanding trend of the lender seeing an average property values sitting at over £400,000.

What are people using released funds for?

More than one in four (27%) of our new lifetime mortgages in Q2 were taken out for debt and mortgage repayments, a proportion which has stayed constant on a quarterly basis, but represents a rise from the 25% seen during Q2 of 2024.

Additionally, home improvements accounted for 23% of our new business, a 2% increase on a quarterly basis, albeit representing a 2% drop on an annual basis. Holidays (9%), car purchases (8%) and gifting (8%) round out the lender's top five most common primary reason for taking out a new lifetime mortgage, holding steady on both a quarterly and annual basis.

What other demographic trends have emerged?

Lump sum plans were the preferred plan type among new customers in Q2, accounting for 56% of new business. This is a 6% swing from the even 50/50 split between lump sum and drawdown seen in Q1, and brings it more in line with the 55% lumpsum preference seen this time last year.

58% of new plans were taken out on a joint lives basis in Q2, representing a substantial increase from the 53% seen in Q1, and again bringing it more in line with the 59% seen in Q2 of last year.

Among single applicants, 64% were female in Q2, a small 1% increase on a quarterly basis but a 3% reduction annually, showing an increase in the proportion of male single applicants compared to this time in 2024.

Pure Retirement

Q2 2025, In Focus: The Key Stories & Headlines

12% of new plans in Q2 were taken out by high value property owners

58% of new plans were taken out on a joint lives basis in Q2

27% of new lifetime mortgages in Q2 were for debt and remortgage payments

£404,000 the average property value among new lifetime mortgage customers in Q2

56% of new customers preferred lumpsum plans in Q2

64% of single life applicants in Q2 were women

23% of new business in Q2 was carried out for home improvements

Developing New Safeguards for Consumer-Centric Sector Growth

Kelly Melville-Kelly, Director of Risk, Policy and Compliance, Equity Release Council

We've come a long long way together, through the hard times and the good! While I doubt that Fat Boy Slim was thinking about the Equity Release Market when he penned those lyrics (although at 61, he is eligible), they seem entirely appropriate at the moment.

Indeed, the analysis of the Financial Ombudsman Complaints data suggests that there have been four upheld or partially upheld complaints in Q1 2025. This is a minuscule figure considering the historic reputation of the sector and a real testament to the hard work of the Council and its members.

At the heart of this improvement are the Council standards. They were first introduced in the 90s to safeguard customers in a market pre-regulation and since then have regularly evolved to ensure they are current and appropriate. The most recent iteration was introduced at the start of May 2025 when we unveiled Standards 2.0 which included a new Customer Charter.

This Charter outlines how customers can expect to be treated by members. Underlining that they should be able to trust in a tailored, thorough and transparent process that ensures they receive the right outcome based on their individual circumstances. Standards are vitally important – arguably even more so in the current Consumer Duty world – but we also wanted people to understand what it means to be supported by a member of the Council.

In addition to the Charter, a 6th standard was also introduced which made the approach to care and early repayment charges (ERC) more consistent. Under the new Standard, provided a person provides medical evidence, they can go into care either in a formal setting like a care home or with a family member and will not be charged an ERC.

Finally, the entire suite of documents was reviewed to avoid duplication, ensure the language was accessible and take account of the changes under Consumer Duty. For some industries, this piece of legislation was a seismic shift, so it was gratifying to find that as we updated our Standards, the focus on good customer outcomes was already front and centre our sector's approach.

So, what next? The FCA has announced that it will be launching a public discussion into lending into later life before the end of Q2 2025 so I imagine as you read this, we will be working through the details with the support of members. This is a vitally important discussion for the sector and one that would not arguably have been possible without the last five years of consistent innovation.

The recent Fairer Finance report highlighted that over 50% of people are likely to need to use their housing equity to support their retirement finances so the potential for this market is huge. We need to seize the opportunity – and the challenge – outlined by the FCA and look at how we evolve to support more customers.

Change is never easy as it requires organisations and individuals to consider how they change systems and processes which work and have worked. However, when the FCA asks "Could later life lending benefit more people?" it would seem rude not to answer in the affirmative.

