

Market Study

MS26/1.1

Market study into later life mortgages

Terms of Reference

March 2026

How to respond

If you have any comments on these terms of reference, please send them by **17 April 2026**.

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Contents

Chapter 1	Introduction	Page 4
Chapter 2	Market overview.	Page 6
Chapter 3	Products and services in scope	Page 8
Chapter 4	Rationale and focus of this market study	Page 10
Chapter 5	Next steps	Page 14
Annex 1	Abbreviations used in this paper.	Page 16

Chapter 1

Introduction

- 1.1** We are launching this market study to examine whether change is needed to enable the lifetime and retirement interest only (RIO) mortgage sector to meet consumers' changing needs, driven by effective competition in the market.
- 1.2** In the coming years, older homeowners may increasingly have to use their housing wealth to achieve financial security and comfort in later life. According to recent government analysis of future pension incomes, 43% of people are undersaving for retirement – while ONS data shows that over-55s hold the majority of household property wealth in the UK, an aggregate total of £3.7tn as of 2022. Moreover, recent affordability pressures and higher interest rates mean that more consumers will have to make standard mortgage repayments into retirement.
- 1.3** Lifetime and RIO mortgages could play a greater role. These products allow consumers to access equity in their property, with a lump sum payment or drawdown facility, without having to repay any of the capital until a specified life event (eg the customer's death). Interest payments are also not required before that point for lifetime mortgages. Innovative products, comparable to these types of mortgages but outside our current definitions, may also emerge.
- 1.4** However, the market will need to develop to meet evolving consumer needs. Currently it is small, with around £2.4bn in new sales in 2025, and in response to DP25/2 we heard that meeting increased demand from a greater range of customers might pose challenges: providers' funding, the nature of advice, and consumer awareness, understanding, and trust.
- 1.5** Our market study will investigate these challenges. As we said in FS25/6, we want to understand if the market can and will develop to meet the increased and differing needs of consumers in the future. We will consider how we can help it adapt and, where we find change is needed, we'll focus on implementing solutions that support competition and innovation, and let consumers easily access products and services which meet their needs and provide fair value. This will inform and align with our policy development and engagement this year exploring holistic advice. To deliver effective change, we will also consider whether action may be needed outside of our remit and so we may make recommendations to other bodies, where relevant.
- 1.6** Though this market study is focused on using housing wealth in retirement, it sits within wider work aimed at driving better retirement outcomes, including the introduction of Targeted Support and the new Pensions Commission.
- 1.7** This Terms of Reference sets out why we are doing this market study, its scope, the issues we'll explore, the potential outcomes that our work might lead to, and our next steps. As with all our market studies, we will take an evidence-based approach, analysing whether change may be needed, and if so, what this could be. We expect to publish a progress update and proposed next steps by the end of 2026.

1.8 This study is relevant for a range of parties, including:

- Current and potential providers of lifetime and RIO mortgages
- Firms who provide funding to providers
- Intermediaries who are, or could be, involved in the distribution of these products
- Consumers who could benefit from using these products in future
- Existing lifetime and RIO mortgage customers
- Relevant industry and consumer bodies

1.9 We invite all stakeholders to share their views on the issues set out in these Terms of Reference, including supporting evidence where relevant, by 5pm on 17 April 2026.

