

Equity release could help Guernsey's older generation says Ogier property specialist

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With a large number of asset-rich, cash-poor people in Guernsey's older generation, Ogier property partner Martyn Baudains believes the time is right to debate an equity release scheme for borrowers in the Island.

Equity release could be an alternative to downsizing, where associated costs eat into the cash released, he says, adding that it could also provide a solution to the issue of limited pension options in Guernsey.

"But we do need to give some thoughts to safeguards to protect potentially vulnerable elderly people," Advocate Baudains said.

Guernsey's 2020 Budget includes a recommendation that the States of Guernsey agrees changes to the law to allow for equity release, a product common in the UK where older homeowners can access part of the wealth tied up in their property.

In Advocate Baudains' view there is unlikely to be significant resistance to a product that is properly regulated, perhaps by the Guernsey Financial Services Commission.

Currently, the law requires a bond to be of a set amount and that makes it difficult for lenders to roll up interest in the same way these products work in the UK. A relatively simple change in the law will be required, he says.

In a typical equity release scheme the loan and rolling interest are paid back to the lender on the death of the borrower when the house is sold.

"It doesn't mean heirs won't be able to inherit anything, as it would be highly unlikely that it would be the entire value of the property that would be secured. And if parents had to downsize or sell and start renting, their children may not get anything anyway," said Advocate Baudains.

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