CONSUMER AFFAIRS

# New scandal over the sale of equity release plans

A family will lose 75 per cent of the value of their deceased aunt's property as a result of a home reversion policy

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October 4 2019, 5:00pm, The Times

Wendy Truman is executor of the estate of Mary Wingrove, right, who died two months ago

Grieving family members have accused an insurance giant of duping an elderly couple into handing over most of their home for a measly cash payment of £15,721 in a controversial home reversion plan.

Mary Wingrove, who died two months ago aged 92, four years after her husband, Geoffrey, were two of hundreds of victims who have been caught out by these schemes over the past 20 years, *Times* Money has learnt.

The Wingroves signed up for an Extra Income Plan with NPI in 2000, transferring the house into the name of the insurance company in return for two lump sums, a meagre monthly payment and the right to live there rent-free for the rest of their lives.

Within days of Mary's death Phoenix Life, which took over NPI customers in 2012, called the executor of her will, her nephew's wife, Wendy Truman, to request that the family clear her home within eight weeks or face being charged. They have spent the past four weekends emptying the house.

Under the terms of the plan, described by the government's Money Advice Service as a "high-risk product", Mary and Geoffrey accepted a cash payment of £8,721 and a £1 monthly income in 2000, then another £7,000, increasing the monthly payment to £2 in 2002, in exchange for 74.93 per cent of the value of their property.

Phoenix Life says that the Extra Income Plan enabled homeowners to use part of the value of their home to provide a monthly income.

"The income had the option of being converted into a cash lump sum. However, if a cash lump sum conversion was requested, policy holders had to keep a minimum £1 a month income in place," the company states.

According to the policy documents, the house in Sutton-in-Ashfield, Nottinghamshire, was valued at £52,000 in 2000 and £62,000 in 2002, which means that the Wingroves's cash payments represented about a quarter of its value.

Home reversion policies are little-known offshoots of the equity-release market, where homeowners sell a stake in their home in return for cash. They were popular in the early 2000s, making up 16 per cent of the equity- release market and customers were typically offered between 20 and 60 per cent of their property's value.

However, they have gradually been withdrawn by insurance companies amid concerns that people did not understand them and now make up 1 per cent of the market, with fewer than 100 taken out each year. Rates on the few existing policies are similar to those offered to the Wingroves. One company, for example, will pay 37 per cent of a home's value in cash.

In a letter outlining the terms of the Wingroves' policy, NPI team leader Paul Bryant wrote: "You will recall from our meeting that you wished to use the equity built up within your home as a security to generate a cash lump sum, so you would be able to take a cruise and effect some improvements."

The Wingroves' policy stipulates that, on the death of the last survivor, "your house will be sold and the proceeds of the sale will be divided between an independent trust company (set up by NPI) and the estate" — at a ratio of 74.93 per cent and 25.07 per cent.

Mary and Geoffrey's family say they do not believe the couple were offered any legal advice by NPI, or informed that they needed to take such advice, as is required under Equity Release Council rules. This, they say, means the policy was missold.

Mark Truman, Wendy's son, says it has all been extremely worrying. "They were both elderly at the time, aged 73 and 76, and they didn't tell us. I'm sure they weren't aware of how poor the policy was and I'm certain they didn't take any advice.

"They've done no home renovations. The furniture is still from the 1970s. The oven is nearly 30 years old. And they never went on a cruise. Something really strange is going on," he says. "It has caused huge stress for our family: for the last four weeks we have been going to and from the house, trying to empty it out. If we do not clear up, Phoenix Life says it will charge us."

Insurance experts say that such a deal would only be considered good value at a time when property prices were plummeting. However, after Mary and Geoffrey signed up to their policy in 2002, property prices soared and their home now is worth about £150,000.

James Daley of Fairer Finance, a campaign group, says that many older people took out such policies, but didn't tell their family because they were too embarrassed to ask for money. This means that hundreds of descendants face some unexpected news when their loved ones die. He says that he does not, however, see "any obvious case of mis-selling here".

"The paperwork is pretty clear and chances are they knew what they were doing," he says. "I would, however, like to see such companies giving families at least six months to get things together before any house sales."

Phoenix Life claims that an early review of the paperwork suggests that the Wingroves did take legal advice, but pledges to undertake a "thorough investigation of the sale of the product and the advice given to the late policyholders". "Any investigation of this nature is completed independently of the sale of the property. However, we can put the process of selling the property on hold until the investigation has been completed," a spokeswoman says.

"Policyholders were compelled to obtain independent legal advice before agreeing to the policy. Without written confirmation from the solicitor acting for the policyholders that they had been made aware of the implications of the plan on them and their estates, the plan would not have been put into force. We hold such a letter from the solicitor to confirm that Mr and Mrs Wingrove were made aware at the time of the initial sale."

She adds that the company was happy to agree more time for the family to clear out the house. "We are very aware that this can be a very difficult and emotive time for the families of our policyholders and handle this in the most sensitive way we can."

David Burrowes, the chairman of the Equity Release Council, says that its products are "among the most highly regulated financial services products in the UK, underpinned by robust industry standards since 1991 to create a safe and reliable market for consumers".