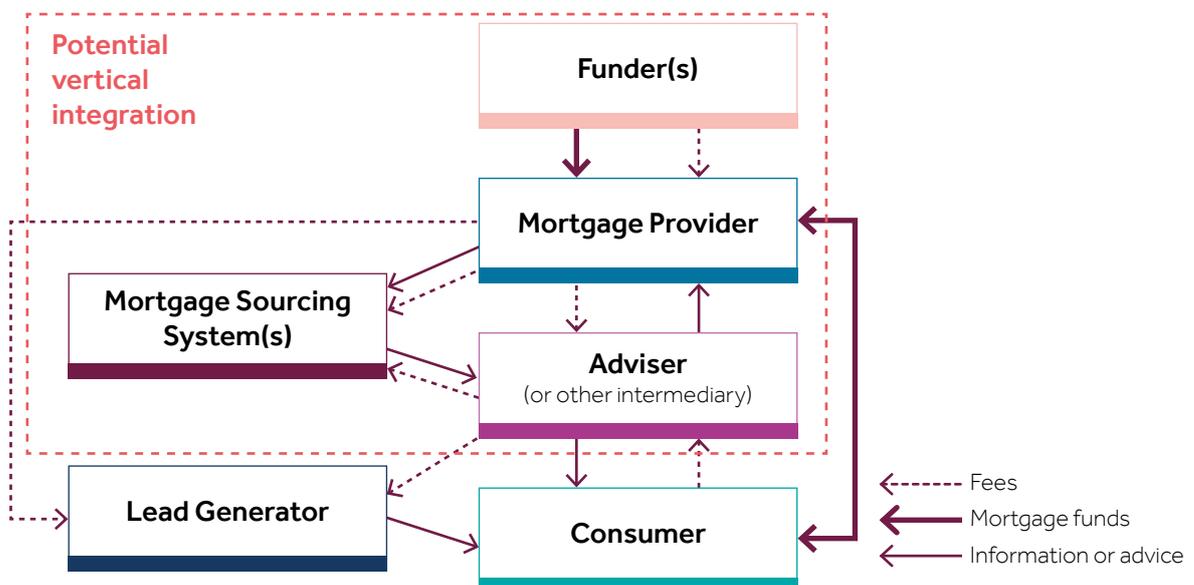
Chapter 2

Market overview

- 2.1** Consumers may have various options for accessing their housing wealth. Depending on individual circumstances, this can include downsizing, re-mortgaging with a standard mortgage, or taking out a lifetime or RIO mortgage. This study will focus on lifetime and RIO products but will also consider wider alternatives, as explained in the next chapter, in the context of consumers' decision-making.
- 2.2** Both lifetime and RIO mortgages allow consumers to access housing equity. Like standard mortgages, they are loans secured against a homeowner's property. However, these mortgages are not usually for home purchase and do not have a set term. Lenders may not seek full repayment until a specified life event has occurred (usually the customer's death or move into residential care), with certain charges that may apply to repayments before that point. They are restricted to customers above a specified age (usually over 55).
- 2.3** Some lifetime and RIO products allow consumers to draw down funds flexibly over time, or receive monthly payments, as well as taking a lump sum. Consumers may use a lump sum to pay for one-off needs, such as settling debt. Regular drawdowns are more likely to be used to supplement other regular retirement income, such as from state or private pension.
- 2.4** Lifetime and RIO mortgages often differ in their interest rate structure and how interest is paid.
- Most lifetime mortgage interest rates are fixed for the duration of the mortgage. Some RIO mortgages also have a fixed rate throughout, while others have variable rates, including products with a fixed rate for a set period after which the rate reverts to being variable.
 - In terms of interest payments, lifetime mortgages allow interest to roll up, which means that repayment of both capital and interest is not required until redemption. Some now allow optional interest payments, including in regular instalments. RIO products, on the other hand, require full repayment of interest in regular instalments. This means consumers need to meet affordability checks that lenders must carry out.
- 2.5** In 2025, around 27,000 lifetime and 3,000 RIO mortgages were advanced in the UK, with a value of £2.16bn and £282m respectively, according to Product Sales Data (PSD). This data suggests that for 2022 to 2025:
- the median age of consumers taking out these products was around 71
 - the median property value ranged from £290,000 to £350,000
 - the median loan-to-value ratio was around 15% for lifetime mortgages and 27% for RIO products

- 2.6** Most lifetime products are funded by the insurance sector, particularly to match annuity liabilities. Other sources of funding include pension funds, reinsurers, and private credit funds. Firms with such funding can offer their own products or provide funding to separate specialist providers. RIO mortgages are mostly provided by deposit-takers, including some building societies. Some providers offer both products. Some also operate at multiple levels of the supply chain (vertical integration). For instance, an organisation may both provide and advise on these mortgages – and they may choose to sell only their own products.
- 2.7** The vast majority of consumers who take out a lifetime or RIO mortgage do so via an intermediary – more than 90% and 60% for lifetime and RIO products respectively, over the last three years, according to PSD. Lifetime mortgage customers must receive advice before taking out a product. RIO mortgage sales are also mostly advised, though recent PSD suggests around 1 in 10 consumers choose to proceed on an execution-only basis. Advisers must consider factors specific to these products, including impacts on means-tested benefits and tax. Some advisers offer a range of product types, including standard mortgages and other financial products, while others may specialise solely in equity release.
- 2.8** Other actors are involved in the consumer journey. Intermediaries use software known as a mortgage sourcing system to identify products available for their customers. Firms may also outline the importance of, or require that customers seek, independent legal advice. They may also generate leads through various routes. Consumers may be referred to a particular intermediary from an adviser who does not advise on these mortgages. Alternatively, providers and intermediaries use targeted marketing strategies (eg TV, radio, mail, social media, content marketing) to attract customers.
- 2.9** These relationships are summarised in Figure 1.

