SimplyBiz Group

Winter 2017

mi magazine

Your insight into mortgages, protection and general insurance

Build a stronger protection proposition in 2018

Added value protection

We explore protection products that offer additional support services to help clients when life gets a little difficult

The evolving role of equity release

L&G examines how equity release has cleaned up its image and is now a highly valuable solution for a number of your clients

Times are changing

Political and economic uncertainty is leading to a changing market environment and untapped opportunities for advisers

MetLife | MultiProtect

Protection for the unexpected

MetLife MultiProtect

Broken bones, UK hospital stays, accidents, accidental death, funeral cover

Give your clients the confidence to live the life they love with MetLife MultiProtect, a non-underwritten individual protection product that offers:

- Cover 24 hours a day, 365 days a year from just £7 per month
- No health questions
- Claim for multiple injuries – it won't change the cost of cover
- Accidental death and funeral cover, to provide peace of mind if the worst happens

Even when life is running smoothly, the unexpected can happen. So, make sure your clients are prepared with MetLife MultiProtect.

Find out more at:
metlife.co.uk/multiprotect

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Welcome...

Welcome to the last edition of MI magazine of 2017. On reflection, it only seems two minutes ago that I was welcoming you to the very first edition, which points towards just how busy a year it has been for us all.

As you know, MI magazine covers a number of topics and in this edition we focus on protection and SimplyProtect. The take-up of protection products across the UK is still a major focus of attention for the media. But, there is not an easy and immediate solution to reducing the protection gap, although there does feel to be a little more consumer education, even if it is only at the level of the providers rising to that challenge and working in the general public space a little more. This is something that could take a generation to resolve and we firmly believe that the large majority of our advisers are equally focussed on meeting their clients' protection needs, even if only on a client by client basis. SimplyProtect offers advisers an added advantage in that, for no more investment of time, there is enhanced commission available for the same whole of market products with eight providing partners. We have been actively promoting its availability over the last few months and have seen firms registering to use the proposition or upgrading from previous versions to the highly attractive Version 7 now featuring eight market leaders. How good is it to know that you are doing the right thing for your clients, whilst also increasing your firm's income with no impact to their premium? Not only is that two wins – it's sustainability in action!

In this edition, we look at how protection support can assist your clients in everyday difficulties that seem outside of the protection equation, the impact of dementia on your clients retirement planning, the role of equity release, as well as a useful article on the dangers of comparison sites over personalised advice and the opportunities available in the mortgage market for advising firms.

Kind regards,

Martin Reynolds
Chief Executive, SimplyBiz Mortgages

For more information about our services, please call us on 01484 439100 or email info@simplybiz.co.uk
www.simplybizgroup.co.uk

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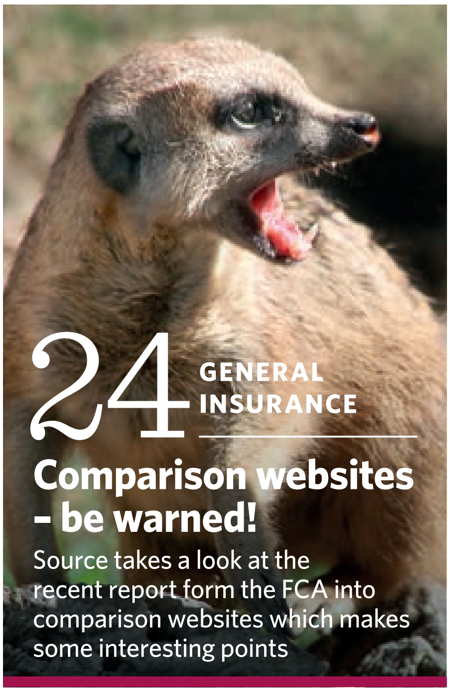
SimplyBiz Group

Contents

Our winter edition – covers insights and industry information you need to support your protection, general insurance and mortgage propositions, including events and technical updates.



PROTECTION

GENERAL INSURANCE

SimplyBiz Group

Added value services

Your clients' protection policies could afford them a host of added value services to help them through life's difficulties, writes Debra Hale.

DEBRA HALE
Protection Specialist
Zurich

Let's face it, life can be difficult. This fast paced, highly pressured world that we live in impacts us in so many different ways that sometimes we could all do with some support when it really matters.

These days it's pretty much expected that a life assurance product provider will offer your clients more than just a protection policy. Are you discussing these extra areas of support with your clients and do they fully understand what else they are entitled to when they choose their policy?

I am, of course, talking about added value services. So what is an added value service? How can they help your clients? And which clients can benefit from using these services?

When your clients have a Zurich protection policy they automatically have access to the Zurich Support Service. No beating about the bush here, this is something that we provide to your clients and their families to support them through life's difficulties.

My previous articles have discussed some of the major topical health issues in the UK and within these articles I have often referred to support services, particularly when you are dealing with clients who are suffering from serious illnesses.

Having access to practical and emotional support at these sensitive times can be invaluable, but we also offer your clients and their families help when experiencing issues or having problems in their day-to-day lives.

Zurich offers far more than just financial cover and that can range from the emotional support areas such as bereavement counselling, right through to the practical support of helping your clients through a bankruptcy process. Our protection products help bring peace of mind at a time when clients need it most, but sometimes, financial security is only part of the solution.

REAL LIFE

It would be easy to list all the areas where we can help, but I'm a great believer in sharing real-life experiences, so here are a couple of true stories of when two Zurich policyholders, David and Julia, used the service and what it meant to them.

STORY 1: **DAVID**

David contacted the service after his father died unexpectedly. He was finding it difficult to come to terms with his father's death and as an only child also faced the daunting task of completing probate forms.

By his own admission, David wasn't very money minded, and he found filling out forms concerning his father's affairs 'a nightmare'.

David was put in touch with a counsellor who supported him through a series of telephone-based counselling sessions to deal with the emotions he was feeling. The counsellor used a goal-orientated approach to help David resolve his issues quicker.

A legal consultant also contacted David to help him with the probate process and helped him to identify what monies and transactions were relevant to the forms. The consultant explained that David would need to attend an interview at the nearest probate registry to confirm the details entered on the forms and to answer any queries they might have.

David reported that the practical information he received helped him to complete the probate process accurately and swiftly, and that the emotional support helped him understand the nature of bereavement and gave him ways to move forward and look after himself.

Our protection products help bring peace of mind at a time when clients need it most, but sometimes, financial security is only part of the solution.

STORY 2: **JULIA**

Julia contacted the Zurich Support Service as she was looking for a nursery for her two-year-old daughter. Both Julia and her husband worked full-time so they needed childcare between 8am and 5.30pm, Monday to Friday. They were also looking to move house, so Julia asked for help finding a property that would suit their young family.

Within six hours, the consultant found two nurseries in Julia's local area and emailed her the details, including a tip sheet to help Julia evaluate and choose the best one for her daughter.

The consultant then worked with a known estate agent to identify three suitable properties and emailed the information to Julia within 48 hours.

Julia was very pleased with the service she had received, saying that it had taken away a lot of stress during a particularly busy time and had helped her to make quick and informed decisions on two important matters.

So as you can see, this added value service offers very broad support to your clients and is also easy to access. The service is provided by Workplace Options – its website has a live web chat facility and is a good place to start. It also runs a Freephone helpline 24 hours a day, 365 days a year.

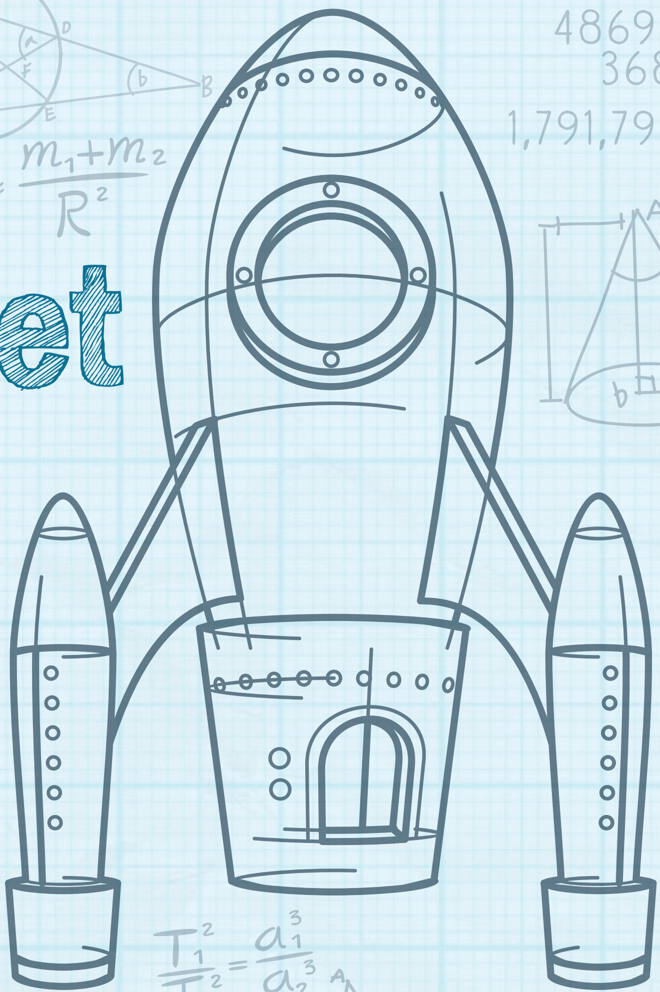
Most providers have some sort of added value proposition. Whether that be second medical opinion, counselling, nursing support, rehabilitation, legal assistance, or simply support for day-to-day issues that may throw us off track, these are all important to your clients and these services really are invaluable, so why not talk about them more?

To find out more phone your Zurich consultant on 08085 546 546 or visit www.zurichintermediary.co.uk

We may record or monitor calls to improve our service.

SimplyProtect

It's not rocket science!



There's really nothing difficult to understand about SimplyProtect.

In fact we have to work hard to make it look a little more complex than it really is!

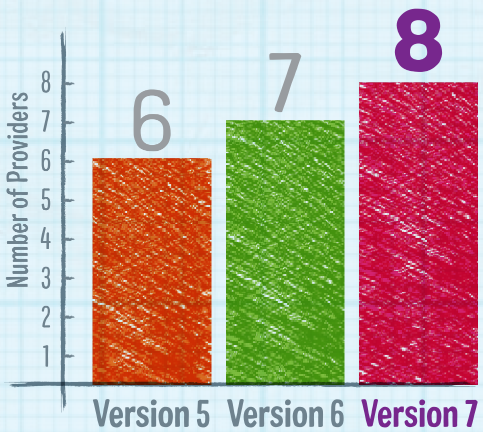
SimplyProtect is an 'opt in club' that gives the users of the service access to enhanced commission from leading protection providers that can significantly increase your protection income.

The five principles of SimplyProtect:

Simply Protect

1. **No Cost** to become a SimplyProtect user
2. **Enhanced Commission** on all business placed with the eight partners
3. **No Change** to your current selection processes
4. **Remain independent** as you are still free to place business elsewhere
5. **Free Access** to Synaptic's Webline quotation portal

If you are already a registered user, you will know that Version 7 took the number of providers to eight, with some of the largest names in the protection sector. So, even if you are not yet a user, it's highly unlikely that you will be placing business outside of this segment.

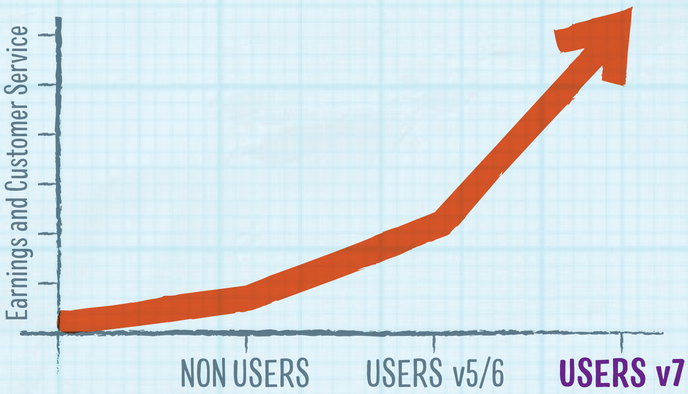


$x^2+2xy+y^2-x^2+2xy-y^2$

$1,224-1,093=131$

$\left(\frac{4+4}{4^3}\right)\left(\frac{4(4^0+4+4^1)4^2}{4-3^0}\right)$

Where are you on the income scale?



Broadly speaking our firms fall into one of three categories under SimplyProtect, as shown in the graph above.

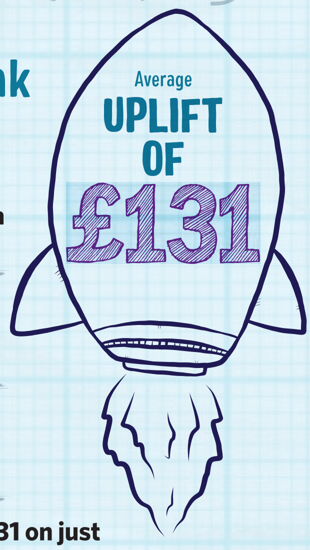
- **Non users** – If you offer protection, (and why wouldn't you?) you are missing out on valuable additional income for doing no more work than you've been doing previously.
- **Users that have not as yet upgraded** – you might still be earning from those providers on earlier versions but, if you place any business with the providers new to any of the subsequent versions, then you are missing out on that enhanced commission.
- **Current Version 7 users** – You need to do nothing other than keep meeting your clients' protection requirements and reaping the benefits of SimplyProtect.

Dependent upon where you sit in our graph – you may want to change your position to be a fully signed up SimplyProtect Version 7 user. To do this you need you go to the Protection area on the website and:

- If you are new to SimplyProtect, just register your firm and you'll be able to use the service quickly
- If you just need to upgrade to Version 7 – simply follow the upgrade prompts.

Please note that a firm's principal has to be the one to sign up or upgrade.

Let the numbers speak for themselves...



Here's a simple example based on the average commission earned for a £50 per month policy:

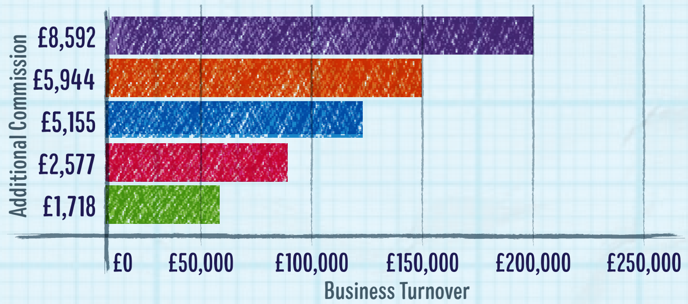
WOM rates return commission of
£1,093

SimplyProtect rates return
£1,224

That's an uplift on commission of £131 on just one case with no additional work!

So ask yourself – how many do you or could you place in a year – and how much better off would you be?

To put it another way, even if protection is a small percentage of your business turnover – take a look at the additional income you could earn with SimplyProtect.



The graph above shows the additional commission that is achievable for businesses that write between 20% and 30% protection business.

It's not quite E = mc²
It's more like SP = CI + 0EE
CI, being commission increased plus zero extra effort!

If you have any queries or questions, want help signing up as a SimplyProtect user or need to upgrade, feel free to contact one of the team on 01484 439160.

SimplyProtect – why wouldn't you?

AIG AVIVA Legal & General LV= LIVERPOOL VICTORIA ROYAL LONDON SCOTTISH WIDOWS Vitality Health·Life ZURICH

SimplyBiz Group

As a representative example, a straightforward £50 per month policy could return an average commission to you of £1,093 using the WOM route.
Using SimplyProtect as your channel to the provider, your return would increase to £1224, whilst sourcing and placing the business in the same way you would previously.

Have we got our protection priorities all wrong?

At Royal London, we have a tool on our adviser website that shows the relative risks of death, critical illness, or being unable to work due to incapacity. We measure these risks using the age and gender of the client and over a period of time prescribed by the adviser. In other words, we make it personal.

