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Later life lending: Meeting the evolving needs of an ageing borrower base

07 August 2025 Kay Chand and Abigail Stokes

As the UK population ages, the financial services industry is being challenged to rethink how it supports older borrowers.

With the average age of first-time buyers now 32 and rising, and one in three mortgages lasting up to 40 years, it is no surprise that two-thirds of mortgage terms now extend into retirement. Yet, despite this shift, the industry still lacks a unified understanding of later life lending and how best to support the next generation of retirees.

A changing borrower profile

Traditionally, later life lending was associated with equity release products aimed at asset-rich, cash-poor retirees who wanted a more comfortable lifestyle during retirement. But this view is becoming increasingly outdated.

Today's borrowers are more diverse in age and motivation. The Equity Release Council's 2025 report found that the majority of later life lending now occurs among those aged 55 to 65 and the average age of new equity release customers has dropped into the mid-60s, reflecting a shift from the traditional borrower profile in their 70s. Individuals are turning to these products earlier to unlock wealth for practical financial needs such as paying of existing mortgage or debts, supporting children or grandchildren financially and managing rising living costs.

There is a growing trend of older homeowners borrowing larger sums to fund home improvements, either to adapt their properties for aging or to enhance their value for future inheritance planning. Research from Age UK highlights that many in this demographic are hesitant to downsize, despite the practical benefits, due to strong emotional attachments to their homes and a limited supply of suitable alternative housing options.

From niche to mainstream

Later life lending is no longer a specialist corner of the market, it is becoming mainstream. Interest-serviced mortgages are growing in popularity, with over 70% of borrowers choosing to service 100% of the debt. Retirement Interest-Only mortgages (RIOs), while still a smaller segment, are expected to grow.

The Financial Conduct Authority (FCA) note that some mortgage rules may be over-interpreted and act as regulatory barriers, unintentionally limiting access to RIOs. To ensure the rules do not stifle innovation or restrict access unnecessarily, the FCA are exploring ways to simplify these rules to better support flexible, responsible lending as RIOs become more popular.

Industry readiness

Despite progress, many advisers remain cautious. Compliance requirements differ across product types and there's a lingering fear of recommending the wrong solution. Mortgage lenders have expressed concerns about the levels of knowledge and understanding among mortgage advisers in the later life lending market.

Education is key, not just for advisers but for consumers too. It is a common theme amongst the older generation that they lack awareness and understanding of the financial options available to them, and although the next generation of retirees may be more comfortable with debt, they will still need clear, accessible advice.

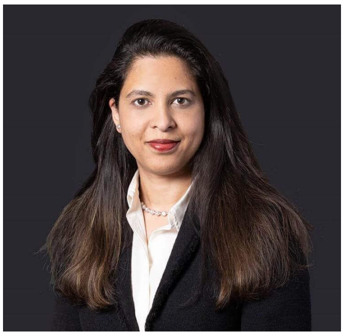
With the Consumer Duty now fully in force, mortgage lenders and brokers will also be required to keep a keen eye on change in customer circumstances over longer mortgage terms. The FCA is clear that vulnerable customers should experience outcomes which are no different to those received by any other customer of a firm. However there remains uncertainty about sharing information on customers assessed to be vulnerable.

Looking ahead

The UK Government's Mansion House 2025 strategy reinforces the need for a financial system that supports people through all life stages. The Chancellor highlighted the Financial Policy Committee's recommendation to amend implementation of the loan to income (LTI) flow limit to allow individual lenders to increase their share or lending at higher LTIs (while aiming to ensure the aggregate flow remained consistent with the 15% limit). However, there is a clear need for clarity, suitability, and robust advice frameworks on later life lending which could be developed through regulatory reform, digital innovation, and a more holistic approach to financial wellbeing.

Later life lending is no longer just about surviving retirement, it is about thriving in it. Whether it is enabling home improvements, supporting family, or simply offering peace of mind, the right lending solutions can empower the older generation to live on their own terms and empower the younger generation to get onto the housing ladder for their future home security.

Contact



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