Help the aged: A lesson for mortgage lenders

Experts at *Credit Strategy's* inaugural Mortgage Conference last month explained that customers are borrowing later in life and for longer. Brokers and lenders believe products for an ageing population need updating, writes AMBER-AINSLEY PRITCHARD

The ageing population was considered a key topic for further discussions at *Credit Strategy's* inaugural Mortgage Conference, sponsored by MortgageGym, held in London on November 30.

The conference brought together both the senior professionals in charge of credit risk, whose influence on origination and product design has risen exponentially in recent years, and those in charge of sales and distribution.

In an opening presentation Paul Broadhead, director of mortgage policy at the Building Societies Association, said further conversations are needed around how the ageing population is served in the market and what this means for sales, distribution, and conduct among lenders.

Addressing delegates with a market overview, Broadhead said research from 2016 found that if current trends continue as they are, mortgage debt for those over the age of 65 is set to double by 2030.

He explained how consumers' credit files reflect the way borrowing is changing by demographic: First time borrowers are buying later in life and for longer; older adults are becoming more active and borrowing later in life.

Broadhead stressed that the household income squeeze is continuing, consumer prices are ahead of earnings growth and debt-ridden households could be the ones borrowing more as they start to get hit by higher borrowing costs.

Sleepless nights

During an overview of the broker market at the conference featuring an expert panel, Jeremy Duncombe, director of Legal & General Mortgage Club, expressed concerns over complacency.

He said: "The market has been in a great place lately - the mortgage market review has driven intermediaries to work more efficiently. However, brokers are sitting there thinking they dominate the market and will always have the majority share of business."

David Hollingworth, associate director of London & Country, said the lack of affordable housing and pressure on first-time buyers is an issue that will remain front and centre throughout 2018.

While the uncertainty around Brexit remained a nightmare for Peter Izard, business development manager at Investec, he exclaimed: "Let's just get a deal and move on."

The panel also discussed how mortgage clubs and networks are outdated and need to reinvent themselves. Duncombe said that over the past few years, Legal & General has been trying to add value to the market by working with new lenders to help them get to market quicker, as well as help existing lenders move forward and test new products.

From a lender's perspective, Izard said: "I think these clubs have got to reinvent themselves in terms of education – complacency is the source of all evil."

As for what could be the next PPI scandal, it was discussed whether product retention could take its place.

Hollingworth was unconvinced that it was another scandal in the making, adding that 'mortgage prisoners' might see product retention as being able to have a more variable rate.

Izard added: "It's absolutely essential that if the intermediary has given a client advice they should keep in touch with them until they have made a decision. I've always thought the issue around valuations, and lenders not encouraging clients to get a more detailed property valuation, is a potential issue. Mortgage valuations aren't worth the paper they are written on."

On a more positive note, the panel was optimistic about how Open Banking could improve processes across the board.

Hollingworth hopes intermediaries will be taught properly about Open Banking and how to use it across different platforms, a development he said will shorten the paper chase of documentation, improving the customer journey.

Duncombe agreed and said it will be important to ensure the right data is available, and available in different formats for what the lender would prefer.


David Hollingworth, associate director of London & Country


Jeremy Duncombe, director of Legal & General Mortgage Club


Peter Izard, business development manager at Investec

Izard said: "Technology is continuing to evolve and Open Banking is a great foresight into what's to come, but I think it's still a long way off. However, Open Banking will revolutionise the market especially if it can help speed up the process of providing advice – because that will still be a must."

Help or hinder

Robo advice was another key topic at the conference, but as the movement has created more choice and cheaper fees for borrowers, Duncombe said this has to be a good thing for customers, lenders and intermediaries. He emphasised that "customers want to deal with brokers who use technology."

Izard said: "Technology has revolutionised the world, however it could be both helping and hindering us. Mortgages are the most complex transaction you could imagine. For people that like technology, robo advice might be right for them, but for the most part the transactions are too complicated and people want human interaction. However, robo advice is obviously here to stay – so we have got to embrace it."

As for aspects in the market which could be heavily impacted by technology, Andrew Montlake, founding director of Coreco, said automated processes would help customers do what they want, when they want it.

He said: "The likes of webchat will immediately change the mortgage process – there is currently too much paper involved. Once lenders open up their APIs and information can be updated, lenders will be able to speed up the process – as much as 10 times as much – which will be beneficial for everyone."

Bringing new directives into the discussion, Ray Boulger, senior technical manager at mortgage broker John Charcol, said: "Open Banking will help with verification around income. We need to look more closely at how we verify identity to cut down the process and help reduce fraud levels."

The panel was then asked if more specialist lenders and challenger banks are needed. The overarching theme of the panel's response was that the market should introduce more players to add to consumer choice and increase competition. They also spoke about the need for niche lenders focussing on those aged over 65 to be introduced.

Boulger also spoke on a later panel about the ways in which brokers can adapt to change within the market. He emphasised that other than changing technology and regulation, there needs to be a bigger focus on working with older customers.

He argued that brokers need to think about how they can help older borrowers, and rather than take everything on a risk-based approach, factor in customer circumstances.

Montlake agreed and said there is a massive opportunity in this space, as people are living and working longer.

Later in the day it was posed to the audience whether guarantor mortgages could soon be used less traditionally as they are now – for older generations to help younger generations buy.

Cammy Amaira, head of intermediary sales at the Family Building Society, said: "We see kids wanting to help their parents buy more and more often – we call these reversal guarantors." CS