ROBIN CARR
Head of Adviser Development
Royal London

As an example, a female non-smoker aged 30 runs the following risks before she turns 65[1]:

- 3% risk that she'll die during that time
- 12% risk of suffering a critical illness
- 44% risk of being off work for two months or more as a consequence of sickness or accident

So to put that in plain English, her risk of being off work through accident or sickness is four times greater than the risk of critical illness and 15 times greater than the risk of death.

Of course, depending on circumstances, any of these outcomes could cause financial devastation for the individual and their families.

Now, what if an adviser were to suggest to a client that there are three main threats to their health and well-being, all of which could have disastrous consequences on the family finances, but that the good news is that protection insurance is available to offset those financial effects should the worst happen?

And what if he went on to say that, statistically, one of those risks is very unlikely to occur during the years the client is paying off the mortgage, or bringing up the family. The second risk is statistically much more likely than the first. But it's the third risk that has, by a considerable margin, the highest probability of happening and, if it does, could result in similar or worse financial consequences than the first two.

If you were the client, which of those three risks would you want to talk about first: the least likely one; the more likely one; or the most likely one? If you'd been told that the consequences of all three could potentially be financially disastrous, then I'd hazard a guess it would be the last one that would attract your attention. Put like that, it is, as they say, a bit of a 'no-brainer'. And you'd probably also accept the logic that protecting yourself against more likely risks could be more expensive than protecting against the less likely ones.

If your adviser goes on to tell you that there are ways to provide cover for the third risk that would work within your

budget, you'd probably be pretty interested, wouldn't you?

Old habits die hard

In the protection industry, we successfully turn this logic on its head, don't we? In our recent *State of the Protection Nation* research, 26% of adults in the UK we surveyed said they had life cover, 6% had critical illness cover and only 4% had income protection[2]. We all know the reasons for this – they've been well-explored by commentators for years.

But surely the time is now upon us when our attitudes have to change? Maybe it's time to break long-held prescription habits? Is it always reasonable to take the view that if there's anything left in the budget after buying the life cover it can be used to buy a little critical illness cover as well and ignore income protection in the process?

Is it time to look at income protection again?

We often talk about income protection being a difficult product to work with – it's complicated, it has too many variables, the underwriting's trickier than for other covers, the clients can't afford it. But that ignores just how far products have developed in recent years. Underwriting has become slicker and more inclusive. It's easier for the self-employed to get cover. The solution for the client can be crafted and tailored so that it actually fits within the budget. Products these days come packed with added-value features that can make a huge difference for clients and their families.

So maybe the days of 'life cover with a little bit of CI' need to make room more often for 'life cover with some added IP'. For this to happen, many advisers need to change their approach to the protection sale. During my 36 years in the industry, I've met plenty of protection advisers who have done just that. They've taken the big step of accepting they need to place far more priority on talking to clients about income protection. Some of them do so before even touching the subject of life cover. And it's no great surprise that these advisers generally buck the trend and sell far more income protection than others.

To find out more about our Income Protection and the tools we have available to support you, go to adviser.royalllondon.com/protection. You can download our State of the Protection Nation Report at adviser.royallondon.com/protection/campaigns/state-of-the-protection-nation

Note: 1. Based on Hannover Re's interpretation of the Institute and Faculty of Actuaries' Continuous Mortality Investigation insured lives incidence rates together with their estimate of future trends. Incidence rates for the entire population may be different to those lives that take out insurance products.

Source: 2. State of the Protection Nation March 2017, Royal London. 2,000 nationally representative adults (18+) surveyed.

INCOME PROTECTION BENEFIT PLAN

PLANNING AHEAD.

What if your client suddenly lost their income due to an accident or long-term illness? What would be the impact on their daily lives?

Income protection could help your clients maintain their lifestyle should an illness or accident keep them from working.

Use our range of support materials to help you discuss income protection with your clients.

To access our support materials, please visit www.legalandgeneral.com/ipb

This is not a consumer advertisement. It is intended for professional financial advisers and should not be relied upon by private customers or any other persons.

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Legal & General

Are you having the income protection conversation?

Only one in six of the UK population has income protection[1]. Yet according to the Money Advice Service (MAS) more than 16 milion people in the UK have savings of less than £100. In five areas of the country, more than half the adult population has savings below that level[2].

92% of advisers also think that Income protection is undersold[1]. It can be viewed as expensive, complex and unaffordable by people. We want more people to benefit from these products.

The right advice at the right time

Recognising which of your clients could benefit from income protection is the first step. Essentially, they're people who work and people who manage their households. The main thing to think of is, if they were unable to work because of illness or injury that resulted in a loss of income, what would the impact be on their daily lives? How long they could they survive financially? These are all questions that we encourage you to help your clients answer.

Income protection could be the right product for your clients at many stages of their lives and our Income Protection Benefit Plan offers clear advantages for your clients. Highlight these and many will find it's the right solution for them, making it an easy and potentially profitable recommendation for you.

Family life

Any client with a family wants to know their partner and children are financially protected. If they or their partner falls ill or suffers an injury, the other usually has to take on the family responsibilities. Earning a salary, looking after children and housekeeping are demanding enough for two people, let alone one. Our plan can offer relief by helping to pay medical bills, childcare costs and even school fees.

Single life

It may seem that single people are free of many of life's responsibilities. But it's more than likely they have a mortgage or rent to pay, household bills and even childcare costs and school fees, with no partner to support them if they are unable to earn an income. Our plan can help give them the security they may need to help cover any lost income if they become ill or injured.

Self-employed

Your self-employed clients may not have the same financial support your employed clients do. So being unable to work can be financially disastrous for them. Facing a sudden loss of earnings can be a daunting prospect. Without sick pay, their whole livelihood could be at risk. Many turn to their savings to support themselves and their businesses, but this is usually only a short-term solution. Our plan offers a valuable safety net to help protect your self-employed clients.

Buying a house

Taking out a mortgage is a big commitment. Our plan helps provide peace of mind that their monthly mortgage repayments can be paid, even if they're unable to work. If affordability is an issue, your client could use our plan to simply help cover their mortgage repayments.

Changing jobs

If your client is promoted or changes employers, they may need to change their level of cover. They could be entitled to a different level of company sick pay or be earning significantly more or less than previously. This is a good time to review their protection needs to help make sure they are sufficiently covered.

Our Income Protection Benefit Plan provides a monthly benefit for your clients if they are unable to work due to incapacity caused by illness or injury, but the complexity lies in the benefit calculations and the different options available. Your clients can use this monthly benefit in any way they like, from helping towards their mortgage payments, household bills or towards medical care, to simply helping to maintain their lifestyle. The monthly benefit is paid until they recover and can return to work or they no longer qualify.

We have a range of support materials to help you engage with your clients on income protection. Visit www.legalandgeneral.com/ipb where you'll find a benefit calculator as well as a detailed adviser guide which contains some of the information above, plus information on the sales process and how the product works.

If you would like any more information on selling income protection, please get in touch in with the Legal & General Relationship Manager for your region. Contact details can be found by visiting www.legalandgeneral.com/advisercentre

1. Legal & General Income Protection Consumer & Adviser Research 2014,Gusto Research

2. www.moneyadviceservice.org.uk/blog/millions-at-risk-with-savings-of-100-or-less

Legal & General

When family finances and retirement hopes are shattered by dementia

Having saved their whole working life, your client has counted down the years to retirement, looking forward to paying off their mortgage and taking advantage of pension freedoms. Their golden years are just around the corner.

But then there's the devastating diagnosis that they're developing Alzheimer's, the most common form of dementia.

It's a complex, unpredictable and degenerative health condition caused by disease in the brain. Yet, unlike cancer or heart disease, dementia cannot be cured or effectively treated.

The biggest support to people with the disease comes from help with basic daily needs such as washing, dressing and eating, rather than medical treatment available under the NHS. They become progressively dependent on what can be expensive personal and social care.

Sadly, instead of spending their hard-saved pension and any other investments on the retirement they'd hoped for, as well as any plans to provide financially for their family, they're now left with little choice but to utilise these assets, along with (in many cases) any built-up equity in their home to pay the required £850–£1000+ per week for care or a place in a residential home.

As our society ages, the number of people being diagnosed with dementia in the UK is rising sharply. As a result, care needs and costs are spiraling. This is stretching the resources and finances of families and local authorities alike.

According to the Alzheimer's Society, there are 850,000 people with dementia in the UK. This number is set to rise to over one million by 2025 and will soar to two million by 2051.

One in six people over the age of 80 in the UK have the condition. However, it's important to note that dementia is not just a disease that affects the elderly. An estimated 43,000 people are suffering from early-onset dementia, which starts before the age of 65 – not even state retirement age for many of us of working age today. And the number of people diagnosed with early-onset dementia has increased sharply in the last ten years due to improved diagnosis.

This is where the role of appropriate financial protection can come into its own.

Critical illness cover can provide a significant financial boost to families at a time of emotional and financial stress. And support services such as RedArc can also provide much needed emotional and practical support, and not just to the person suffering from the illness. The family or partner, who may be feeling pressure from performing a care role, can also access support.

Yet, despite this, only one in ten of us have taken out a critical illness policy.

It's also worth speaking to clients about the need for, and benefits of, Lasting Power of Attorney should the nature of their health mean that they lack contractual capability and the ability to manage their financial affairs.

To find out more, please visit www.scottishwidowsprotect.co.uk/5reasons

SCOTTISH WIDOWS

Aviva's critical illness cover gets even better

Aviva has enhanced its Life Insurance+ and Critical Illness+ products by making changes to four definitions including the most common payment areas of heart conditions, strokes and cancers.

The firm has also upped the top amount it will pay for a children's cancer claim to make it easier for parents to care for their child if they're diagnosed with the illness.

Mark Cracknell, Aviva's Head of Protection Distribution, said: "From listening to our claims handlers and studying research carried out by charities, we know just how much of an emotional and financial impact serious illness can have.

"Our objective is to provide the most comprehensive offering in the market."

The changes include:

- **Improving the consistency of certain conditions, such as spinal stroke and benign spinal cord tumour, so that more customers will be able to claim**
- **Broadening the definition for cardiomyopathy to include three measures of severity**
- **Doubling the maximum benefit payable for children diagnosed with cancer where upgraded children's benefit has been selected, meaning customers will now be able to claim up to £50,000**

...we've doubled the maximum benefit available for cancer under our upgraded children's cover.

Mark added: "When a child is diagnosed with cancer, your client may have more pressing worries than paying off the mortgage. Taking time off work to help care for their child is just one example where additional financial support could make a huge difference.

"That's why we've doubled the maximum benefit available for cancer under our upgraded children's cover."

For more information, visit Aviva's adviser website at aviva.co.uk/adviser

A new proposition for non-UK residents

As you will know if you've ever tried to arrange cover for a non-UK resident client, the options were previously severely limited - cover was typically restricted to costly, annually renewable, short-term policies, and only available via specialist brokers.

However, in April, AIG was proud to become the first mainstream provider to be able to cover non-UK residents - both British citizens, and in many cases also foreign nationals.

What cover is available?

Depending on the nationality of the client, and the country in which they are resident, the cover we can consider includes:

- Term Assurance
- Underwritten Whole of Life
- Family Income Benefit
- Critical Illness Cover / Key3 Critical Illness
- Life Start / CIC Start

Premiums are guaranteed, and the term limits are the same as for UK residents. The base-cost of premiums is also the same (although there may be a territorial loading), so you can quote and apply online in the same way as you do usually.

Geographic coverage

We can consider cover for British citizens resident anywhere in the world - excluding the USA, and subject to territorial risk of course. They could be temporarily living abroad (e.g. for work), or expats who have moved abroad permanently.

And provided the policy owner (which can be an individual, existing trust, or a company) is resident in

the UK, Channel Islands, Isle of Man or Gibraltar, we can also consider cover for foreign nationals in over 40 countries, including:

- All EEA countries
- Abu Dhabi, Dubai, Saudi Arabia
- China, Hong-Kong, Singapore
- South Africa

The client will need to have a financial liability in the UK - such as a mortgage or inheritance tax (IHT) liability - and a GBP bank account in the UK, Channel Islands, Isle of Man or Gibraltar from which to pay the premiums.

Underwriting / medicals

Our underwriting requirements (both medical and financial) are exactly the same as for UK residents. Even the non-medical limits are the same, and as usual, we have no automatic requirement for a GP report - regardless of the client's age or the sum assured.

If a medical is required, provided the premium is over £100pm (per life) we can even arrange for the client to take it overseas, if they are unable to take it in the UK. If a GP report is needed, the client will need to obtain this (in English), and if financial evidence is required, it will need to be readily available, and again in English. If the policy owner is to be different from the life assured, there will need to be an insurable interest.

Online 'decision tool'

We have recently created a simple 'decision tool' to help advisers identify if cover may be available for a particular non-UK resident customer.

The tool, which works like an interactive flowchart, indicates whether a customer may be eligible for cover - and if so, which products and options for structuring the cover may be available.

It is not intended to be an underwriting tool though; if you need to confirm anything client-specific then you can call our pre-sale underwriters on 0345 600 6812.

If you would like to find out more about our international proposition visit our website: www.aiglife.co.uk/microsite/ihted or speak to our Business Development Team on 0345 600 6829.

Now even small budgets can benefit from big rewards

Vitality's new lower-cost Healthy Living Option promises to open up the benefits of healthy living and award-winning cover to a whole new market.

Many of you will be familiar with Vitality. With big upfront premium discounts, cashback and rewards, it's the only life insurer to give something back. But if you thought its cover was only for the higher end of the price bracket, that's not the case. Their hugely successful Wellness and Vitality Optimisers, previously only available with premiums above £30 for single lives and £40 for joint lives, are now available from just £8 a month.

In order to do this, Vitality has introduced a new affordable Healthy Living Option called Vitality Lite which will have access to a selection of the benefits that make Vitality unique. While clients may not get access to all partners, they can still benefit from the things that are good for them, like health screenings, stop smoking sessions, fitness trackers and selected health spa trips. Clients will have access to this for an additional fee of just £1.50 per person per month.

We all know price is crucial when taking out a mortgage, it's likely to be the biggest purchase of your client's life, so understandably they'll be cautious about more outgoings. However, what if the cover could pay for itself? Our new Healthy Living Option also comes with a hefty upfront discount of up to 60% on the standard premium, depending on age, length of term and how healthy you are when you take out the plan. Clients also get up to £125* a year cashback, which gives your clients the opportunity to earn their premiums back every year. All of which makes it amazing value, especially when you consider the potential future health benefits of the plan, let alone the standard of the cover itself.

From the adviser's perspective, this addition to Vitality's Healthy Living Options makes it far easier for you to open the conversation on mortgage life cover, for example. It also broadens the choice available to advisers to help you protect what's most important to your clients, by introducing a genuine alternative to the value end of the cover range which all means that Vitality is more accessible to more of your clients than ever before.

To find out more, speak to your Business Consultant or visit adviser.vitality.co.uk

Clients also get up to £125 a year cashback, which gives your clients the opportunity to earn their premiums back every year.

* Based on reaching platinum status and engaging in Vitality through tracking your activity.

Vitality
HEALTH AND LIFE INSURANCE

LV= Doctor Services

A triple dose of expert medical advice and support for your clients

At LV= we believe that protection insurance should offer more than just financial support, which is why we include LV= Doctor Services with all new personal protection cover for your clients, at no added cost.

Once your client downloads the LV= Doctor Services app to their smartphone, they can access three expert medical services and a leading network of UK doctors and healthcare professionals wherever they are:

- **Remote GP** - speak to a UK doctor by phone or video consultation.
- **Prescription Services** - get a private prescription for a recommended course of treatment.
- **Second Opinion** - check a diagnosis and get advice on the treatment options available.

Provided by

SQUAREHEALTH
ALWAYS THERE HEALTHCARE

Go to **LV.com/value-added** or speak to your LV= account manager to find out more.

0015888-2017 06/17

Why are added benefits so valuable for my income protection clients?

