



Guernsey Financial
Services Commission

Feedback Paper

Equity Release

**Feedback paper: consultation on amendments to the Lending, Credit & Finance
Rules and Guidance**



Purpose

This paper provides feedback on the responses received to the Commission’s Equity Release Consultation Paper (“CP”) on proposed amendments to the Lending, Credit and Finance Rules and Guidance, which was issued in December 2024. It sets out a brief summary of the responses and the changes the Commission has made to the rules and guidance following the consultation.

Who might benefit from reading this paper?

This paper may be of interest to existing home finance providers, lenders and brokers, as well as anyone offering, or seeking to offer, later life lending arrangements in the Bailiwick of Guernsey. It may also be of interest to financial advisers, ancillary service providers and to anyone considering taking out equity release finance in connection with their property.

Table of Contents

Contents

Purpose	ii
Who might benefit from reading this paper?	ii
Table of Contents	iii
1. Background	5
1.1 Equity release	5
1.2 The equity release consultation	5
1.3 Stakeholder engagement	6
2. Summary and High-Level Analysis of Feedback	6
2.1 Responses.....	6
3. Responses to Consultation Questions	8
3.1 Q1: Is the approach with respect to mirroring the UK regulatory regime appropriate?	8
3.2 Q2: Is the level of consumer protection appropriate?	8
3.3 Q3: Are the requirements for the information to be given to customers appropriate?	9
3.4 Q4: Is it reasonable to require all equity release agreements to be advised by a locally licensed equity release adviser?.....	10
3.5 Q5: Is it reasonable to require that the provision of all equity release products should be advised?	10
3.6 Q6: Are the Rules in respect of equity release appropriate?	12
3.7 Q7: Are the requirements placed on advisers reasonable?	14
3.8 Q8: Is the Code of Practice for equity release appropriate?	14
3.9 Q9: Is it appropriate to allow one-off transactions by individuals via applications for limited permissions and the application of conditions?.....	15
4. Other Feedback	17
4.1 Licensing arrangements	17
4.2 Family-financed ER arrangements.....	17
4.3 Vulnerable customers.....	17
4.4 Capacity assessments	18
4.5 Commissions and fees.....	19
4.6 Professional indemnity (“PI”) insurance for advisers.....	19
4.7 Potential barriers to the market	19
5. Changes to LCF Rules and Guidance, and laws	21
5.1 Changes to LCF Rules and Guidance	21
5.2 Changes to LCF Law	21
5.3 Changes to customary law	21

6. Licensing and Fees23

6.1 Licensing.....23

6.2 Applications23

6.3 Equivalence.....24

6.4 Indicative Licence Fees & Application Fees24

7. Next Steps.....26

8. Appendix 1: Lending, Credit and Finance Rules and Guidance, 2023, as amended..27

1. Background

1.1 Equity release

Equity release (“ER”) is a method by which older homeowners can release some of the value tied up in their home without having to move house. It offers customers the ability to withdraw either a lump sum, drawdown or an income, using the value of their Bailiwick residential property. There are two types of ER product:

- **Lifetime mortgage** (also known as “reverse mortgage”): The provider issues a loan that is secured against the value of the customer’s property. Traditionally, interest “rolls up” on a compounding basis and becomes payable along with capital repayment when the borrower dies or moves into long-term care. The customer retains full ownership of their home.
- **Home reversion**: The customer sells all or part of the equity in their home in return for lifetime enjoyment of the property. The agreement terminates when the customer dies or moves into long-term care.

Home finance and consumer credit products are regulated under Part II of *The Lending, Credit and Finance (Bailiwick of Guernsey) Law, 2022* (the “LCF Law”). The LCF Law did not initially include specific requirements relating to the provision of equity release (and services ancillary to the provision of equity release). Provision was made, however, to update the LCF Law and the Commission’s framework to accommodate equity release products. Following the consultation, appropriate changes have been made as set out in this feedback paper.

The LCF Law will be amended to introduce specific reference to equity release, which will encompass both lifetime mortgages and home reversion.

A number of elements on which the Commission consulted will now be incorporated in the changes to the LCF Law. These changes, to incorporate definitions of various terms¹, will be made by regulation of the P&R Committee.