Customer Demographics

16%

of UK adults use gut instinct or guesswork to gauge their retirement savings target

Source: Standard Life

48%

of pension holders estimate they have less than £50,000 in pension savings

Source: St. James's Place

24%

of women struggle financially after a divorce

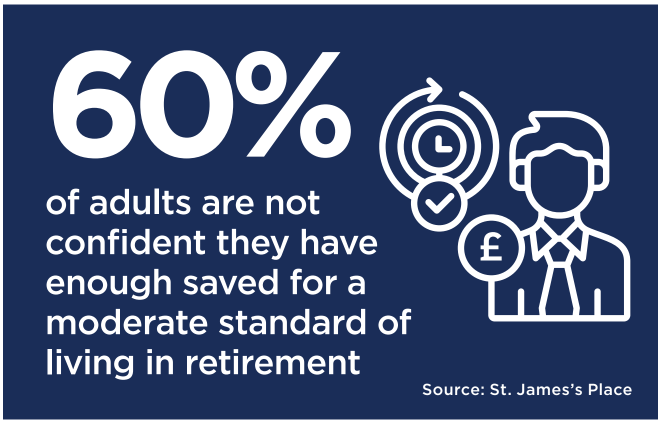
47%

of UK adults are worried their retirement savings wouldn't last the full length of their retirement

Source: Standard Life

Customer Demographics

The increase in the state pension could be a mixed blessing for pensioners, pushing many into a tax-paying bracket for the first time or resulting in higher tax bills, with Royal London predicting that thanks to the triple lock, the full state pension will rise to £12,014, close to the annual tax-free threshold of £12,570. This means around 12 million pensioners have received more in their state pension, bringing them perilously close to the amount that can be received without incurring tax liability.



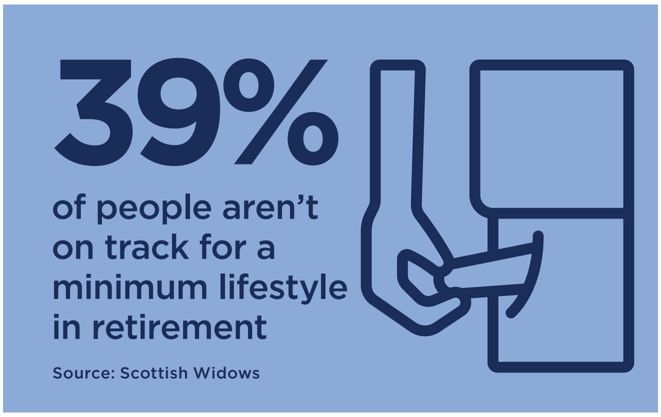
In spite of increases in the state pension, 60% of adults surveyed by St James's Place aren't confident in having the £500,000 saved needed for a moderate retirement standard of living. Among those saving beyond the state pension, UK adults estimated their total pension wealth to be £50,923 on average. In addition to this, nearly half (48%) of pension holders estimated they have less than £50,000 in pension savings, while 61% estimated they have below £100,000. Furthermore, on average, 17% said they only have a state pension in terms of retirement wealth - however, this figure rose to 19% for those approaching retirement (aged 55 to 64), while for those aged 65 to 74, the figure was 28%.

This trend is likely driven by a lack of knowledge of the amounts needed in retirement, with Standard Life's Retirement Voice report highlighting that one in six (16%) of UK adults use gut instinct or guesswork to gauge their retirement savings target. In addition, almost two in five (39%) admitted they've not worked out how much they'll need at all. This included 43% of Generation X and 34% of Baby Boomers, many of whom were approaching or had passed state pension age. This uncertainty translated into retirement fears, as the research showed nearly half (47%) of those surveyed, including 31% of Baby Boomers, were worried their retirement savings wouldn't last the full length of their retirement.

There are also noticeable regional variances in the levels of retirement provision around the UK, with SunLife finding that on average across the UK, seven in 10 (73%) have their own pension. However, this drops to 70% in the North West, where average incomes in the region are also lower at less than £25,000. However, the situation is better in the South West where three quarters (75%) of over 50s have a private pension, rising to 76% in the South East and 83% in Northern Ireland. Interestingly, London stands out for its financial vulnerability; just 55% of over 50s in the capital own their homes – the lowest rate in the UK – leaving many more exposed to housing costs later in life. Additionally, the average income for over-50s in London (£31,164) is also lower than many other regions, including Scotland (£31,399) and the South East (£31,169) despite those in the capital facing a significantly higher cost of living.

Those statistics come amid a wider backdrop where retirement outlooks have continued to worsen in recent years thanks to rising living costs, [with research from Scottish Widows] revealing that two fifths (39%) of people in the UK, aren't on track for a minimum lifestyle in retirement, up from 35% in 2023. The research showed that whilst pension saving levels have increased in the past 12 months, with projected retirement income rising to £17,200 from £15,500, they have failed to keep pace with the cost of living.