Figure 1: Relationships between key actors in the market



Chapter 3

Products and services in scope

What products and services will we focus on?

- 3.1** We will focus on the provision and distribution of lifetime and RIO mortgages sold to UK consumers, including advice. These products, their providers, and any qualified advisers and intermediaries, are regulated by the FCA.
- 3.2** We may also consider whether new products, including innovative products that are similar to lifetime and RIO mortgages but outside our current definitions, could develop to meet consumers' evolving needs.
- 3.3** Relevant activities of other market actors, such as sourcing system providers or firms who provide funding to providers, may influence the design, distribution and value of these mortgages. Although these individual services are not the focus of the study, we will examine these actors' relevant activities to the extent they could affect competition in or the development of the later life mortgages market. This may include standard mortgage brokers to some extent, even if they do not advise on lifetime or RIO mortgages, because they may still have a role in referring certain consumers to an adviser who does.

What other products and services will we consider?

- 3.4** We will consider other means of accessing housing wealth in the context of how consumers understand and compare their options. This includes downsizing, as an important alternative to a lifetime or RIO mortgage.
- 3.5** We also know that standard mortgages can be useful for some older homeowners and terms are increasingly extending into retirement. For each of the last five years, around 6% of all standard mortgage sales were to borrowers aged 55 or over who will be 68 or over at the end of their mortgages' term – with roughly a sixth of those due to be 76 or over at that stage. That amounts to around 350,000 such mortgage sales in total since 2021.
- 3.6** However, most standard mortgages require regular repayment of capital and interest, and to repay the entire mortgage within a set term. This makes them less suitable for consumers looking to release equity to supplement limited savings or retirement income, though they may be a viable alternative for some.

- 3.7** Home reversion plans also allow consumers to release equity – by selling all or part of their property to a reversion provider while maintaining the right to occupy that property until they enter care or die, or after a specified period. Though these products serve a very similar need to lifetime and RIO mortgages, we will not focus on this market as it is extremely small, with PSD recording only 25 sales in 2022-25. We may explore the factors behind this.

Chapter 4

Rationale and focus of this market study

- 4.1** As described above, a large and growing proportion of consumers may face financial difficulties in retirement if reliant on pension provision alone. For homeowners unable to address any shortfall in pension provision, access to their housing equity may enable them to achieve the living standards they seek in retirement. If housing wealth begins to play a larger role in meeting these needs than it does now, we want to ensure this is done efficiently, in a way that delivers good outcomes for consumers and benefits the wider economy.
- 4.2** This market study aims to identify and evaluate features of the market for lifetime and RIO mortgages that may prevent it developing in the right way to deliver this and, where necessary, consider what change is needed to remedy them. We see this as an opportunity to support the market to meet evolving consumer needs and promote effective competition in the interests of consumers.
- 4.3** We will focus on two areas:
- Provider entry and growth
 - Effective consumer decision-making
- 4.4** To understand these, we will assess the forces that determine how firms and customers make decisions. This will involve gathering economic and financial information on lifetime and RIO products offered by providers, including in relation to funding arrangements, and how intermediaries sell these products. We also want to speak to firms who don't provide these products, to understand why. We will consider the burden on firms when gathering information and will only collect data that we consider is necessary to the study. We also intend to undertake consumer research to understand consumer behaviour, needs, and preferences.

Provider entry and growth

- 4.5** To meet increasing consumer demand, the provider market will likely need to expand by incumbents growing and new firms entering. If firms cannot enter or grow, we would be concerned about whether competition in a market is effective. Challengers are an important source of competitive pressure for established businesses – without them, incumbents tend to be less responsive to customers, less efficient, and less innovative.
- 4.6** We are concerned that existing providers and potential new entrants may face real barriers to growth and entry. We've seen very little successful entry in recent years.