Your client has taken out the protection cover you recommended, but as time passes will they continue to value their insurance and what it really means to them and their family?

CARL HEARD
National Account Manager
LV=

Or, will they simply start to see it as a pounds and pence entry on their bank statement?

Whatever the case, it's worthwhile you talking to your clients about the extra benefits they get with their protection cover, to make sure they see the value in their cover, beyond a claim being paid.

Types of added benefits...

Many providers offer extra benefits to their policyholders; some benefits are included as part of a client's cover, whilst others can be selected and added as an optional paid for extra.

In the last few years there has been a boom in terms of the number and variety of added benefits offered. Providers now offer a wide range from medical services, discounted gym membership, watches, cinema tickets and coffee, to name a few.

Whilst these all help to keep your client's insurance front of mind, it's the value they create for your client that's key. And what sets LV= apart is that we include added benefits to complement your client's insurance cover at **no added cost!**

- Take LV= Income Protection – we include **fracture cover** at no added cost. We'll pay one fracture claim within a 12 month period and for multiple fractures (at the same time), we pay for the fracture with the highest amount of fracture cover.

Also consider the added benefits providers include with all their protection products. For example, LV= include these added benefits for all new protection policyholders, again at no added cost:

- **LV= Doctor Services**
  Access to expert medical advice and support with our Remote GP, Prescription Services and Second Opinion, via one handy app.
- **LV= Member Care Helpline**
  24/7 access to a confidential, free helpline, providing expert advice on legal and financial matters, as well as healthcare support and counselling.

Make added benefits count with your clients

When you consider your clients can use many of the added benefits during the life of their policy, this helps to illustrate why they're so valuable.

But to help your clients see the benefit, it's probably worth reminding them what's included with their protection cover. That way, they're more likely to a) use the benefits and b) value their cover, outside of making a claim.

To find out more about LV= award-winning range of income protection, visit LV.com/adviser or speak to your LV= account manager.

Comparison websites

Be warned!

The FCA recently published its findings following an investigation into Price Comparison Websites and it makes interesting reading that every broker should familiarise themselves with.

LEE DENTON
Head of Sales
Source Insurance

The study included fourteen price comparison websites which account for over 90% of all General Insurance products intermediated through this medium, so you can be sure all of the well-known firms were in there.

You should all be aware of the findings because I believe it is good news for intermediaries and reinforces what I have said for some time; that your clients need to be aware of the shortcomings of price comparison websites, and with this coming direct from the FCA, means that these sharp practices are now firmly on its radar as well.

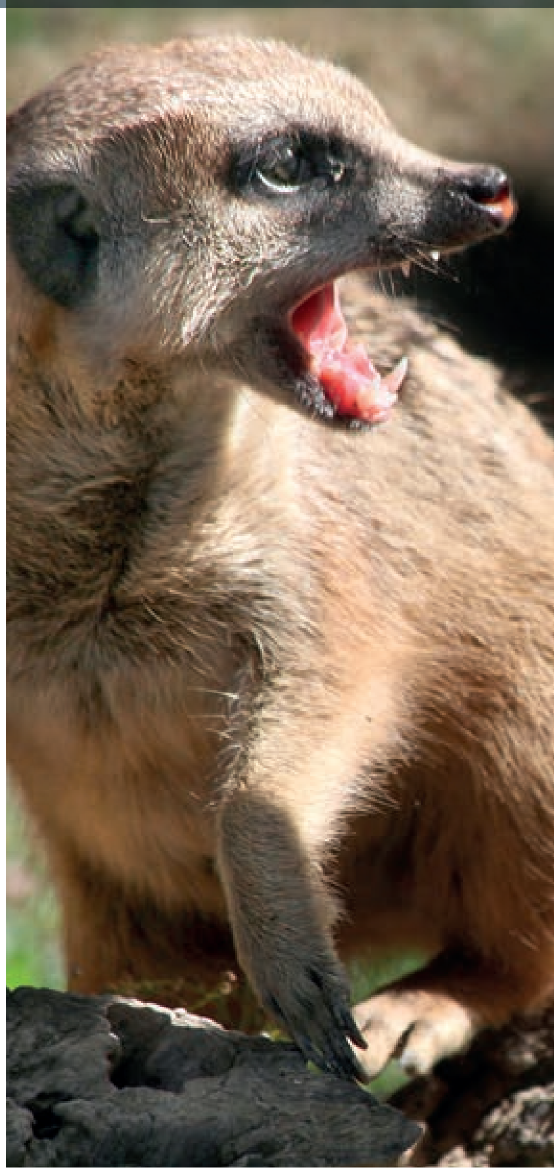
The key conclusions from the FCA study include:

- The main features of the product including level of cover and excesses were not clear
- The main exclusions and limitations of the policy were not clear
- There was no clarity around additional fees for cancelation or mid-term adjustments
- Inconsistent provision of a clear demands and needs statements
- The FCA found that price comparison websites often obscured the way that customers could opt out of the use of their personal data for marketing purposes

Source provides all of this information and more for you to pass on to your clients, much of it automatically produced or pre-populated, and we never use client data.

The FCA also felt that price comparison websites placed too much emphasis on the price, thereby encouraging providers to strip out features from the core product in order to bring the price down with no clear breakdown of the cover or features

...it is good news for intermediaries and reinforces what I have said for some time; that your clients need to be aware of the shortcomings of price comparison websites, and with this coming direct from the FCA, means that these sharp practices are now firmly on its radar as well.



included (or excluded). The FCA believes that this could lead to customers buying the cheapest product, that's not always suited to their needs.

The study also highlighted errors in data transfer between the price comparison websites and the provider sites, in particular around excesses which were often completely different on the provider site than that chosen by the customer. In some cases, the excess quoted was misleading as the way it was presented implied the excess was applicable to all types of claim. On household policies for example, the excess for escape of water was frequently higher than the disclosed excess and it was not made clear to the customer that they would have to pay a higher excess in the event of certain types of claim. Excesses were also found to be misleading at best and manipulated the headline premium at worst, with high standard excesses often included which is then not made clear until the end of the process.

Some price comparison websites used 'green ticks' and 'red crosses' to indicate whether a particular feature or cover was included or not included. The FCA found evidence of 'green ticks' in the quote results indicating that an add-on feature was included as part of the core policy. However, when the 'more info' button was clicked, there was an additional cost attached or, in some cases, the cover was not included. This can mislead customers into making inappropriate decisions.

The FCA also felt that the price comparison websites often did not make clear to the visitor what role it was performing when providing quotes for insurance products or the nature of their service. The 'less sophisticated' insurance buyers – even your clients – had generally misunderstood the role played by price comparison websites. Some mistakenly believed that the one they had selected for whatever reason, had delivered tailored quotes unique to their individual circumstances, due to the personal questions asked. As a result of this, there is an increased risk that customers may end up with a policy that is unsuitable for their needs due to the expectation gap between their perception and the actual service provided.

It should also be remembered that price comparison websites will usually carry out an automatic credit search on all quotes which could lead to the credit scoring for some mortgage clients being severely impeded.

...the tide is turning and consumers are becoming more aware of how, in many circumstances, they are being manipulated.

MISLEADING

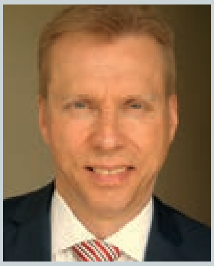
These websites generally provide information on how they are remunerated, but it is not always easy to find. Some made statements like "it costs you nothing to use our service" – which is misleading as there is an indirect cost to the customer, as providers may include the fee they pay the site in determining the ultimate price of their product. We often make the mistake of assuming that these sites are always cheaper than the products available from providers, such as Source. However, this is not the case. On a like-for-like basis, broker products can compete with price comparators as the distribution cost is still there, however, on a price comparison site, it's harder to find.

You could be forgiven for thinking that the sheer pervasiveness of the these sites in recent years has made it impossible for you to compete. However, I think the tide is turning and consumers are becoming more aware of how, in many circumstances, they are being manipulated. There is no question brokers play an important part in the purchase of general insurance.

For more information on The Source proposition, visit www.thesource.co.uk or call us on 02920 265 265.

Source
the GI Platform of Choice

It's all up in the Airbnb



We're led to believe that the UK's sharing economy could be worth as much as £9bn within the next ten years. A sector of this economy which has already really taken off is that of home-sharing, with companies such as Airbnb providing a platform for hosts looking to rent part or all of their property for short periods of time.

ALAN COLLINSON
Business Development Director
Berkley Alexander

But is the insurance industry responding to this growing market, and do home-sharing hosts understand the implications and exclusions that could potentially invalidate their home insurance?

Airbnb does offer a 'Host Guarantee', purporting to 'insure' people using their platform for up to £600,000 of loss or damage. But the cover is limited, and it's unlikely that many hosts would be able to recover their loss in full. The 'Host Guarantee' only covers actual cash value, including deductions for age or wear and tear, with restrictions for high value items, and exclusions for 'mysterious disappearance' or shortages from an inventory. What's more is that they expect that in the event of loss or damage, the host should seek remuneration directly from the guest in the first instance, and only revert to the guarantee if an agreement cannot be reached. All of this must be done within 14 days, with a crime reference number, proof of ownership and value documentation – a big ask!

SOME PROTECTION

Airbnb do make it very clear in their T&Cs that this guarantee should not replace the host's home insurance, and in fairness to them, they have at least put in place some protection for their hosts, over and above that held by those who are informally allowing 'sharers'. But this is where the big problem lies. Standard home insurance policies will not cover all the risks hosts face. Whilst most insurers will accept infrequent, short term, occasional, non-paying visitors such as relatives or friends, they generally look very dimly upon the renting out a room to a stranger, especially if you are charging them. Even if the stay is only overnight, insurers are often unwilling to provide cover, and when they do they will almost certainly enforce restrictions, including:

- no cover for the possessions of the visitor
- restrictions on damage to the property and contents caused by the visitor, such as accidental loss, malicious damage, or theft unless there is evidence of forcible or violent entry
- restrictions on valuable items of contents.

The issue is in establishing when 'hosting' becomes 'letting', and currently there is both no clear consensus amongst insurers on this issue as well as little availability of specialist home-sharing policies.

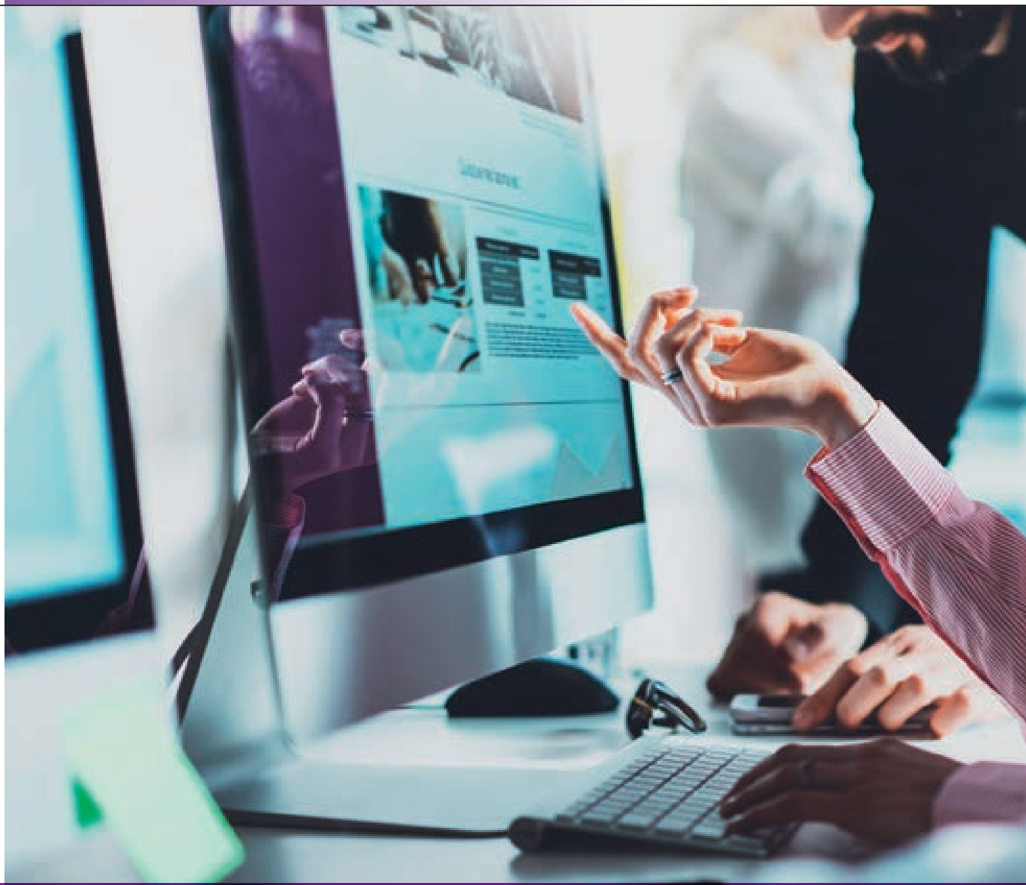
Whilst most insurers will accept infrequent, short term, occasional, non-paying visitors such as relatives or friends, they generally look very dimly upon the renting out a room to a stranger, especially if you are charging them

If you have a client that's looking to use Airbnb or the like, it's important that you intervene to warn them of possible risks that they may not have fully considered and/or don't really understand. If you yourself need specialist advice then to get in touch with a GI provider such as Genius. We'll take a look at the cover currently in place, delve deeper for more information should it be required, find out if the insurer will accept 'paying guests' as standard, provide them with the specifics of the case, and find out what restrictions or exclusions they will impose. If alternative cover is required, we'll also do our best to find it for you.

NEW CHALLENGES

Airbnb is a new opportunity that brings with it new challenges. Your intervention and advice can keep clients fully grounded, fully informed, and as protected as is possible in an ever-changing world.

Quote and buy at www.geniusgi.co.uk or call 01273 407775.



RICHARD ARDRON
Marketing Director
The SimplyBiz Group

Tapping into changing consumer behaviours

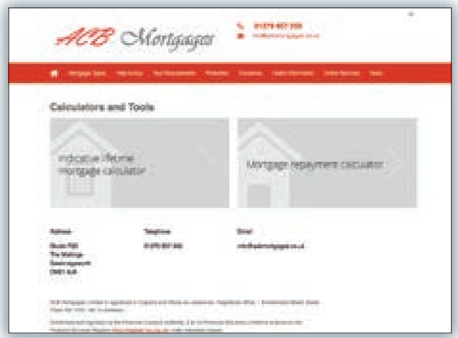
At the tender age of 43, I was horrified when one of my team said the words 'alright grandad' to me the other day. What crazy thing had I said to merit this unprovoked attack?

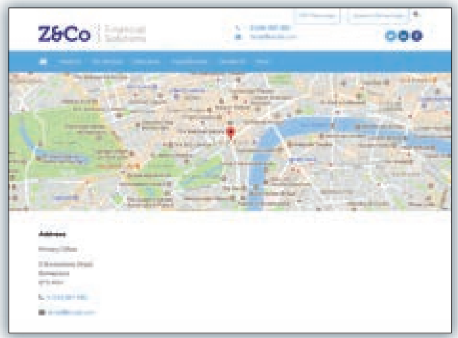
Well, I had inadvertently used the word iPod! Yes, iPod – apparently old tech, old school and confined to the archives!

A quick Google (yes, I can use all the mod cons) and I found that *'The fifth-generation iPod was introduced on October 12, 2005, shortly after the introduction of the iPod Nano'*. So, from one of the most innovative and let's face it, beautiful products, to the back of the draw with the batteries and Nokia phone and charger in 12 short years!

So, what's the point of this rather sad tale? Well, it's simply to highlight just how fashions fade, how technology evolves and how consumer behaviour is changing all the time. Products and channels are changing at an alarming pace, in fact product life spans are shortening all the time. No sooner have you got acquainted with the latest piece of kit or the latest platform and another has risen up and taken its place (I'm sure those of you with kids will recognise that this usually happens on 26th of December!)