Perhaps unsurprisingly, only 49% of mid-retirees aged 65-75 are confident they are on track to make their private pension savings last for life, [with research by Aviva and Age UK] finding that 65% of mid-retirees do not think there is enough support for people managing their financial needs as they age. Just 26% of respondents reported feeling financially secure, with women (19%) feeling less financially secure than men (32%). The research, which surveyed those aged 65-75 who did not pay for financial advice, found for 83%, an income for life from their private pension savings has become more important as they have gotten older.



Certain demographic groups are also facing their own challenges, with women potentially at risk of being worse off in retirement after a divorce, where the 'divorce gap' – when women see their household income cut after a divorce – could leave them financially worse off in retirement, [according to research from Legal and General]. The research found that women saw their incomes cut in half in the year following divorce. In comparison, men's incomes fell by just 30% over the same period. This highlighted the financial vulnerability that many women faced after a marital breakdown, as well as the longer-term impact on retirement. One in four women (24%) struggled financially after their split, compared to just 16% of men. Post-divorce, women were significantly more concerned about the financial implications of retiring alone (13% vs. 8% of men).

Meanwhile, black individuals in the UK expect to enjoy nearly five more years in retirement and receive £8,000 more in annual pension income than the UK average, despite facing a 14.8% ethnicity pay gap, [Barnett Waddingham research has revealed]. The report, The Ethnicity at Retirement Reckoning, revealed that Black individuals anticipate an average retirement income of £28,953 per year, significantly above the UK average of £20,435. Ethnic minority individuals overall expect £23,549, while Asian respondents project £19,578.66 annually. In terms of retirement duration, ethnic minorities generally estimated an average retirement of over 20 years, with those of mixed backgrounds expecting the longest period, just over 21 years.

When it comes to working patterns, analysis has highlighted the importance of retaining over-50s in the workforce in order to maximise the benefits of the government's industrial strategy. With almost one in three workers in key high-growth sectors aged 50 or over, [the Standard Life Centre for the Future of Retirement warns] that without urgent action to retain, support and upskill this pool of workers, the government's ambitions for economic growth, innovation, and regional development could be severely undermined. The Think Tank's report, Counting on Experience, warns that demographic changes, if left unaddressed, could severely constrain the growth potential of industries that the government is relying on to drive economic security, productivity and regional development across the UK.

Customer Habits

21%

of UK adults don't know when they will retire

Source: Hargreaves Lansdown

67%

of employed UK adults wish they had earlier pension advice

Source: My Pension Expert

£23bn

potentially unlocked by 2040 by UK households relying on housing wealth to maintain living standards

Source: Fairer Finance

70%

of defined contribution savers fully withdraw their savings without professional advice

Source: Pensions Policy Institute

Customer Habits

Nearly nine million savers in the UK remain "significantly under-pensioned" compared to the broader population, with research from Now Pensions revealing that private pension incomes for under-pensioned groups are around 43% to 80% of the population average. The research also showed that whilst women's eligibility for auto enrolment has increased substantially since its inaugural report in 2020, rising from 77% in 2020 to 85% in 2025, women are still retiring with just 67% of the UK average and single mothers with just 54% of the UK average.

Women are retiring with

67%

of the UK average pension provision

Source: Now Pensions

Perhaps unsurprisingly, this has led to a situation where one in five (21%) UK adults don't know when they will retire, with research by Hargreaves Lansdown indicating a lack of financial planning and awareness regarding retirement. The research also revealed that half (50%) of respondents thought they would retire between 61 and 70, including 23% who planned to do so at some point between the ages of 61 and 65 and a further 27% who planned to do so between the ages of 66 and 70.

This is further exacerbated by the fact that over two-thirds (67%) of employed UK adults with a workplace pension wish they had been taught about pensions earlier in life, as revealed by research from My Pension Expert. The research indicated that many people are uncertain about their financial futures due to a lack of understanding, with 53% admitting they feel out of their depth when it comes to pensions and knowing how to save for retirement effectively. Meanwhile, more than a quarter (27%) said they have not checked the value of their workplace pension in the past 12 months.

Additionally, pensioners who own their own home are spending big in an effort to enjoy the early years of their retirement, before reigning it in as they get older. Homeowners spend an average £346 per head each week between the ages of 65-69, according to research from former pensions minister Sir Steve Webb and the University of Bath. This drops to £248 by the time they turn 85 – a decrease of almost 30% - largely driven by them cutting back on luxuries. Homeowners in their mid to late-sixties are spending over £200 per week on non-essentials, whereas those in their mid-eighties are spending less than £150 per week.

