



FSA Consultation on Regulation of Home Reversion and Home Purchase Plans, CP 2006/8

Response by CCC: July 2006

Introduction - CCC

CCC is a broad-based, independent coalition of commercial, charitable and public service organisations with a shared interest in providing better long-term care for older people. CCC has been acting as an advocate for managed change since it was established in 1992 as the Continuing Care Conference with the objectives of:

- increasing awareness and developing understanding of long-term care of older people as a political issue
- raising the standards of care available to older people
- developing the standards of financial products used to fund long-term care

CCC's mission is

"We believe that all older people in Britain should live their lives in dignity, comfort and in a place of their choosing. We want all elements of society to make the necessary individual and social investment to ensure that happens. Our task is to ensure that policy-makers pursue this goal and to encourage the public to join with us in our mission to persuade them to do so."

A list of CCC's members is available at: www.ccc-ltc.org.uk/about/members

Wider Policy Context

CCC strongly believes that the wider long-term care system requires more funding. However, we recognise that not all additional funding will come from the state. CCC believes that responsible innovation in financial products should be encouraged, both by removing barriers to product development and by supporting appropriate regulation of innovative products. CCC recommends more imaginative use of equity release mechanisms (ERMs) to encourage homeowners to consider treating their home as an asset in order to improve their quality of life and extend their care options when necessary.

CCC has long advocated the regulation of long-term care financial products, both as a means of ensuring consumer protection and enhancing consumer confidence in the products available.

Another core concern for CCC is the availability of appropriate financial advice, especially in view of the potential vulnerability of consumers, and the complexities of care legislation, inconsistency of eligibility for care and for local authority grant funding (eg for home improvements) and the interface with welfare benefits. While urging the importance of having suitably trained advisers, our members also recognise the need to ensure that over-stringent provisions do not reduce their future supply.

Consultation Response

CCC's remarks are addressed in particular to home reversion plans (HRs) and their potential use in funding long-term care, whether at home or in a care home.

Overall Position

CCC welcomes the FSA's broader Treating Customers Fairly (TCF) initiative; the points we make below are consistent with the values of TCF.

CCC welcomes the FSA's approach to the regulation of HRs and agrees with the FSA's analysis of the HR market (Q1, 2) and its preferred approach for regulating HRs (Q3). We welcome the opportunity to respond to the consultation. The specific points we wish to emphasise are:

Transparency and Comparability of Products

Consumers need to be able to compare the true costs and value for money of products that may reasonably be considered as alternative purchases. CCC notes that there is no requirement to disclose HR discount rates and recommends that the disclosure of HR discount rates by advisers be made a requirement. Transparency in this area is necessary.

Responsibilities of Advisers

HRs are potentially more complex legal instruments than lifetime mortgages. There are also different types of HR plan. These considerations mean that advice to consumers may be "shared" by solicitors and financial advisers. The precise role will necessarily vary according to the transaction in question.

A recognition of the legal complexity of HRs – and therefore the likely involvement of other advisers than those regulated by the FSA, eg solicitors - should underpin the arrangements made for their regulation. CCC members are concerned about the potential for misunderstanding about the extent of the roles and responsibilities of the various advisers. For the sake of all parties concerned as well as for the future development of the market, it is imperative that there are no gaps in advice.

Education

CCC strongly recommends that there should be one examination for advisers seeking to give advice on equity release products. Extremely narrow competence can only lead to flawed and incomplete advice. As mentioned above, the purpose for which CCC seeks an expansion of home reversion plans and equity release in general, ie the funding of care, is one which requires advisers to have a heightened awareness of the wider context in which the advice is being given.

Although outside the scope of this consultation, CCC would, of course, support initiatives relating to relevant continuous profession development, with consequent benefits to advisers and consumers alike.

Answers to Specific Questions in FSA Consultation
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Q1 Does our analysis of the HR market fit with your understanding of it and do you agree that it is appropriate to treat this market as part of the wider equity release market?

Yes.

Q2: Does our analysis of the HPP market fit with your understanding of it?

Yes.

Q3: Do you agree with our preferred approach for regulating HRs?

Yes

Concluding Remarks

CCC hopes that its focused response to the FSA's consultation will be helpful.

We look forward to the publication of the draft rules and then the policy statement giving feedback on the consultation and setting out the rules in their final form. We note the intention for the new regime to come into force in spring 2007.

CCC, July 2006