So, acknowledging we will probably never be ahead of the curve when it comes to anticipating which social media platforms will be the most popular next week, or which piece of tech to buy for our home that will last long enough to recover from paying for it, how do we meet changing consumer behaviour?





First of all, the good news

I'm sure we would all agree that the fundamental needs of clients are still the same; they will still need protection for their income, their possessions and their families, and they will still want to own their own home. If we add to this the fact that most still want access to sound financial advice, you can be forgiven for thinking that actually we don't really need to make any changes do we?

Now for the good news

Yes, it's only good news – for a change! Consumers' needs haven't changed, their behaviour has. So what we need to do is to ensure that we provide information to them in the way they want to receive it and to provide choice around how they receive our services.

Let's take robo-advice (we may as well get that one out of the way early). Statistics from surveys and more importantly evidence from some of the robo players, highlight the fact that consumers are not comfortable going online to make key financial decisions, i.e. without the involvement of a person. However, a growing number are comfortable with making everyday transactions online. Without trying to list the many things people now do online such as shopping, buying tickets and such, lets focus purely on those that have financial services implications (some of which may not be as tangible as you think).

Setting up a monthly savings account, buying insurance, switching energy suppliers, switching banks, checking statements – all of these things are now readily available to today's consumer online and consumers are using them even if you are not a yet. So, if consumers still want advice for financial lifestyle planning, but want to be able to make simple transactions online, the obvious thing would be to provide a solution that offers both (with one naturally leading to the other due to the relationship you have with your clients).

At SimplyBiz Mortgages, we can offer you the next generation of web solution designed for advisers and their clients alike. Through *'NextGen'*, you can have the web presence you desire – a great looking site, packed with useful information and with the ability to add in various digital services.

The best thing about all this is that we will build you a site without any charges and then offer you the choice of packages and associated monthly running costs, to suit your needs. For example, for no initial outlay and for only £20pcm (plus VAT), you can have a site that has:

- Reams of content about different types of mortgages and mortgage needs, plus content on insurance products
- An online quote and buy Building and Contents solution from The Source – configured to you so that you still receive the commission!
- Quote and Buy Life and CI from Zurich or a whole of market offering
- Online estate agency offering not only a competitive service, but a great source of mortgage leads
- Mortgage calculators
- Even an energy switching tool from Octopus – whilst not core to your business, with over 7m switching in 2016 alone, it's an opportunity to tap into client behaviour and a good conversation wen your clients move into a new home
- ...plus Google map, contact form, analytics, support, social media links and more.

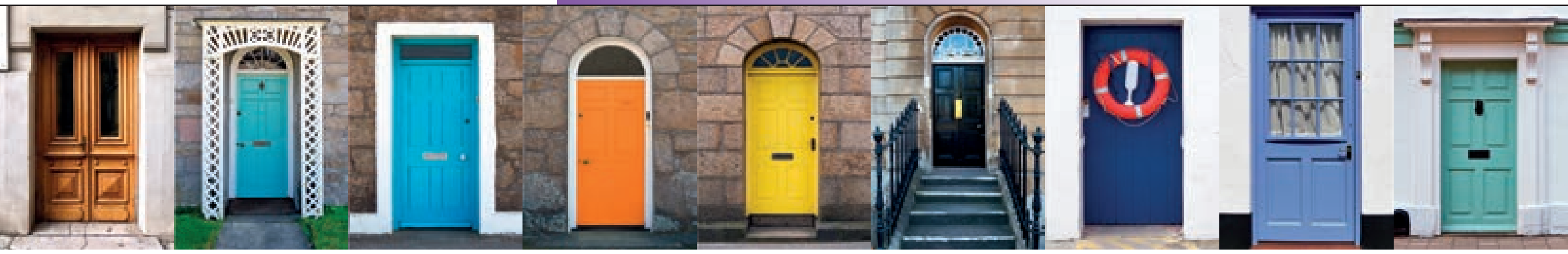
On top of this, we have negotiated a 50% discount with Mortgage Brain to allow you to add its best buy table to your site.

So you don't need to compromise, in fact with regular use you can make your site pay for itself. Advice reigns supreme, but when the situation arises, clients can go and interact and even 'buy' from your site.

One point in passing though – remember, your clients will need encouragement to visit your site, so add in some regular emails, maybe even the odd mailer!

To find out more about NextGen SimplySites – visit www.nextgensites.co.uk

SimplyBiz Group

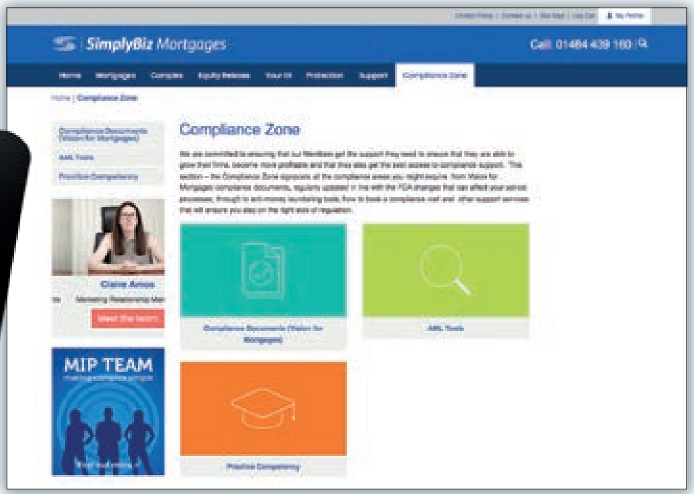


Pay a vist to the **brand new** Mortgage Member website

After assessing the information that you regularly access, or have asked us to provide in the past, we designed the new site for what will hopefully be a much more streamlined user journey, making it easier for you to find what you need – and maybe find a few new and useful things along the way.

The site still offers the same great tools, documentation and navigation with which you will already be familiar – but we've taken the opportunity to add some brand new areas as well.

These include:

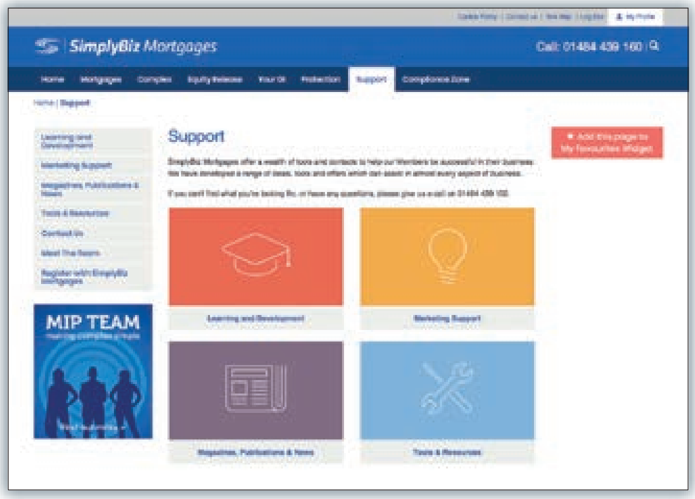


COMPLIANCE ZONE

This area contains access to all the compliance documents you will need in Vision for Mortgages, as well as access to exclusive deals on anti-money laundering tools, details about the differing types of compliance visits of which you can take advantage, as well as information on the extensive practice competency services available for your firm.

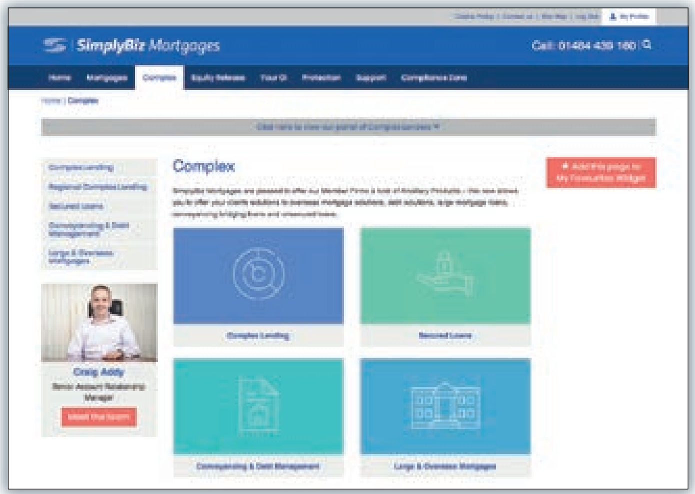
SUPPORT

The sizeable support area offers learning and development opportunities through events, as well as access to our online CPD portal. You will also find helpful marketing support, including information on setting up a website for your company and marketing to your clients with regular newsletters and economic updates. Download past issues of our publications, catch up with important updates and recent industry news. This area is also where you can locate recommended tools, software solutions and resources to support your client conversations.



COMPLEX

This is now the dedicated home of complex lending solutions, as well information on our partners who can assist with sourcing secured loans, conveyancing and debt management solutions, as well as large and overseas mortgages. If you've got a complex case to place, at a time when the complex case is more the norm than the rarity, we recommend that you pay this area of the website a visit.



LENDERS' APPROACH TO PRA

This new section sits under the mortgage tab and is an important one as it summarises how the new Prudential Regulation Authority (PRA) changes will impact the BTL market. Within it, each applicable lender on our panel details how their lending criteria will be affected.

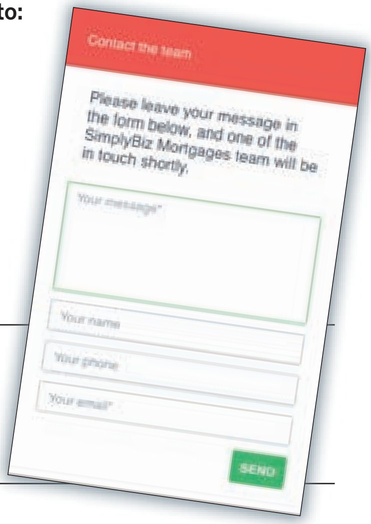
Alongside these new menu options, you will still find the areas you may be more familiar with including:

- Mortgages
- Equity Release
- Protection
- Your GI – previously called General Insurance

Find all the information you need to:

- Stay fully compliant
- Save valuable time in meeting your clients' requirements
- Grow your business further

Plus there plenty of help on offer to support you across a range of business services.



If you're struggling to find what you need, send us a message via the new online chat and messaging pop up?

Why not stop by for a visit today
www.simplybizmortgages.co.uk

SimplyBiz Mortgages

To refer, or not to refer?

Is that a question an adviser asks themselves every day? I doubt it as most people, given the option, would prefer to do everything themselves.

There are, however, times when referring a client to a fellow expert can make a lot of sense.

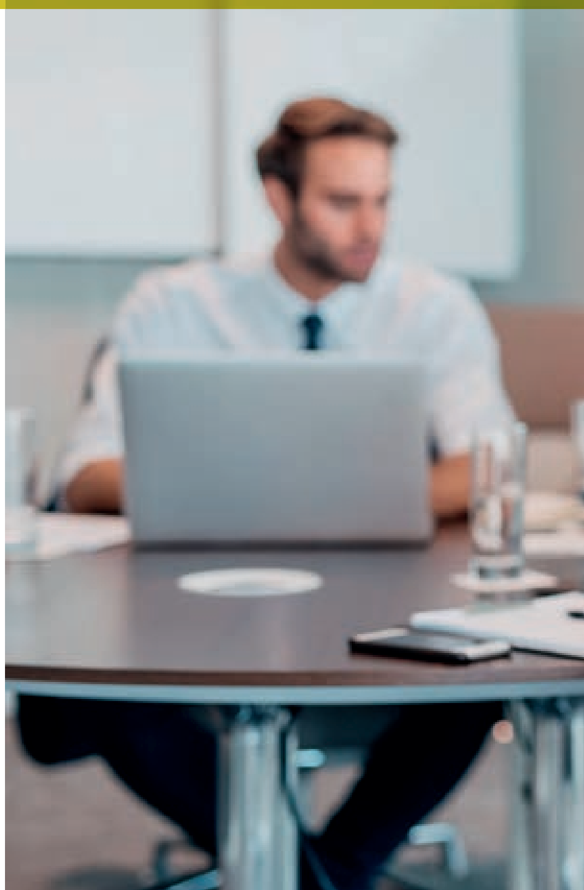
The Equity Release market (or later life lending as it's now often referred to) is growing exponentially, with current estimates forecasting growth at 25% year-on-year. Now, rather than go on about how all the growth is attributed to the fact we're getting older and our houses are rising in price, which is true, the truth is that the products are gaining traction for a whole variety of other reasons.

It's no secret that the later life lending market is leaning towards becoming more mainstream, and this is evident in the incredible rise in TV advertising being churned out by firms such as ourselves, as well as industry heavyweights like Aviva and L&G. This move towards raising consumer awareness is great news for the later life lending market, but for businesses like yours, it could be a threat. Advertising wants your clients to pick up the phone or search Google, the minute they do that you are at risk of losing control of that relationship, so it begs the question: Should you have a referral option up your sleeve?

One of the most common reasons I find that an adviser doesn't refer is because they don't believe their clients have a need for

ADAM CARNELL
Head of Partnerships
Age Partnership

...if you don't refer, do they find it themselves or does the adviser down the street refer them on because they have cottoned on to the opportunity.



equity release. In some cases this is true, it's not a solution for everyone, but even the staunchest adviser will often think twice when they consider how the products are being used.

At Age Partnership, we repaid over £250,000,000 of interest-only mortgages last year.

We helped hundreds of first-time buyers onto the housing ladder by assisting their parents or grandparents to release money from their property to enable them see the beauty of their inheritance now.

We helped hundreds of "last time buyers" move home when they were turned away by the mainstream market but were able to take out an Equity Release mortgage on the property they were buying to make up the shortfall.

Thousands of people now have the option of using their Equity Release mortgage like a repayment mortgage in utilising the optional 10% per annum capital repayment facility.

Hundreds of clients are now remortgaging their old plans on to record low interest rates and saving themselves thousands of pounds in interest over the course of their plan.

The common theme here, and no it's not that people aren't using the equity for a conservatory, around the world cruises or other clichéd uses, is that most of these clients found us under their own steam, they weren't referred.

I challenge you that you might have at least one client that could have benefitted from one of the solutions listed above, so if you don't refer, do they find it themselves or does the adviser down the street refer them on because they have cottoned on to the opportunity.

We helped hundreds of first-time buyers on to the housing ladder by assisting their parents or grandparents to release money from their property to enable them see the beauty of their inheritance now.

So why refer?

- Is having the ability to signpost to a specialist that much of a hassle?
- Referring is easy! Most will offer an online form, dedicated emails and phone numbers
- The advice and compliance risk sits with the referral partner – not with you
- Specialists will often have access to exclusive rates and deals not available elsewhere
- You retain 100% client ownership and can attend the appointments, if you wish
- Average referral fees are £1,300, that's an amount that could be invested back in to your business

I'm already qualified I don't need to refer!