£346

weekly average per head spent by homeowners aged between 65-69

Source: Sir Steve Webb/University of Bath

This frontloading might also explain why savers face running out of money just eleven years into retirement, with a survey of 3,000 UK consumers finding that the average personal 'target' pension pot for retirement is £253,701. However, the average 'target' for personal annual income in retirement is £30,050 (up from £25,679 in 2023), according to the report by independent consultants Retirement Review. Given the average age respondents expected to retire was 65.7 years, this would see them run out of money by age 77.

This all feeds into recent modelling from Fairer Finance, which estimates that more than half of UK households are expected to rely on housing wealth to maintain their living standards in later life, potentially unlocking £23bn annually by 2040 and delivering a £21 billion boost to the UK economy. The report's findings also highlight a growing dependency on property wealth as pension savings fall short, and show that nearly four in ten future retirees are on course to fall below the minimum recommended living standard based on pension income alone.

The value of housing wealth in later life has been further underlined by data from the Office of National Statistics, which found that homeowners aged 55 and over hold £3.7trn in property wealth, representing over two-thirds of the nation's private housing equity. The greatest amount of property wealth from this demographic is held by the 55-64 age group, who have £1.4trn of equity locked up in their homes. Some £1.2trn is held by those aged 65-74 years old, while the oldest category of homeowners aged 75 and over holds £1.1trn.

£3.7trn

in property wealth held by homeowners aged 55 and over

Source: ONS

In terms of pension access patterns, 120,000 individuals made lump sum withdrawals from their pensions as soon as they could last year, up 10% on the previous year. The total value of those lump sum withdrawals by people aged 55-56 hit a five-year high of £2.2bn, also up 10% from £2bn, according to Lubbock Fine Wealth Management. Lubbock Fine also say that rising cost-of-living pressures are likely pushing many individuals to access their pensions early, raising concerns that they could run out of money later in life. Increased life expectancy and growing healthcare costs increase the chances that individuals could spend their way through their pensions too quickly.

Additionally, some 70% of defined contribution savers fully withdraw their savings without professional advice or guidance, research has found. According to research from the Pensions Policy Institute, sponsored by the Pensions Regulator, 51% of the 450,000 pension pots accessed for the first time, between October 2023 and March 2024, were fully withdrawn as cash.

Market Update

£636m

total lending in the equity release market in Q2 2025

Source: Equity Release Council

14,404

new and returning customers in Q2 2025

Source: Equity Release Council

10%

increase in total lending when compared to Q2 2024

Source: Equity Release Council

£126,422

the average lifetime mortgage lumpsum loan value in Q2 2025

Source: Equity Releae Council

Market Update

Total lending in the equity release market reached £636m in Q2 2025, marking a 10% year-on-year increase, according to the latest figures from the Equity Release Council. The data shows continued annual growth in the market, underpinned by a 14% rise in average new lump sum borrowing and a 40% increase in further advances. Older homeowners unlocked £636 million in property wealth with 14,404 new and returning customers in Q2 2025, as the equity release market continued its year-on-year growth, according to the Equity Release Council's latest quarterly market report. This is a 10% increase in total lending when compared to Q2 2024 (£578m) and was driven by new lump sum mortgage customers taking on average £126,422 or 14% more than in Q2 2024 (£110,969).

Later Life Finance, meanwhile, issued their own quarterly figures for the later life lending space, revealing there were 38,510 new loans advanced to older borrowers in Q1, up 33.5% year on year. The value of this lending was £6.1bn, which was up 42.6% compared with the same quarter a year previously. There were 5,620 new lifetime mortgages advanced in Q1, up 11.1% year on year. The value of this lending was £530mn, which was up 39.5% compared with the same quarter a year previously. There were 339 retirement interest only mortgages advanced in Q1, up 19.4% year on year. The value of this lending was £33mn, which was up 17.9% compared with the same quarter a year previously.

Updated product standards from the Equity Release Council mean that many equity release borrowers needing to move in with a relative who cares for them can now do so without punitive fees to exit their loans. Historically, if a customer moved into care in a formal setting such as a care home, the early repayment charge (ERC) was waived. However, the new product standard expands this to waive the ERC if the person moves in with relatives to receive care and a medical practitioner's certificate is provided. Additionally, the new Council standards also include a customer charter, highlighting what consumers can expect to receive service-wise on their later life journey.

Take a look at our **full marketing toolkit** to see how we can help you better reach your potential customer base.

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