

Your Guide to Lifetime Mortgage Interest Rates

2 page client leaflet



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This guide focuses on explaining how interest rates are calculated, in order to give you the information to help you decide whether equity release is right for you. Lifetime mortgage interest rates are calculated differently to a standard residential mortgage, and don't always follow the same trends you might see among high street lending.

Are equity release interest rates linked to the Bank Of England Base Rate?

Equity release interest rates are not directly linked to the Bank of England (BoE) Base Rate - however, when the base rate increases, interest rates across all borrowing may sometimes increase, including equity release interest rates.

Rather than tracking the BoE Base Rate, equity release interest rates primarily follow movements in long-term GILT rates.

It's important to note that almost all equity release plans offered have fixed-for-life interest rates, so you do not need to worry about interest rates increasing in the future after the plan is taken out unless you plan to take out any further borrowing.

What are GILTs?

GILTs are government bonds, and their yields (or rates) fluctuate with the Government's requirement for more or less borrowing and the overall outlook of the UK economy. Usually, the most important GILT yield to track is the UK 15 Year GILT, as their movements are broadly reflected in equity release interest rates.

GILTs affect equity release interest

Equity release loans are long-term loans for lenders and as a result, the interest rate on equity release is closely linked to long-term GILT yields.

What happens to equity release plans if GILT yields rise?

Long-term GILT yields impact the interest rate and maximum loan amount the lenders offer to new clients. As a result, when GILT yields are high, lenders increase the interest rates on equity release plans for new customers.

What happens to equity release plans if GILT yields fall?

When GILT yields fall, interest rates for equity release plans will lower the interest rates on equity release plans for new customers.

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