A fair point, and if you can write the business yourself then great. If the market is to grow, specialists like Age Partnership actively encourage more advisers to be talking about equity release. We do, however, have a number of already qualified equity release advisers choosing to refer, with varied reasons why:

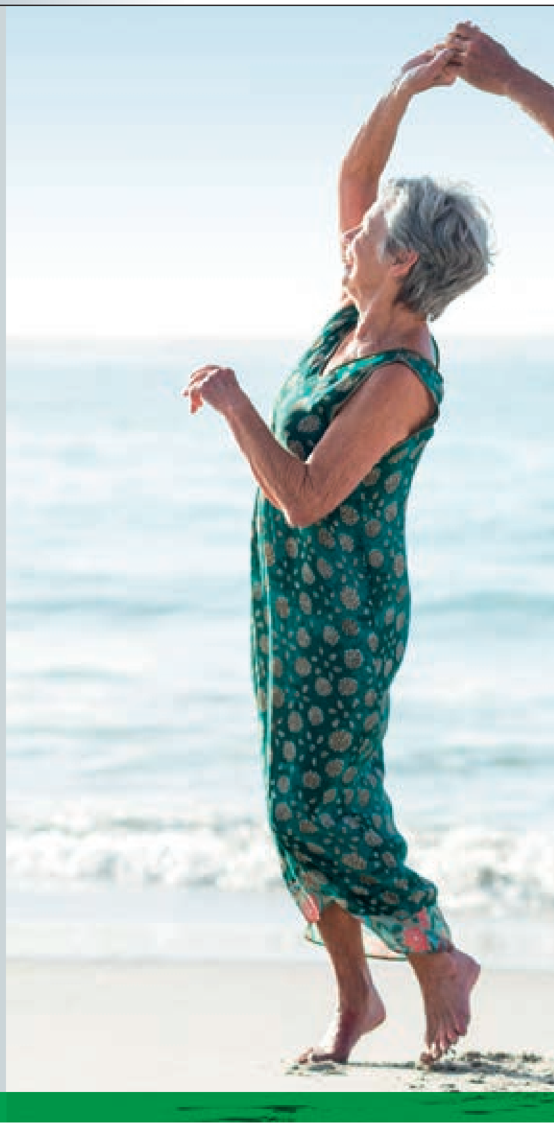
- I'm qualified but I do 4 cases a year, am I competent? Is it worth the risk?
- The client lives miles away and I can get paid an equivalent amount by referring.
- Time v Reward. I can do four normal cases in the time it takes me to do one equity release case. Could I be spending that time with my clients?

Hopefully this has given you some food for thought and may tempt you to have that signpost in your business, what have you got to lose?

For more information call the dedicated SimplyBiz Mortgages team at Age Partnership on 0800 975 5159, visit www.agepartnership.co.uk/simplybiz or email simplybiz@agepartnershp.com.

Age Partnership Business Partners

The evolving role of equity release



ROB MILES
Head of IFA Sales
Legal & General

Equity release is a hot topic. No longer a 'last resort' option considered only by a small number of niche advisers – it now represents almost a third of later life borrowing. A record £2.15 billion was unlocked in 2016. Measured by the value of lending, the market has almost trebled in size in the last five years[1].

An adviser recently confided in me that his peer had once 'turned their nose up' at mention of equity release. It had taken some persuasion that her wealthy clients could ever be in the market for such a product. As a convert himself (one of many driving an explosion of growth in the market) he is surprised at the lack of awareness of how far these products have come since their once 'grubby' old image.

Increased regulation by the Equity Release Council means that products are more customer-friendly than ever before and offer increased protection for homeowners. However, some myths remain. In 2015, the Financial Conduct Authority (FCA) suggested that equity release – once 'a dirty word' – still had problems with its public image[2]. There is clearly still some 'myth-busting' to be done. The facts are that:

- with a lifetime mortgage (equity release), your client could release some of the equity that's tied up in their home – tax free
- it creates a debt against their home. The loan is repaid when the last property owner dies or moves out of their home into long-term care
- the client retains ownership of their own property
- interest is added to the amount owed each month, so interest is charged on the loan plus any interest already added. This means the amount owed grows quickly, reducing the equity in the property and the value of any inheritance
- inheritance protection and negative equity protection offer further security for homeowners and their beneficiaries
- the advantage compared with a residential mortgage or traditional loan is that there are no monthly payments. There may be cheaper ways to borrow.

It's not right for everyone but for some it can offer an ideal solution to their retirement cash needs. Oh, and wealthy people do it too. For some, it makes good financial sense.

This adviser is just one of the 'new' enthusiastic converts to the market. In my role I see advisers from all walks of life – residential mortgages, wealth and general retirement planning. There is lots of interest in equity release. It's part of my role at Legal & General to bridge that knowledge gap and support advisers 'getting started', whatever their background.

So what is driving this growth?

If an Englishman's home is his castle, then increasingly, it's also his piggy bank. House prices have increased at a rate 42 times that of inflation since the 1970s. To put that in context, if a loaf of sliced white had risen at the same rate you'd be paying almost a fiver for your daily bread![3]

Low interest rates mean that money in the bank isn't rising in value nearly as fast. If you bought your home 30 years ago, it's entirely possible you'd have more equity in your home than in your savings account or even pension combined! But, unlike cash,

bricks and mortar cannot be so easily spent. Some people upon retirement will opt to downsize or move to a cheaper area. For those comfortable and happy in their lifelong homes surrounded by familiar faces, this will be a less palatable option. Equity release offers a further choice. A choice to stay put. To stay living in your home… or even, a better home!

In July we spoke to 344 advisers about equity release (lifetime mortgages).

How are these a advisers using lifetime mortgages to help their clients?

- 63% to help their client pay for home improvements
- 55% to help their family members financially
- 57% to fill an income shortfall
- 53% to repay an interest-only residential mortgage
- 41% to repay other debt
- 17% for holidays

63% of advisers have helped a client use equity release to fund home improvements. That could mean adaptations to ensure a mobile old age or it could be a fancy new kitchen. It could mean a new conservatory or loft conversion. For some, it could mean the difference between staying in their own place or moving to a specialist care home. For others – it's an opportunity to splash out and 'make the most' of their existing property.

House price growth creates other considerations too. For many young people, the possibility of owning their own home is fading. Wages are not rising in line with house price inflation. Sky-high rents mean that saving a deposit is difficult. More than half of the advisers that we spoke to had facilitated homeowners giving money to family members. This will have included grandparents gifting money to their grandchildren to enable them to buy their own home. For many, this is not only an act of altruism – it is a sensible tax planning strategy. As it stands today, money gifted to family seven years or more before death could avoid hefty inheritance tax![4] The hard-nosed and softies alike benefit. The hard-nosed financiers among us benefit from a tax efficient inheritance strategy. The softies get to see the grandchildren settle down into their new pad. It's a win, win situation.

Long term care, later life divorce and managing monthly debts are also ways in which the product is being used to help people in retirement.

The Equity Release Council is predicting strong growth in 2018[5]. It's an exciting time for advisers in the equity release business. Continued growth will depend on a number of factors – house price growth, consumer confidence in the products and sustainable interest rates for continued affordability of loans.

One additional factor is of course; who will advise on equity release? To expand the market we need to expand the base of advisers who are qualified and able to advise on these products.

Are non- specialist advisers ready for this opportunity?

In July we questioned 344 financial advisers – experts in residential mortgages, pension planning and investments – about what they thought about lifetime mortgages. We found that a whopping **69% of respondents are already advising or referring clients for lifetime mortgages as part of their day to day business.**

It was clear that many felt unprepared. Some felt daunted by the qualifications and specific knowledge required to advise their clients. Others were unsure how to identify the best clients for equity release or how it could be helpful. There is clearly a learning curve for both consumers and advisers to benefit fully from the opportunities of equity release. However, as the market grows, the financial incentives will no doubt encourage more advisers to get to grips with the topic.

Sources: 1. Equity Release Council Market Report Spring 2017
2. Financial Reporter April 2015, noted that at an FCA Mortgage Conference, Christopher Woolard, Director of Strategy and Competition, admitted that 'in the not too distant past, equity release became a dirty word'.
3. Shelter: Food for thought: applying house price inflation to grocery prices' February 2013. Sliced white loaf would cost £4.36.
4. Inheritance Tax, www.gov.uk/inheritance-tax/gifts.
5. Equity Release Council Market Report Spring 2017.

Introducing
Rob Miles

Rob Miles joined us in July as Head of IFA Sales in Legal & General's lifetime mortgage business. Prior to joining Legal & General Home Finance, Miles was Head of Legal & General Individual Wealth Sales.

Rob is spearheading Legal & General's strategic aim of making lifetime mortgages a mainstream solution for retirees with accumulated property wealth.

Want to find out more about how we can support you growing your lifetime mortgage business? Rob is meeting company directors and advisers from all over the UK to hear your challenges and build greater support for those looking to join the lifetime mortgage community.

To arrange an appointment, please contact: rob.miles@landg.com or phone 07979 534637.

Call charges will vary.

Legal & General

Conversations that last more than a lifetime

What if you could have a conversation with your client that was so valuable it would secure the next generation of clients for your business and, while doing so, better position the client's estate for their children?

KIRSTY MITCHELL AIPW
Marketing & Development Manager
APS Legal & Associates

A discussion with your clients regarding their mortgage is one of the best opportunities you will have to gain access to their family in years to come, yet it is an opportunity that so many mortgage brokers seem to be missing. Following the initial meeting with your client, perhaps when they are looking to purchase their first home for example, you will then hopefully spend years ensuring that they get the best deal to purchase that home as their circumstances change and they go on have children, increase the size of their house and then, when they retire, potentially look to down-size or release equity from their home for other reasons. You may even speak with the client about what will happen to their estate if they were to lose capacity or die. In your position, you are likely to know about the clients estate in great detail and have possibly even spoken to members of the family along the way too. But what is interesting, is that very few of us are involved at the most crucial stage – when the estate is due to pass to the next generation.

Upon the death of your client, the assets, including their home, are frozen until an Executor takes control and obtains the Grant of Representation. This means that the house cannot be passed to the children or be sold. Initially, this may seem a simple notion and many assume that there will be someone to take care of their estate when they die and for some cases the process is relatively simple. The problem is that the Executor is more often than not a family member or close friend of the deceased, and the last thing they want to do at this sensitive time is to handle the administration of the estate. Even those who feel ready for the task initially are soon discouraged by the IHT 400 form – the instructions on how to complete this document are 82 pages alone! In order to complete the form, the Executor needs to understand the size and value of the estate, whether there is an IHT liability and to whom the estate is to be distributed. None of this is easily accessible information for someone who is not familiar with probate. At this point, clients often seek a professional but don't know who to trust. Why shouldn't they be able to go to the advice professional who is familiar with the estate and the family to help?

If the client's family were able to approach you, you would be speaking to the Executors and Beneficiaries – beneficiaries who have just acquired a new home and need advice on getting a mortgage on the property, or on selling the property and paying off the outstanding mortgage. Especially, with younger clients, the concept of owning a home, rather than renting, can be initially a very scary notion. Hence, by

holding their hand through the probate procedure, it isn't just about having an additional income stream from this support, it also completes the life-cycle into the next generation and feeds back into your mortgage practice. Now doesn't that make good business sense?

So, how would you get the probate lead?

Firstly, the client already trusts you and having this conversation would only strengthen that trust. You may also hear a sigh of relief when you tell your client you can help their family when needed. This goes a long way to pointing the family members in your direction.

But, if the family members were also aware that you were involved in the process of writing the Will, they would naturally contact you for your advice in carrying out the Testator's wishes. At this point, you can take the burden away from them, which they are highly likely to be grateful for, and offer your advice on dealing with new found wealth at the same time.

> ...this offers totally holistic planning solution for your clients, a security blanket for the next generation and a new business proposition for you.

There are several ways you can become involved in this sector, some may seem more daunting than others. Often advisers in the field refer this out of their business and whilst this option is okay, the risk would be that you are giving away control and your potential income stream. It's also not likely to strengthen the relationship with your clients.

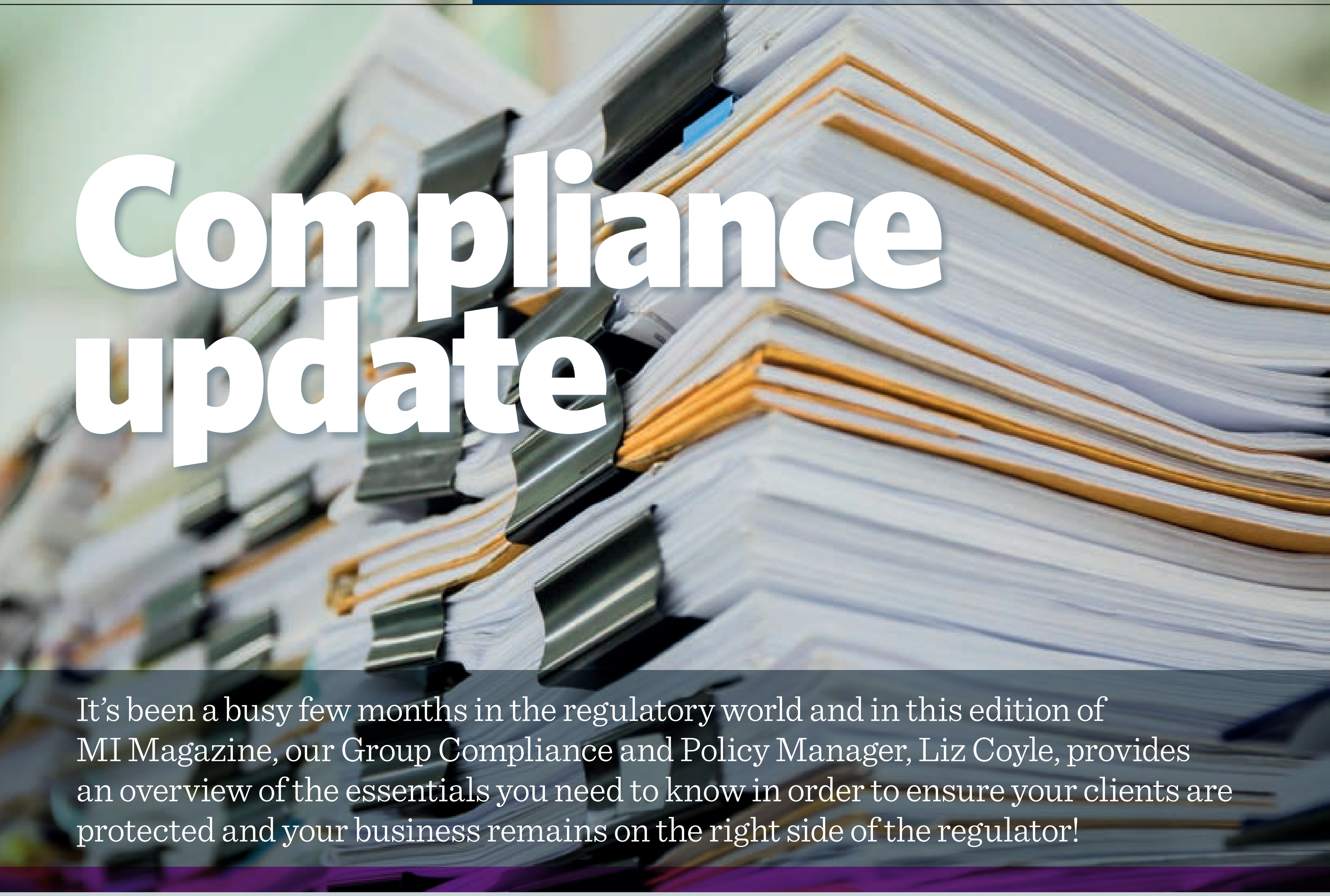
IN-HOUSE

Another option would be for you to bring this service in-house. This would certainly ensure you keep the relationship with the client, obtain your new income stream whilst also making sure your gain your next generation of clients. So all needs are met with this option, the only sticking point could be the liability is completely with you, the adviser and it could also be time consuming.

Lastly, you could consider the option of advising the client and taking instruction, but having a professional handle the legal administration on your behalf. Again, this would ensure all needs are met and would mean the liability doesn't solely rest with you, as you would then have a back office support. Through this option, you would just need to ensure that you carried out appropriate due diligence on the service provider and a few things to consider would be; does the firm act with regulation in mind, is it a company with a strong foundation (some estate planning companies disappear all too quickly) and is the focus an ethical one?

Whichever option you consider, this is not an industry to ignore, particularly now the FCA is recommending you speak with each client about their estate planning. Ultimately, this offers totally holistic planning solution for your clients, a security blanket for the next generation and a new business proposition for you.

For further information visit our website, www.aps-legal.co.uk or call us on 0845 430 4600.



Compliance update

It's been a busy few months in the regulatory world and in this edition of MI Magazine, our Group Compliance and Policy Manager, Liz Coyle, provides an overview of the essentials you need to know in order to ensure your clients are protected and your business remains on the right side of the regulator!

LIZ COYLE
Group Compliance & Policy Manager
The SimplyBiz Group

1. Mortgage fraud

First up – fraud. Although levels of reported mortgage fraud have remained fairly steady in recent years, the ways in which those committing fraudulent activities behave have become increasingly sophisticated.

