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Your Legal Questions

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Q My wife and I are retired and own our own home. We don't have a mortgage but would like to release some of the capital. We have heard of Equity Release but how does this work?

A Equity is the value of your property less any mortgage. Where there is no mortgage equity release is available and the two ways you can release equity from your home are by a Lifetime Mortgage or a Home Reversion Plan.

With a Lifetime Mortgage you borrow a set amount against the value of your home in the form of a mortgage. This means that during your lifetime you will not have to make any repayments. The interest accrues and is repaid when the last survivor of you dies or moves into a nursing home. Any equity left over once this repayment is made will pass to your estate.

With a Home Reversion Plan you sell part or all of your property to an investment company in return for a lump sum of cash. However, you will no longer own your home as ownership passes to the investment company. But, you can then live in your home for the remainder of your lifetime either rent free or for a nominal rent. When the last survivor of you dies, if you have sold 100% of your home to the investment company your home will be sold and all proceeds of sale will go to the investment company. If you have sold less than 100% any equity left over once the repayment has been made will pass to your estate.

There are other ways that you can raise capital such as selling your home and buying a smaller one or selling other assets. However, if neither of these options is suitable then equity release may be right for you.

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