- 4.7** We will explore key features of the provider market to assess any obstacles to entry and growth, and their effects. We will prioritise areas where we may be able to act to reduce these barriers, to support competition and promote better consumer outcomes and market growth. We will also prioritise tackling any features that may also limit pro-consumer innovations. We've already heard some views from industry.
- 4.8** Stakeholders have told us that the nature of funding for lifetime mortgages may hinder firms' growth. Despite persistent growth in the bulk annuity market, contributing to the availability of funding, feedback to DP25/2 suggested prudential standards and investor demand for equity release backed securities may limit or disincentivise insurers from expanding. We now want to understand how alternative funding mechanisms may play a larger role in future, including for RIO mortgage providers, and whether these could be better supported. This may include more deposit-backed options or securitisation mechanisms. If we find any barriers preventing alternative funding models from being adopted, we may address them ourselves or, if outside our remit, explore options with the relevant body.
- 4.9** A range of stakeholders have also told us that certain regulatory rules or standards may deter firms from entering the market, including standard mortgage lenders who may wish to offer lifetime or RIO products. We'll build on this feedback to our Mortgage Rule Review by understanding the provider market greater depth and, in this light, consider the merits of further rule change.
- 4.10** We may also be concerned if commercial arrangements in the market, including integration across the supply chain, meant that new providers face unduly high costs or restrictions when trying to enter and expand. We will therefore seek to understand these arrangements and what we could do if they are problematic.
- 4.11** Separately from this market study, we are reviewing our RIO affordability assessments guidance (MCOB 11.6.15G(4)). Several stakeholders have told us this is a significant barrier to entering the market. As set out in FS25/6, we're reviewing this guidance to consider whether to propose any changes.

Effective and actionable consumer decision-making

- 4.12** Consumers need to be able to make appropriate decisions, with the right information, support, and advice. They also need to be able to act on their decision. This includes changing their mind if their circumstances change or they realise they have made a decision that is not right for them. Effective and actionable decision-making drives good consumer outcomes and effective competition in the market.
- 4.13** However, older homeowners may struggle to assess their options for financing their retirement with housing wealth and access important information to guide their decision-making. Younger consumers who want to plan ahead may also struggle to consider the potential role of housing wealth in their wider financial plans. Several factors may contribute to this, including consumer behaviour, structural features of the market,

uncertainty about the future, and availability of accessible information and guidance. Vulnerability may also be a factor, especially as consumers age, if their cognitive abilities decline, or if they have urgent needs to meet.

- 4.14** Moreover, consumers may simply discount using these products. The shadow of legacy issues in the 90s may still shape some consumers' – and advisers' – perceptions. Deepening consumer trust could allow consumers to make more informed decisions and better encourage appropriate take-up of lifetime and RIO mortgages.
- 4.15** We want to look broadly at what shapes consumers' understanding and influences their decisions. We'll examine the role of intermediaries, publicly available information, and other guidance and tools that consumers use. This will include the potential role of more holistic advice. We also want to explore consumers' engagement with these mortgages after initial purchase and their ability to exit these products.
- 4.16** By understanding these factors better, we will be able to consider if we should take further steps to enable more effective consumer decision-making.

Holistic advice

- 4.17** Consumers may not know about the range of options available to them for financing their retirement, including different mortgage products. It can also be difficult to understand and compare several complex options. As we heard in response to DP25/2, low consumer awareness, understanding, and trust in lifetime and RIO mortgages could limit the market's ability to meet consumers' needs.
- 4.18** We know there is broad support for making advice more holistic, to overcome this lack of awareness. As we said in FS25/6, we share this aspiration, which is why we are separately working to define the scope of holistic advice, the outcomes it should aim to achieve, and the regulatory change that may be needed to support it. We will use the market study to gather the evidence for this policy development, in addition to ongoing industry engagement.

The wider role of intermediaries and other information sources

- 4.19** Even when consumers are aware of their options, it's important that they can find and understand product information, work out how it might apply to them, and compare their options.
- 4.20** Advisers help shape consumers' decisions, and a range of factors shape the advice process. Advisers' compliance with the Consumer Duty will support consumers' decision-making, but we want to know if there are factors not covered by the Duty that may impede consumers in their decision-making or limit more holistic advice in future. We'll look at how commercial arrangements and relationships create incentives between firms in the supply chain, such as the commissions and referral fees that providers pay advisers. They may help remunerate the costs of advice and facilitate competition but could, depending on their design, also create incentives for advisers that do not align with consumers' interests.

- 4.21** We also want to understand the role of sourcing systems. We're interested in how they affect advisers' recommendations and whether commercial relationships affect how products are filtered and ranked, and how information about them is displayed.
- 4.22** Consumers use other sources of information as well as advisers' recommendations. We will consider whether publicly available information, tools, and guidance could play a larger role. This may include tools supported by technology such as generative AI or, as suggested to us in response to DP25/2, expanding the free information provided by the Money and Pensions Service to include later life lending.