Fraud is classified in one of the three following ways:

- **1st party fraud** – Committed by opportunist individuals in an attempt to obtain a loan that their circumstances would not normally allow, for example inflating their income or hiding credit.
- **3rd party fraud** – Generally committed by organised criminal groups that have learnt they can make vast profits in this way (until, of course, they are apprehended). For example, by raising finance on overvalued or sometimes non-existent properties. Often they are in collusion with corrupt solicitors, valuers or brokers.
- **Completed mortgage fraud** – Unauthorised access to draw down funds from an existing mortgage account by impersonating the genuine customer or failure to disclose information that may affect a decision to authorise further lending.

In the autumn edition of MI Magazine, Brian Wills' article 'Safe as houses' outlined the action you could take in order to endeavour to protect yourself against fraud cases. Not putting these measures in place could prove hugely costly in ways other than financial; if lenders believe you have not taken sufficient due care and attention they can take action ranging from guidance to a warning or, in serious cases, removal from a panel.

Just as a reminder, some of the top reasons for 'red flags' in spotting potential cases of mortgage fraud are:

In their application:

- Gaps in address history
- High income for a young applicant
- Reluctance to produce requested documents, particularly to verify income or identity
- Solicitors change close to completion
- Confidence of the source of deposit

Documents:

- P60 – rounded total earnings e.g. £25,000.00
- Bank statements – spelling errors, few outgoing transactions, balances which do not add up
- Payslips – cumulative total incorrect

And, as is often the case, being able to spot the signs of fraud can be supported by understanding the reasons why attempts might be made. Of course this isn't a definitive list, but it may be a helpful starting point:

- Affordability – income/net profits too low
- Covert buy-to-let/holiday home/HMO
- On benefits/unemployed
- Not declaring income to HM Revenue
- Income derived from crime
- False Identity
- Undisclosed adverse credit
- Undisclosed financial commitments
- Money laundering activities
- Inflated purchase price to benefit from lower LTV products

Fraudulent cases are bad news for the industry as a whole, and I'm delighted that there has been real progression around the ways in which lenders are working with brokers. The vast majority of lenders share fraud intelligence. Don't forget, lenders want to work with brokers; they would like you to be their first line of defense!

In addition to credit tools, many lenders also use fraud detection tools which highlight inconsistencies in data provided. As well as working in a more aligned way with brokers, lenders are also working together to tackle fraud. If an applicant has attempted to deceive one lender, then it is highly likely that this will be shared across the industry to prevent multiple attempts.

There are a number of ways in which you can also work as part of the lending community to aid the fight against mortgage fraud. For starters:

- Challenge the applicant's current mortgage/credit commitments
- Submit all documentation in one go, quality of submission is now measured by lenders
- If a case does not proceed, let the lender know the reasons

Most of all – trust your gut! If your instincts tell you there is something fishy about a case, then it is worth another look for inconsistencies or untruths. An honest client has nothing to hide and will understand the reasons for your thoroughness.

2. Introducers

As vitally important as it is for you to work to prevent clients from committing acts of mortgage fraud, it is even more important for you to ensure that the third parties to whom you introduce your clients conduct business in a compliant manner. Of course it's very difficult to guarantee with absolute certainty the ethics and professional conduct of anyone, other than yourself, however, below are some tips that will give you a good place to start.

- Have you visited their premises?
- How long have they been in business?
- What is their local reputation?
- How can they verify the legitimacy of their business to you?
- Why do they wish to deal with you?
- Does anything appear suspicious/ unusual?
- Have a formal agreement in place
- Always obtain and verify documents yourself, never accept copies from your clients

Again, go with your instincts on this, and remember that personal recommendations are priceless when it comes to introducers.

3. PRA & HMRC BTL

As well as netting you an excellent score when you're low on vowels during a game of Scrabble, the title in this section refers to the Prudential Regulation Authority's stance on landlords purchasing buy-to-let properties, with a particular focus on the veracity of their declared income.

> Most of all – trust your gut! If your instincts tell you there is something fishy about a case, then it is worth another look for inconsistencies or untruths.

As a result of the PRA portfolio lending rules, AMI has stated that brokers need to be extra vigilant when dealing with landlords' declared income. PRA rules will ensure lenders review and underwrite the whole of a landlord's portfolio, which could mean advisers becoming responsible for reporting potential undeclared income or tax avoidance by their clients. If you witness non-compliant activity, you could be liable if you do not report your suspicions to the HMRC through a Suspicious Activity Report (SAR). If you have reasonable suspicions about a client's declared income, you will need to process the case, inform the lender of your concerns and report the situation to the HMRC.

It is worth bearing in mind that if you don't follow these steps then a lender may submit a SAR when the case lands with it, meaning that your processes could come under scrutiny from the regulator.

4. Insurance Distribution Directive

From the 23rd of February 2018, the Insurance Distribution Directive (IDD) will be in place, which will mean changes for anyone operating in the protection market. I know there has been some confusion around whether IDD is only relevant for products that include an investment element, such as bonds, but the new policies will apply to all protection products and business.

The majority of the IDD relates to elements around conduct and the FCA's objective is to improve transparency and fairness for consumers. Following the regulator's final guidance paper on IDD (expected in early December) there will be changes to documentation and COBS rules and there will be new CPD requirements for anyone operating in the protection market.

However, we'll be on hand to support you throughout the transition to the new rules. A gap analysis and further guidance will soon be available, along with an outline of how to meet the CPD requirements of the IDD.

If you have questions relating to any of these issues, or any other compliance matter, please don't hesitate to get in touch with our compliance helpdesk on 01484 439120 or at compliance@simplybiz.co.uk.

SimplyBiz Group

Political and economic uncertainty is leading to a changing market environment and untapped opportunities for advisers.

Times are changing...

...but so too are the opportunities for mortgage advice

MARTIN FLEMING
Managing Director
Scottish Widows Bank

When the Governor of the Bank of England, Mark Carney, faced the press earlier in the summer to report on the Bank's latest inflation report, he pointed out: "We have been operating in exceptional circumstances and will be for some time because of the extraordinary nature of the Brexit process".

In the report, Carney cut the UK's economic growth forecast and left the country's record low interest rates unchanged. It was a pragmatic move. Over the past 18 months, we've witnessed a range of seismic events both in the UK and on the world stage. From the UK's democratic decision to exit the European Union in Brexit, to Donald Trump's populist election win as US President, to the more recent snap UK general election.

These events have meant that change and political and economic uncertainty are now the current reality for all of us. However, with change and uncertainty come opportunities and for advisers, these unsettled times and emerging social trends offer up a chance to build on the foundations of their firms by strengthening relationships with clients and providing them with good quality, valuable advice.

Opportunities are there for the taking

"There's no doubt that politics is driving economics and economics is driving politics and both are currently in a fragile state in the UK," points out Mike Jones, Managing Director for Intermediaries and Specialist Brands at Lloyds Banking Group. "We also find ourselves negotiating with the European Union over the next two years and from a weaker position than before the snap general election," he adds.

A whole flurry of headlines and mixed messages are only reinforcing this fragility and uncertainty and even bigger change may yet emerge in the run up to Brexit with a wider range of outcomes. The internet may be one information tool people turn to for answers to their questions and concerns around their finances but it's not a tool able to provide solutions or human reassurance.

"Advisers are needed now more than they have ever been before," stresses Mike Jones. "In a complex world, the core benefit of advisers is that they are able to dispel the clouds of confusion and provide recommendations to a client, face-to-face," he says.

During this period of change, advisers have a genuine opportunity to add value to their client conversations and help them prepare financially amid times of uncertainty, whether it be to save more capital or to advise on an investment.

"The current uncertainty that is troubling advisers is troubling their clients and that is exactly where advisers can add value," explains Mike Jones. "The uncertainty is driving a real need for customer help. In truth, the opportunity now is better than it has ever been," he adds.

One opportunity for advisers revealing itself in these uncertain times is the benefits of the offset mortgage, as Martin Fleming, Managing Director of Scottish Widows Bank, explains: "Offset is a hidden gem and copes very neatly with changes in people's professional and personal lives". He adds: "Over the past 18 months, we have seen an increase in the amount of savings people are offsetting."

Put simply, offset makes good use of savings in a tax-efficient way, as well as offering unparalleled flexibility for a mortgage. Over the term of an offset mortgage for example, clients could save money by either reducing their monthly payments or reducing the term of their mortgage, while still accessing their savings.

Although more people are steadily turning to the benefits offered by an offset mortgage, offset still only makes up less than 5 per cent of the mortgage market in the UK. In Australia, where many advisers specialise in offset, 37 per cent of mortgages use the facility, a fact which underlines how there is huge potential for offset in this country and a huge opportunity for advisers here if they can help clients to understand the benefits.

> In a complex world, the core benefit of advisers is that they are able to dispel the clouds of confusion and provide recommendations to a client, face-to-face.
>
> **Mike Jones, Managing Director for Intermediaries and Specialist Brands at Lloyds Banking Group**

Observing a changing UK workforce

Among the current uncertainty and concerns, there are also fundamental shifts taking place in the UK's workforce demographics. Over the past two years, the number of self-employed workers has risen to almost five million and since 2008, almost 40 per cent of employment growth has come from the self-employed or small business owners. Even the face of self-employment is changing, concentrating on higher-skilled occupational groups in business and finance. With an aging population that continues to work and a younger generation driving a 'gig' economy where a regular monthly salary is a thing of the past, the fabric of the UK's workforce is transforming.

For these demographics, an offset mortgage is a solid proposition for advisers to consider because it makes good use of tax and lump sums, especially in a low interest rate environment.

For the self-employed, regular bonus earners, those with high savings and entrepreneurs where managing cashflow is important, offsetting could simply make the most financial sense.

For self-employed clients in particular who need to save towards their annual tax bill, linking savings to an offset mortgage means their money is working efficiently by offsetting the interest on their mortgage every month.

Offset also hands clients a degree of flexibility that wouldn't be available on some other mortgage products, which is why it can be such a beneficial product for the self-employed and regular bonus earners who are saving or receiving larger amounts of cash. For example, if a client comes into some money, they can deposit it in their offset saver account, offset it against their mortgage and no longer pay interest on that part of the mortgage.

"Advisers may not find it particularly easy to communicate the benefits of offset to their clients because of a lack of awareness of its flexibility and how it can add so much more value to them," points out Martin Fleming.

"However, if advisers show their clients simple case studies and give them a quick illustration using our offset calculator, it is very easy for people to see that offsetting is a very good idea in some cases," he explains.

There are actually more offset providers in the market now than there were in the past, with the offset facility available on more mortgage products. There's less risk therefore to adviser income as clients benefiting from offset can more easily move to another offset mortgage product.

Offset is also an excellent way for advisers to set themselves apart, as Martin Fleming explains: "Advisers should be bringing offset up with more of their clients because it's a great way to differentiate themselves and is good advice for some people in today's uncertain times."

> Offset is a hidden gem and copes very neatly with changes in people's personal lives.
>
> **Martin Fleming, Managing Director, Scottish Widows Bank**

Respond to a changing world

To highlight the opportunities in the current climate, take the example of interest earned on client's cash in a savings account. With offset, the savings clients make are 100% tax-free, even if they are a higher rate or an additional rate taxpayer. By advising a client to have a mortgage with an offset facility linked to their savings, instead of earning interest on their savings, they'll pay less interest on their mortgage.

"Offset is simply one of the best instant access, tax-free savings rates that clients can currently benefit from," Martin Fleming explains. "While offset is even more important in times of low interest rates and uncertainty, the average individual faces many ups and downs during the course of their lives, so there is always going to be a market for offset and it should be a far more regular solution for many clients than it is today," he adds.

It's evident that offset should be part of the value that lies at the very heart of a successful mortgage advice business. Now, more than ever, advisers should be responding strategically to a changing marketplace and continue to offer that value.

As Martin Fleming points out: "As part of offering good quality, valuable advice, offset should be part of the discussion. If advisers are not asking their clients how much disposable income and savings they have and asking them if they want to pay off their mortgage by offsetting it, they should be."

It's about sound advice

By offering good quality, valuable advice to more clients in the current climate, advisers have a golden opportunity to grow their own businesses.

Certainly, advisers should not look at the political and economic uncertainty and social change as a dilemma. As Mike Jones underlines: "These concerns are the very reasons advisers exist."

And there is further reason to be confident. Mark Carney concluded the recent Bank of England's inflation report on an optimistic note:

"If UK households and business look through the flurry of headlines, then the economy can be expected to pick up," he said.

The Governor's remarks only reinforced how change is the only constant. It's up to advisers to make the most of the opportunities it offers.

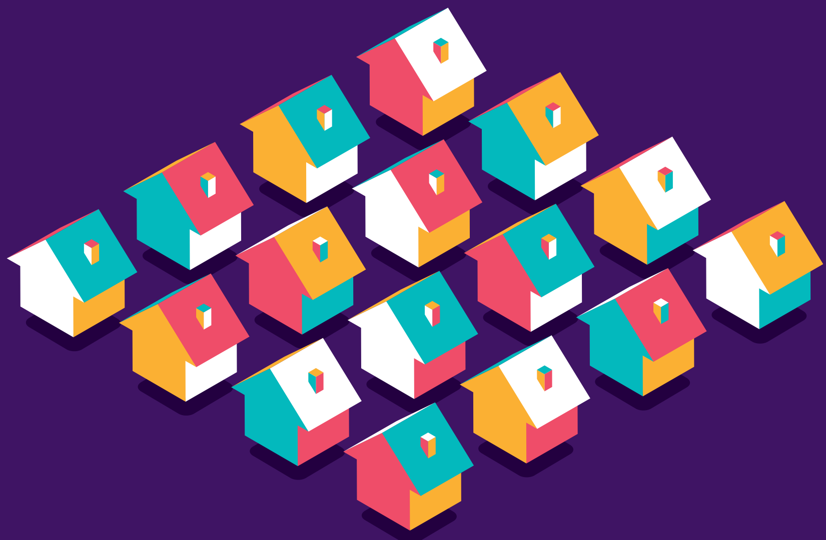
> Advisers should be bringing offset up with most of their clients and it's also a great way to differentiate themselves.
>
> **Martin Fleming, Managing Director, Scottish Widows Bank**

For further information about offset, visit www.scottishwidows.co.uk/changehub/exploreoffset

www.twitter.com@ScotWidowsBank

SCOTTISH WIDOWS BANK

LLOYDS BANKING GROUP



Aldermore First Time Buyer Index

While circumstances remain challenging for those seeking to get on to the property ladder, research from Aldermore suggests that the outlook for first time buyers is improving.

House prices are no longer out of reach amid the uncertainty of Brexit and the impact of much higher stamp duty levels at the top end of the market trickling down through to lower levels.

And there is a sense of optimism about saving for a deposit, with more first time buyers feeling able to go at it alone rather than depend on family and friends for financial assistance.

Ultimately their Index reveals just how hard buying a first home is likely to remain for the foreseeable future and why its important lenders remain committed to first time buyers.

Key highlights from their research found:

Year-on-year data reveals the outlook for first time buyers is slowly becoming more positive.

Over a quarter (27%) of first time buyers believe property prices are the biggest barrier to getting on the ladder, down from nearly four in ten (37%) in 2016.

One in ten (12%) first time buyers believe mortgage affordability is an obstacle to getting on the ladder, in comparison to just twenty (5%) in 2016.

Over one in two first time buyers (59%) are currently living with or would consider living with family and friends to get on the property ladder, down by 10% from 2016 (69%)

One in four (40%) recent first time buyers overspent by £2,334 on extra costs such as solicitor fees and surveys

Nearly half (47%) of those who bought this year experienced a house purchase fall through, costing an average of £1,305

Aldermore

Intermediaries.aldermore.co.uk

For Intermediary Use Only

The figures from 2017 are sourced from a nationally representative survey conducted by Opinium Research with a sample of 1,505 prospective first time buyers and 505 actual first time buyers between 27 July and 3 August 2017. The sample was restricted to GB adults who were students or in work.

