

LEGAL & GENERAL HOME FINANCE LAUNCHES OPTIONAL PAYMENT LIFETIME MORTGAGE

- ***The Optional Payment Lifetime Mortgage allows customers to pay some or all of the monthly interest, but also stop paying at any time***
- ***As with traditional lifetime mortgages, interest rates are fixed for life and customers can remain in their homes for the rest of their lives***

Legal & General has today announced the launch of its new mortgage product – the Optional Payment Lifetime Mortgage (OPLM). The new product is designed to help the growing number of borrowers in retirement who are trapped between the traditional lifetime mortgage and residential mortgage markets. These borrowers include those with some income in retirement but not enough to qualify under residential mortgage affordability assessments, and for whom traditional interest roll-up lifetime mortgages may not be an immediate solution. OPLM combines the flexibility of residential monthly interest payments with the long-term security of a lifetime mortgage, as customers are able to stop paying interest at any time and remain in their home for the rest of their lives.

OPLM represents another development from the UK's biggest lifetime mortgage lender and reflects the desire of a growing number of consumers who wish to pay the monthly interest on their mortgages in retirement.

The Optional Payment Lifetime Mortgage is part of Legal & General's commitment to innovation in the retirement lending market. OPLM has also been designed to respond to the FCA's request for the market to offer more choices for customers wanting to borrow in retirement – something the FCA highlighted in its recent rules on Retirement Interest-Only mortgages.

As with other lifetime mortgage products, the interest rate on Legal & General's OPLM product is fixed for life, which provides customers with long-term certainty that their monthly payments will never increase. The product will only be available via intermediaries and on an advised basis.

The problem of eligibility in retirement has been eased. Customers will not need to pass any affordability assessments or have a capital repayment strategy in place, as the amount owed is repaid from the sale of the property upon death or moving out of the home into long-term care. In the event that they can no longer afford or want to pay their monthly interest repayments, the customer can choose to stop and instead the interest is added to the loan each month.

Steve Ellis, CEO, Legal & General Home Finance, says:

“At Legal & General, we often hear the same question from customers with interest-only mortgages – ‘can’t I just continue to pay my interest?’. These customers feel let down by the mortgage market – they have always paid their interest, but no longer qualify for a new mortgage because of affordability assessments or, more simply, their age. OPLM is a direct response to this growing customer need for a different kind of retirement mortgage, one that provides flexibility for borrowers and which also has the potential to address the interest-only shortfall that remains a fundamental issue for the mortgage market.”

OPLM is available to mortgage customers aged 55 and over and has been carefully designed to offer a hybrid solution to many of the 1.67m consumers with outstanding interest-only mortgages, particularly the growing number of borrowers who are approaching the end of their mortgage term but have no capital repayment plan in place.¹

Steve Ellis continues

“Whilst OPLM is different, it still comes with all the lifetime mortgage guarantees – the biggest of which is the right of tenure for life. If consumers find they can’t or don’t want to continue to pay the monthly interest payments for any reason, they can simply convert to interest roll-up - with no fuss and no assessments.

“The launch of OPLM and the positive move from the FCA on Retirement Interest-Only mortgage rules clearly shows that Legal & General is part of a wave of innovation in the later life lending market. OPLM highlights one of the ways Legal & General is keeping our promise to develop solutions for customer needs, giving borrowers the choice and control they want over their retirement.”

Paul Norcott, Head of Mortgages & Insurance, The Co-operative Bank, says:

“The FCA has recognised that there needs to be solutions in place to support interest-only mortgage customers as they enter retirement and we welcome this innovation from Legal & General. The flexibility offered by OPLM for customers to continue making interest payments and to manage the interest roll-up are real benefits which will appeal to many customers considering the transition to lifetime mortgages.”

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FURTHER INFORMATION (JOURNALISTS ONLY)

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¹ <https://www.fca.org.uk/news/press-releases/fca-urges-action-on-interest-only-mortgages>

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About Legal & General

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The Legal & General Group, established in 1836, is one of the UK's leading financial services companies. As at 31 December 2017, we had over 9.5 million customers in the UK for our life assurance, pensions, investments and general insurance plans.

NOTES TO EDITORS

UK's biggest lifetime mortgage lender based on total new lifetime mortgage lending in 2017.

A lifetime mortgage is a way of releasing money tax-free from your home without having to move. You can take the money all at once or in smaller amounts as and when you need.

It's a loan that's secured against your home which can be used to repay your existing residential mortgage.

Our Optional Payment Lifetime Mortgage allows you to choose to pay some, or all, of the monthly interest. Making monthly interest payments will reduce the amount of interest that will accumulate over the life of your lifetime mortgage. You can stop making monthly interest payments at any time.

If you stop making monthly interest payments, the unpaid interest is added to the amount you owe each month. This means that interest is charged on the loan amount plus any interest already added.

The lifetime mortgage is usually repaid from the sale of your home when you, or the remaining applicant (if the mortgage is in joint names) dies or moves out of the home into long term care.

There may be cheaper ways to borrow money.

Legal & General Assurance Society Limited.

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