The 'one and done' factor

- 4.23** Consumers rarely exit lifetime or RIO mortgages apart from at a specified life event. This means the choices that consumers make when taking out these products are often 'one and done'. For most lifetime mortgages, that includes fixing an interest rate for the duration of the mortgage. These rates can be highly sensitive to market conditions.
- 4.24** Firms design these products to be held for the long term and, with complex balance-sheet considerations, may face real costs if consumers exit earlier than expected. However, this may affect whether consumers receive fair value. Consumers should not be prevented or unduly penalised for exiting if they need to – if their circumstances change or they realise they've made a decision that's not right for them. Moreover, there may be benefits to provider entry and growth if they can more easily win business by offering better value.
- 4.25** We want to explore potential drivers and effects of this 'one and done' factor. There may be a chance to realise more positive outcomes for consumers and the market. We'll consider what we could learn from equivalent international markets. In other jurisdictions, products akin to lifetime mortgages (often called 'reverse mortgages') can operate more like standard mortgages in that consumers can and do switch, either with their existing lender or to another provider, with both variable and fixed rates common.

Chapter 5

Next steps

The powers we will use

- 5.1** We will carry out this market study pursuant to our functions and objectives under the Financial Services and Markets Act 2000 (FSMA). Our strategic objective under FSMA is to ensure that relevant markets function well. It also gives us operational objectives of protecting consumers, promoting effective competition in the interests of consumers, and protecting and enhancing the integrity of the UK financial system, as well as a secondary objective of facilitating the growth of the UK economy in the medium to long term.

Possible outcomes of the market study

- 5.2** We are beginning the market study with an open mind. We may find that without any intervention the market can and, driven by effective competition, is likely to develop to meet anticipated demand in a way that fully supports consumers' decision-making and delivers positive outcomes.
- 5.3** Alternatively, we may find that change is needed – possibly significant reform. We would then consider how to help the market adapt and get the right long-term solutions in place, which may include working with government or other bodies. We would prioritise solutions that support competition and innovation, and enable consumers to easily access products and services which meet their needs and provide fair value.
- 5.4** Remedies could include: making, removing, or amending rules; publishing guidance; proposing greater industry self-regulation; supervisory action or engagement within the current rules framework; introducing firm-specific remedies or taking enforcement action under FSMA or the Competition Act 1998; making recommendations to government or another authority to take further action.
- 5.5** We would need to consider the potential benefits and costs to consumers and firms of amending our current regulatory framework, as well as any effects on medium- to long-term economic growth. We would consider potential remedies alongside any consultation proposals we publish in the course of the Mortgage Rule Review, following the roadmap we set out in FS25/6.

Related work

- 5.6** We are already progressing work to ensure the later life mortgages market can develop in the right way, as referenced in Chapter 4.
- We are reviewing our RIO affordability guidance and will consult on any proposed changes in H1 2026.
 - We are considering the future of holistic advice. We will run this policy development in close alignment with the market study.
- 5.7** This is part of our wider work on the Mortgage Rule Review.

Immediate next steps

- 5.8** We are launching this work now, so that we can provide certainty to industry on our findings as soon as possible. We aim to publish an update by the end of 2026.
- 5.9** We will now engage with firms, industry and consumer groups, and other stakeholders to gather their views on these Terms of Reference. We have already started discussions on how the market works now and on what data we may need. We aim to send firms Requests for Information in the coming weeks.
- 5.10** Although we are not formally consulting on these Terms of Reference, we welcome any views on them, in particular:
- Question 1: Scope.** For the scope as described in Chapter 3, are there any areas we should focus on? Are there any other products or activities we should consider within our scope? If so, why?
- Question 2: Focus areas.** For the areas listed in Chapter 4, are there any we should focus on in particular? Are there any other issues or themes we should consider? If so, why?
- 5.11** Please share your views in writing to LaterLifeMortgagesMarketStudy@fca.org.uk by 17 April 2026.

Annex 1

Abbreviations used in this paper

Abbreviation	Description
bn	Billion
DP	Discussion Paper
FS	Feedback Statement
FSMA	Financial Services and Markets Act 2000
MCOB	Mortgages and Home Finance: Conduct of Business sourcebook
m	Million
ONS	Office for National Statistics
PSD	Product Sales Data
RIO	Retirement interest only
tn	Trillion

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