You probably do most of your banking with one of the Big Four. They likely have a branch around the corner from your office or home. They provide you with a debit card and a cheque book (although it's probably been a long time since that's seen the light of day), and they have a perfectly acceptable website and app for checking your balance, paying your bills and moving money around.

The role of a Challenger Bank

TONY HALL
Head of Sales & Marketing, Mortgages
Secure Trust Bank

For your basic banking requirements there's no need to look any further, but where lots of consumers begin to notice the difference in the services offered by the Big Four and the Challenger Banks is when it comes to their more specialised banking requirements. Those requirements could be as simple as finding a good savings rate, or when looking to borrow where someone has some form of complex employment history, or a slightly less than perfect credit record. Time constraints can also be a factor, together with the desire for a personal service.

With low interest rates, the core savings products of the bigger banks may not provide savers with the kinds of returns they'd like, and with tightening regulation and tax implications around buy-to-let and other investment vehicles, non-conventional savings products may exceed their appetite for risk. This is where the Challenger Banks step in, who, with the desire to attract customers and with their lower operational costs, are able to offer interest rates that are a little more appealing and, of course, with the backing of the FSCS, means deposits are just as safe.

When it comes to lending, the sheer size and lower savings rates of the High Street banks means they're more able to offer the best mortgage rates and subsequently attract the mainstream, 'easy' consumers (those with sound credit histories holding down a standard 9-5 job). However, there are millions of people in the market who, for one reason or another, don't slot into the vanilla lending criteria, or find that they're offered a considerably less-favourable APRC on application for reasons they can't identify due to the often seen 'computer says no' approach to decision making.

UNDERSERVED

Some areas underserved by the mainstream include the 4.85 million self-employed[1], the 905,000 on zero-hours contracts[2], those who have had one (or more) of the million County Court Judgements made each year[3] entered against them, or the 13% of pensioners with outstanding debts to resolve[4].

Challenger Banks focus their efforts on servicing some of these diverse but equally significant areas of the lending market, to the benefit of the consumer and the lender alike: the consumer is able to obtain the product they may otherwise be denied and the Challenger Bank is able to support a market that can also work for them.

More complex lending is achievable, especially in the mortgage market, through a more bespoke application process, and in the case of Secure Trust Bank, a manual underwriting review in which all factors affecting the application are examined and assessed individually. By taking the time to understand the factors affecting a consumers' application and the context in which which they've occurred, Secure Trust Bank can make a more informed decision on whether or not lending would be appropriate in the circumstances.

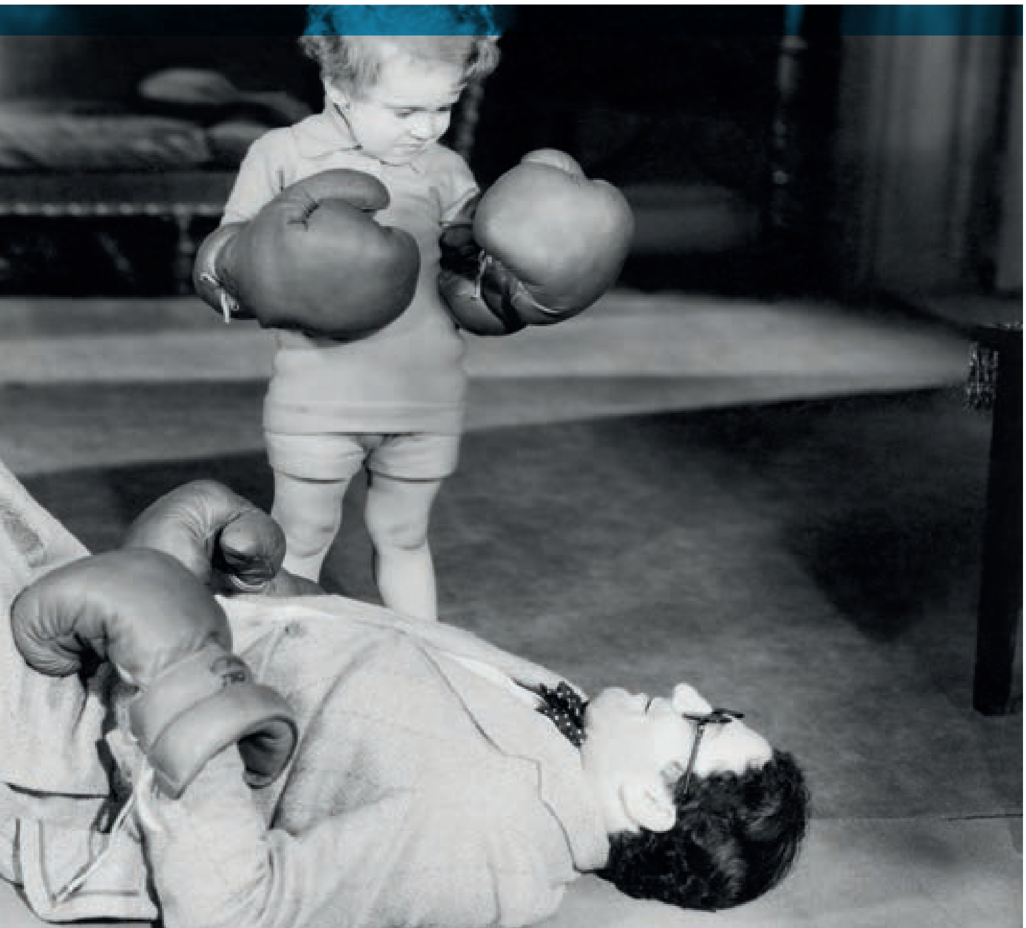
Attention to detail provides the Challenger Bank with an opportunity to differentiate themselves by evolving their approach to excellent, personable, customer service. We live in a world where constant connectivity means consumer expectations are higher than ever – companies of all sorts are required to be accessible and responsive throughout the working day and with the proliferation of competition in the marketplace, only those who set out and work within defined service standards can build a positive reputation and thus grow their business.

Depending on their circumstances, some applicants may well expect a huge level of diligence in the assessment of their mortgage application, perhaps due to some recent changes in employment circumstances combined with a less-than-perfect credit record. Understandably, they will likely be leaning on their broker to ensure that every aspect of their profile is explained and will be waiting anxiously by the phone to hear the outcome. A gap in achieving the service standard or a late reply will be fraught with anxiety for the applicant, which will in turn be passed on to the broker. With a Challenger Bank, these fears can be alleviated. For example, with Secure Trust Bank, as a broker you're able to get straight in touch with the support team to seek the answers long before the cut-off and that level of personal accountability can ensure you appropriately manage your applicant's expectations and provide them with a decision in a timely manner.

At the opposite end of the spectrum, you may have an applicant who's down to the wire on their purchase and needs a decision to be made quickly, and that level of flexibility is certainly achievable if the transaction is straightforward and the applicant has the right credentials – it's only a Challenger Bank that has turned a mortgage application into a decision in just a few minutes[5].

The evolution of this 'experience economy' is advantageous to the Challenger Bank as they are able to more readily adapt their internal processes to changing consumer demand, especially when that demand relates to speed, but also in its ability to harness the power of the latest technology.

> Whilst the economic outlook remains a positive one, now is the time for the Challenger Banks to set out their service propositions...



Fintech innovation has been more prominent of late, but in the beginning it was the Challenger Banks that pioneered the use of sourcing systems and opened up their criteria and transacting systems to third parties. The High Street banks were very much late to the party due to their legacy systems which, although they function perfectly well, are far too cumbersome and expensive to replace or update. With the rapidly accelerating rate of technological change, the disparity between the High Street and the Challenger has the potential to widen further.

The future for banking more generally is uncertain at the moment: the ramifications of Brexit are still to be determined; exchange rates are unsteady; socio-political uncertainty can be observed in some areas of mainland Europe, together with events in the Americas and on the Korean Peninsula, and closer to home, the deadline for ring-fencing is fast approaching and quantitative easing will ultimately begin to wind down in the not-so-distant future. The internationally-exposed and larger banks will have to invest significant levels of time, effort and money in preparing for and dealing with these implications, thus potentially further hindering their ability to innovate. Whilst the economic outlook remains a positive one, now is the time for the Challenger Banks to set out their service propositions, to take the opportunity to redefine consumer experience and seize market share. Of course, in breaking the mould and setting themselves apart from convention, they must still maintain their diligent and disciplined approach to lending responsibly to ensure that history does not repeat itself.

Get honest answers on 0330 303 3495 or visit us at securetrustbank.com/intermediaries

Sources: 1. ONS (2017), Statistical Bulletin: The Labour Market – September 2017.
2. ONS (2017), People in Employment on a Zero-Hours Contract – March 2017.
3. Registry Trust Limited (2017), Statistics from the Public Register of Judgments, Orders and Fines – June 2017.
4. ONS (2017), Early indicator estimates from the Wealth and Assets Survey: attitudes towards saving for retirement, credit commitments and debt burden, July 2016 to Dec 2016 – June 2017.
5. This is Money (2016), The Mobile Mortgage, www.thisismoney.co.uk/money/mortgageshome/article-4005538/Atom-Bank-launches-mobile-mortgage.html.

Not normal solutions to complex problems

Lending to your older and retired clients

There's no such thing as 'normal' clients these days. You know that and so do we. It's why we offer mortgage solutions that work for everyone, no matter how complex their circumstances.

We're human and understand that people are living longer, healthier lives and so need funds to support this active lifestyle much later in life than ever before. It's why we created our Retirement Lifestyle Booster mortgage specifically for the over 60s, who could do with a little boost to their finances.

How it works

Pays a fixed amount each month for ten years with the option of an initial lump sum. In return, the mortgage holder pays us a set amount each month to cover the average interest due. At the end of the ten years, assuming all the payments have been made, what's owed is what was borrowed. The loan is then repaid by selling the house and moving somewhere less expensive, mortgage free, when your client is ready to downsize.

We understand that every situation is different. We are proud to offer a selection of financial solutions to our retired customers. Here's a list of some of our USPs for later life borrowers:

- **No upper age restrictions on our products (maximum mortgage term may be limited)**
- **Up to 5 year term to an 89 year old**
- **Up to 16 year term to a 70 year old**
- **We consider earned income up to the age of 70 and pension income beyond that**
- **We accept rental and investment income that can be evidenced on an SA302**

We're able to do this because we individually underwrite each case on its own merit, using a 'common sense' approach. We have no set maximum loan and we don't credit score, which means we might be able to provide a mortgage for your client who has been turned down elsewhere (in particular for those in or nearing retirement).

We're all set to help you find the right solution for them.
To find out more, call them on: 01372 744155.
Alternatively, please email: mortgage.desk@familybsoc.co.uk
or visit intermediaries.familybuildingsociety.co.uk.

THE FAMILY BUILDING SOCIETY

Get your clients thinking about their finances

Keeping in regular contact with your clients and ensuring they are aware of financial issues can be a balancing act. You don't want to overwhelm your clients, by inundating them with news, but you also want to ensure that they are thinking about their mortgage, protection and general insurance needs on a regular basis – and the fact that you can assist them every step of the way.

Luckily we have solutions at hand to assist you in getting the balance of communication just right.

We offer monthly economic and property market reviews that give a brief overview of the current economic climate including global stock market updates, world events with consequences in the UK financial markets as well as overviews of major resources such as oil and gold. Likewise, the monthly property market review and residential property market reviews offer a comprehensive overview of both the housing and commercial property markets in the UK along with inflation figures.

These monthly reviews are a fantastic additional service you can provide to your clients. Prepared in electronic PDF or HTML format you can easily send these to your clients by email or upload them to your website for easy, centralised access.

Looking to send less frequent but larger updates to your existing, and even potential clients on current mortgage and protection trends and topics? In addition to our monthly updates we also offer a quarterly Home Finance newsletter, solely focused on mortgage and insurance related content.

The newsletters can be provided in various formats including printed, even if just small runs required (on high quality 250gsm paper), as a PDF, or in HTML depending on what suits your marketing needs.

Keeping in touch with your clients and getting them to think about their finances doesn't have to be difficult. All the publications represent great value for money for both your business and in your client's financial futures.

Call 01279 882519 or email simplymarketing@tomd.co.uk for further information, or visit the Simply Marketing website at simplymarketingsolutions.co.uk for a full list of services available.

SimplyMarketing

BTL in a post PRA world

When the Greek philosopher Heraclitus said that 'the only thing that is constant is change', I'm sure he didn't have the UK Buy to Let market on his mind, but in terms of the last couple of years he was pretty much on the money!

STEVE GRIFFITHS
Director of Sales & Distribution
The Northview Group

With the dust now settling on the second phase of the PRA underwriting standards for Buy to Let mortgage contracts covered in SS13/16 which came into force on 30th September this year, now seems a good time to reflect on the recent changes and how they are impacting advisers and their customers, as well as lenders.

In December 2015, shortly before the final rules were announced, I was fortunate to be invited to a SimplyBiz Mortgages event for a panel discussion on the potential changes to the market following the announcement of the changes to Landlords taxation. On the whole, those in the room remained optimistic about the market and the opportunities it presented, even in light of the headwinds that were approaching. There was a general understanding that what had been one of the most consistent areas of lender criteria would be moving away from the 'one size fits all' affordability approach, with providers using broadly similar Interest Coverage Ratios (ICR).

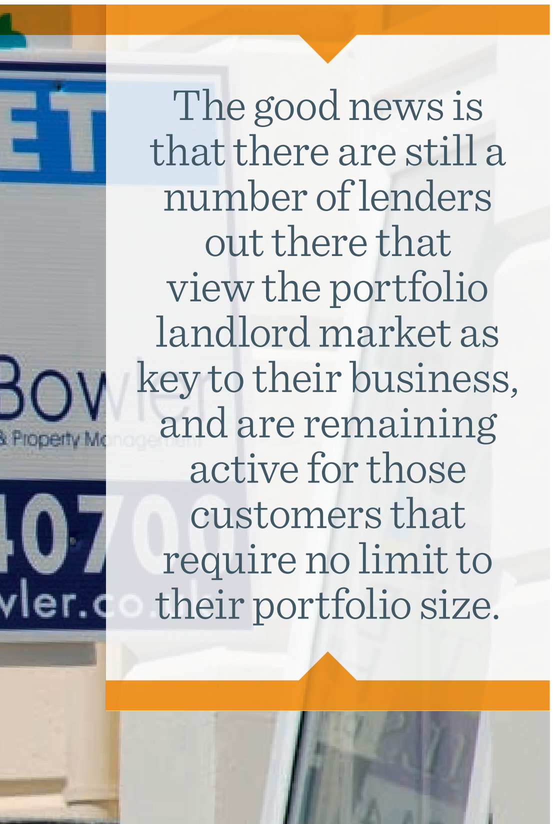
Early 2016 brought us the impending deadline of the Stamp Duty Land Tax surcharge and the inevitable rush to complete purchases prior to the end of the tax year. As the year progressed attention turned to how phase one of the affordability changes would be implemented by lenders as a result of the changes to taxation charges on mortgage interest for landlords that would begin to phase in from the 2016/17 tax year.

It soon became clear that the lender market was becoming polarised. On the one hand there were those that had in general opted for a similar approach as previously, but increased the thresholds typically from ICR requirements of 125% to 145%, with notional rates used increasing from 5% to 5.5% in line with PRA requirements. On the other hand, were lenders using more bespoke calculations. In this respect the specialist lender community stepped forward with customer choice and improved the number of products available to limited companies to 21% in Q3 2017 compared

to 16% for the same period in 2016.[1] For customers looking to buy as individuals, advisers were introduced to ICR calculations that were able to flex with a customer's tax status or even property tenure, with bespoke calculations for those applicants purchasing as tenants in common.

Whilst advisers were busy adjusting to this new landscape for their Buy to Let clients, lenders were busy behind the scenes preparing for the final piece of the puzzle in adopting the underwriting standards for portfolio landlords, which require a more risk based approach to not only the subject property, but also to assess the background portfolio for any customer with four or more mortgage rental properties. The net result of this has been a further widening of the market, with some lenders choosing not to offer a Portfolio Landlord option at all, and others choosing to limit the size of portfolio they can have. The good news is that there are still a number of lenders out there that view the Portfolio Landlord market as key to their business, and are remaining active for those customers that require no limit to their portfolio size.

Arguably, in terms of the adviser and customer experience, it has been these final changes that have impacted most. As well as the standard underwriting requirements, lenders now need sight of a variety of additional information such as portfolio property information, business plans or cash flow forecasts as well as asset and liability statements. On the face of it, this can seem daunting, but it is important to keep a sense of perspective. Whilst the underwriting process behind the scenes is very different, lenders looking to support portfolio landlords previously have often asked for some or all of these documents to support more complex situations. Also, for some time, the wider mainstream market has imposed arbitrary limits on the numbers of properties in the background, or have had hard loan to income levels that have proved challenging for portfolio landlords.



The good news is that there are still a number of lenders out there that view the portfolio landlord market as key to their business, and are remaining active for those customers that require no limit to their portfolio size.

Whilst the varying interpretation of the rules into lenders application processes will take some time to adjust for advisers placing business, it is good to see that some lenders are looking to assist with the transition by offering the facility of uploading the customer's existing property portfolio spreadsheet, rather than re-inputting in varying formats in all cases. Whilst the initial post-implementation applications will carry additional workload, the information required by lenders is broadly similar, meaning that multiple or subsequent applications will be able to utilise the same data where circumstances have not changed.

Advisers are well versed in dealing with the complexities of a modern mortgage file, particularly as the majority of their cases remain in the residential market. As an industry, we should not underestimate the changes that the intermediary sector community has not only dealt with, but thrived under in the face of such major changes as the Mortgage Market Review and Mortgage Credit Directive in recent years. With more complexity comes the increasing need for consumers to have access to good advice. For landlords, that very much now means not only financial advice from their mortgage adviser, but also the correct advice from a qualified tax professional. Whilst there will be a requirement for a higher degree of administration than previously expected, there is also the opportunity for advisers who embrace that change to demonstrate how essential they are to their clients, in order to build strong future relationships.

For our part, having two brands covering differing areas of the Buy to Let market, with New Street catering for the more traditional smaller investor with up to ten properties, and Kensington supporting the professional investor with no overall limit, we have seen no negative impact on Buy to Let business levels since the changes. We have been pleased with the quality of submissions to date, but in more general industry terms advisers can make for a smoother customer journey by focussing on three key areas prior to application:

- Does the overall profile of the portfolio of the case fit the lenders affordability requirements? These will vary and may be a published overall ICR or require aggregate input into a calculator.
- Is the rental income broadly in line with the expected amount for the property and area? If there are anomalies here (e.g. property is a HMO) this may need highlighting to the lender upon submission.
- Educate your landlord clients to keep their documents well organised, together and on hand. Easy access to their mortgage statements and tenancy agreements will mean more accurate presentation of cases and the ability to answer underwriting queries quickly and efficiently.

Most importantly we have to remember that as lenders we are nothing without intermediaries and their customers. Buy to Let has been a huge part of the specialist market and you will find that lenders will have well trained staff, whether that be Business Development Teams or Underwriters who are only too happy to help and assist advisers with what can be perceived as a more difficult case in the post-PRA world.

To find out more about our BTL approach post PRA simply call Kensington on 0800 111 020 or visit kmc.co.uk
Or, contact New Street on 0333 300 3100 or visit newstreetmortgages.com

Source: 1. Mortgages for Business BTL Index – http://live.mfb.drawgroup.com/media/2525/q3-2017-ltd-co-btl-index.pdf, http://live.mfb.drawgroup.com/media/2180/q3-2016-ltd-co-btl-index.pdf

Kensington
Lending for Real Life

new street
smarter mortgage solutions

Niche is for all...

...including first-time buyers!

The Help to Buy mortgage guarantee scheme has opened up the market for first-time buyers, increasing the choice available and lowering rates. But what if they're self-employed, working on a contract or have had credit problems in the past?

STEVE SEAL
Director of Sales & Distribution
Bluestone Mortgages

Specialist lenders are the perfect choice for these types of customers, offering a more flexible approach to help get them on the first step on the housing ladder.

Our transactional data shows not only an increase in first-time buyers, but also some interesting insights into the average profile.

Today, our average first-time buyer is 34, earns £38,600 and will take out a mortgage for 27 years.

The average property being purchased is worth £214,300, with first-time buyers raising over a quarter (28%) of their property's value for the deposit. The average Loan to Value ratio is 72%, with the average loan reaching £149,500.

Although recent data from the Land Registry has found that the proportion of leasehold properties being sold has doubled over the past ten years to 43%, our data found that 90% of borrowers purchased freehold homes, with 39% opting for terraced houses, 38% purchasing semi-detached properties, 12% buying detached houses and 8% going for maisonettes or flats. Three bed properties were the most common property size, accounting for almost half (49%) of borrowers.

In order to make the initial application for a mortgage, first-time buyers often need support raising funds. However, our data revealed that 31% of borrowers raised deposits using their own savings, with 33% able to buy a property on their own. Those who did borrow with a partner or with family had the added average income of £12,070. Almost half of all customers (49%) used family-gifted funds and 20% benefitted from family-gifted equity.

The data also showed that demand for mortgages from self-employed and contract workers continues to rise, with nearly one in five workers now either self-employed or on a fixed-term or 'zero-hours' contract. 20% of our first-timers are now self-employed, as the specialist lending market continues to help customers who traditionally find they are turned away by larger lenders due to their employment status and financial history.

SHORTAGE

The UK is suffering a serious shortage of affordable homes for first -time buyers due to increasing prices caused by a bottleneck of good property coming to market. However, our data shows that there is hope for many worthy borrowers who want to own their own home.

Whether self-employed, saving money without the help of family or a partner, or simply looking for a property that isn't tied to unfair leasehold agreements, of which we have heard so much recently, we are seeing more customers looking to specialist mortgage products and finding that homeownership is not as far out of reach as previously imagined.

There is still work to be done to help first-time buyers in the UK. Some high street lenders are still blocking many new homeowners from joining the housing market due to their outdated criteria, which do not reflect the changing workforce. Many of our customers are successful small business owners, entrepreneurs or contractors who, without the aid of specialist lending products, would not be able to buy their own home.

To learn more about Bluestone Mortgages range of products – contact the team on 0800 368 1833 or email lending@bluestone.co.uk

BLUESTONE.
MORTGAGES

Portfolios without the heavy lifting

We're keeping the process simple to save you time. Our dedicated Portfolio Team will key the additional information the new underwriting rules call for on to our system for you.

You can use our simple forms, the landlord's forms, or even another lenders' forms to provide:

- A business plan
- A statement of personal assets and liabilities
- Details of the existing residential portfolio

Highlights:

- No changes to our DIP or application system
- Our Portfolio Team inputs the existing property portfolio details for you. Any missing information is followed up with a phone call
- The portfolio assessment is valid for 6 months to make subsequent applications easier (where information is still up to date)

Our criteria hasn't changed:

- Procuration fees remain the same
- Up to 20 buy to let mortgages to a combined value of £5m with Precise Mortgages
- No limit on size of existing portfolio
- Licensed and unlicensed HMOs accepted up to 8 bedrooms with separate ASTs
- No limit on the number of director dependant shareholders under the age of 25 for Limited Company applications
- Bespoke ICR calculations on new applications reflect the landlord's tax position

Call us	**0800 116 4385**
Visit us	**precisemortgages.co.uk**
Follow us	

Precise Mortgages

The specialist lender you can bank on

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The specialist market
A shift from the few to the many

PETE THOMSON
Sales & Marketing Director
The Mortgage Lender

For me, the term specialist is outdated given the numbers and circumstances of borrowers the market is now serving.

The specialist market has evolved considerably over recent years. To demonstrate the shift, we recently asked brokers if they believe specialist is becoming more mainstream. Half said definitely and 28 per cent said maybe. That's nearly eight out of ten brokers. So, is it about time the industry caught up?

Specialist is terminology that can hold negative connotations. For some, it suggests adverse credit, poor risk and punitive interest rates.

The reality now is that the range of products, competitive interest rates and pragmatic underwriting means the sector is a long way from the days of practices such as self-certification and LTVs in excess of 100 per cent of the property value. And that's because there has been a sea change in borrower behaviour and employment.

Before the financial crash, the majority of borrowers fitted neatly into a box labelled 'plain vanilla'. They had straightforward financial situations, an employed role with career progression and a fair amount of job security. They were perceived as presenting little risk and, unsurprisingly, the high street was falling over itself to fulfil their mortgage needs.

Everyone else, or should I say, the minority, were labelled as specialist. They had complex situations, complicated and/or short term self-employment, investment earnings or adverse credit, some even had a combination of all three and, as such, struggled to get a decent deal in comparison to their employed counterparts.

But now, the lines between plain vanilla and specialist borrowers have blurred and the labels we previously used, and felt comfortable with, are looking out of date.

The reality is, there are more borrowers than ever before who would fall into what we used to call specialist and fewer that can now actually be described as plain vanilla.

The range of deals the specialist borrowers of today have access to are more varied, more competitive, more pragmatic and in fact, more attractive, especially when you consider the rates, which are on a par with, or only slightly more expensive than, those available from high street lenders.

This shift to the new norm has been driven not only by lenders, but also by borrowers.

One major contributor is the impact the financial crisis had on employment in the UK.

Since the crisis, self-employment has risen markedly. It now equates to 15 per cent of the national workforce, that's 4.5m

...the lines between plain vanilla and specialist borrowers have blurred and the labels we previously used, and felt comfortable with, are looking out of date.

people. It also accounts for 45 per cent of the growth in employment.

And it's widely known that it can be notoriously difficult to get a mortgage from a high street provider if you are your own boss, which leaves an ever-increasing number of self-employed people who want to own their own home, or move up the property ladder, looking for alternatives.

Another headache for the high street is contract workers as few can meet the seemingly rigid criteria.

Add into the equation an ageing population, and there is an ever-increasing segment of the population that the high street isn't set up to cater for.

There are more than 10 million people in the UK over 65 and the figure will have doubled in 20 years-time according to government statistics. We're all living much longer, earning into older age and wanting to borrow into retirement.

And given that in 2008 there were 3.2 people of working age for every person of pensionable age and that ratio is expected to fall to 2.8 by 2033, retirees and their income are going to become an increasingly important part of our overall economy.

Yet many lenders have stuck rigidly to only allowing borrowers to take out mortgages that will be paid off by normal retirement age because it is what they know and it's what their computer systems can cope with.

Before the financial crisis it worked. House prices were rocketing and there seemed very little risk in handing out large mortgages to people earning a regular salary.

But then it changed, high street lenders had to practice stricter financial controls, borrowing became more difficult and some have stuck with stringent criteria, when what they should be doing is changing again.

Take lending into retirement as an example – it's probably one of the most attractive segments of the market for a lender. A borrower with a great credit profile pre-retirement isn't going to turn into one who goes into arrears as soon as they retire, particularly given that household expenditure also tends to fall at retirement.

And it makes sense for the economy to help people approaching retirement to continue to participate in the lending cycle once they reach retirement.

Imagine you're 59 and you want to re-mortgage to raise capital for home improvements, or to pass on a house deposit to your children, and pay it off over ten years.

That is money going back into the economy either way, which helps all of us, and from a generation that have proven themselves, on the whole, to be an excellent credit risk.

At The Mortgage Lender we believe it's an opportunity for lenders who are prepared to be flexible and pragmatic in their approach to lending decisions.

Our affordability model enables us to assess the current and future affordability of applicants who want to borrow beyond their planned retirement date.

Importantly, we do not use the current expenditure when looking forward to the post-retirement period, our affordability model is clever enough to recognise expenditure changes when people retire.

We'll consider a loan to value of up to 75 per cent and lending up to a maximum age of 80 at the end of the mortgage term as long as the applicant's retirement income supports the lending requested. Evidence of their expected pension income is required, from their latest annual statement of pension due on retirement, for example.

It doesn't make sense to deny them choice and lock them out of the housing market by refusing access to mortgage funding post-retirement.

It is this type of lending, or lending to the newly self-employed or contract workers really specialist, if we're in fact meeting the mortgage needs of the many, rather than the few?

So, the question is – do we need an image change?

We talk a lot about how specialist lending has helped certain clients obtain palatable mortgage options. But there is a risk that, by discussing the difference between high street and specialist lending, we could make the latter sound like an inferior choice when in fact, considering the products and rates available, that couldn't be further from the truth.

Lending successfully in the current climate is about being pragmatic. Understanding the profile of the borrower, the risk and accepting that each borrower needs to be treated according to their individual circumstances. It's a common-sense approach, plain and simple.

But it's not one that consumers feel mortgage lenders are taking. According to a survey by Masthaven Bank of 2,000 consumers, 65 per cent believe being accepted for a mortgage is based on box ticking rather than the reality of someone's situation.

The same poll also revealed that 74 per cent believe the success of a mortgage application should be focused on the borrower's ability to meet repayment criteria. And 60 per cent feel that if a borrower is able to afford the repayments when they retire they should be eligible for a mortgage, regardless of age.

I agree with consumers. Mortgages should be less focused on box ticking and excluding borrowers who have 'complex', but none-the-less valid, incomes. That seems not only fair to me, but the best way to breathe life into the UK market.

Our financial situations now have a bit more colour and complexity – but that doesn't have to be perceived negatively.

For me, specialist lenders are bridging the gap being felt by borrowers who would have previously turned to the high street. That means we are becoming the new norm and I'm comfortable with that. The only thing left to tackle is what to call ourselves if it isn't 'specialist'.

www.themortgagelender.com

themortgagelender

Get 2018 off to a flying start

Look out for details of the following events coming your way soon, all of which attract CPD and offer you the opportunity to really get under the bonnet of a range of topics across an even greater number of product providers and lenders.

Don't hesitate if you see a topic that meets your needs, as in some cases, space is very limited and places can be booked out very quickly.

MORTGAGE MASTERCLASSES
ONGOING

Our Mortgage Masterclasses are half day events, usually smaller, more intimate affairs, that focus on specific areas of business, which they examine in detail.

Due to the smaller groups there is often more interaction and they present you an opportunity to really get to grips with a topic that either you wanted to learn more about, or is a completely new area that you feel is relevant to your existing and future client base.

These groups are often held at a lender or provider's premises and are highly conducive for discussion and interactivity. Events take place throughout the year and often cover a broad range of topics in each tranche.

MORTGAGE MEETINGS
STARTING FEBRUARY

Our ever-popular Mortgage Meetings are held twice a year and take place at thirteen locations across the UK. These are very well supported and allow for the opportunity to network with your peers.

The day begins with a prompt 9am start, often featuring a welcome brunch mid-way through, and finish at around 3pm after the all-important compliance round up.

Mortgage Meetings feature platform and roundtable presentations from lenders and providers and there is also the opportunity to discuss cases, processes or criteria in the provider village, which forms part of all of the events.

PROTECTION ROADSHOWS
STARTING APRIL

The Protection Roadshows are a great hit with firms and here early booking is highly advised as we stage only one round each year.

Each of our SimplyProtect panel members look to bring you platform presentations of the highest quality to bring education around selected product types, or tips and hints regarding how you can get the protection conversation started with your clients.

As a full day event, closing at around 3pm with a compliance roundup, you'll leave feeling fully invigorated about your protection proposition, whilst also having had the opportunity to speak with a range of providers in the provider village.

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Inspired by life. Improved by us.

Life doesn't always turn out the way we picture it. So, to help protect your clients and their families from the unexpected, we've been making our critical illness cover even better.

Using our extensive claims experience and customer feedback, we've introduced clearer definitions and improved benefits so your clients have less to worry about during a complicated time.

We've taken the cover that really matters to your clients.

And made it better.

For more information visit aviva-for-advisers.co.uk or speak to your usual Aviva contact.

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AVIVA
Good thinking