1.2 The equity release consultation

On 18th December 2024, we published a consultation paper² that set out proposals to extend the remit of the existing Lending, Credit and Finance (“LCF”) regime to encompass the regulation of equity release products within the Bailiwick of Guernsey.

The CP outlined our proposed amendments to *The Lending, Credit and Finance Rules and Guidance, 2023* (the “LCF Rules” or the “Rules”), and was accompanied by a red-lined

¹ Specifically, this will move definitions of equity release, lifetime mortgages, home reversion and retirement interest-only (“RIO”) mortgages into the LCF Law. The latter (RIO mortgages) are included for consistency with the UK. These products are similar to, but distinct from, some equity release products. They are not considered to be equity release.

² [Equity Release Consultation Paper on proposed amendments to the Lending Credit and Finance Rules and Guidance.pdf](#)

copy of the draft changes³. In the CP, the Commission raised nine specific questions to stakeholders requesting their opinions on different aspects of the proposed approach.

We welcomed feedback over a ten-week consultation period, which closed on 28th February 2025. We invited stakeholders to answer the questions raised by submitting responses via our Consultation Hub, or, if preferred, by providing a separate, written response.

The Commission is grateful to all stakeholders who engaged with us during this process.

We have considered all nineteen responses received, as well as feedback from our engagement with stakeholders throughout the consultation process.

This feedback paper summarises our findings. It outlines the changes to the proposals initially set out in the CP, which are modest. A revised copy of the Rules, with changes clearly marked, is available at Appendix 1.

1.3 Stakeholder engagement

To ensure that a wide range of views were heard and considered, we carried out stakeholder engagement during the consultation period. This engagement complemented the meetings conducted before the publication of the CP and the consultation responses.

During the consultation period, we held 22 stakeholder meetings. These included discussions with locally based home finance providers, financial advice firms and charities; UK based equity release providers and advisers; and other relevant bodies and organisations.

2. Summary and High-Level Analysis of Feedback

2.1 Responses

Nineteen respondents submitted feedback to the consultation. Although we received comments from a wide range of Guernsey and UK respondents, including banks, equity release providers, law firms and industry groups, the majority of responses were from local and UK based financial advice firms and local credit providers.

Overall, feedback supported the proposed regime, with respondents agreeing that specific consumer protections are fundamental for the regulation of a Guernsey equity release market. Stakeholders were also generally pleased that our requirements are consistent with those set out within the UK.

Respondents raised a number of queries regarding specific aspects of the regime, which we have addressed within this Feedback Paper. Some of the main topics and issues that emerged during this consultation were:

³ [LCF Rules & Guidance](#)

- Adviser qualifications
- Advisers' knowledge and understanding of the Bailiwick market
- Independent legal advice
- Customer circumstances and vulnerability
- Informing family members
- Customary Law

Stakeholders also provided constructive feedback as to how the regime could be improved in certain areas; we have taken these comments into consideration and amended the Rules where appropriate.

3. Responses to Consultation Questions

3.1 Q1: Is the approach with respect to mirroring the UK regulatory regime appropriate?

If not, what would be a more appropriate approach?

As explained in the CP, the regulatory regime for ER follows the established regime in the UK, set by the Financial Conduct Authority's ("FCA") rules and the Equity Release Council's ("ERC") member standards. We consider that mirroring the UK's approach so far as possible will enable UK ER providers to enter the Bailiwick market with as little friction as possible. This is particularly important for a small market like Guernsey where the number of local providers is limited. We do not intend to adopt the UK Consumer Duty requirements, but there is an obligation under Schedule 6 (Equity Release Code of Practice) for firms to treat customers fairly.

The consultation responses strongly supported this approach, with most respondents agreeing that following the UK regime was a practical, logical and appropriate approach.

In its response, one UK provider said that for it to consider operating in the Bailiwick, it would like to see Guernsey adopt the wider UK regulatory regime in its entirety, including regulation relating to responsible lending, consumer duty and overall MCOB processes and standards; the firm considered that this would encourage ease of trade. Conversely, one respondent considered it appropriate to mirror the UK, but with specific adjustments to reflect the small size of the Bailiwick market. Another response suggested that extra care is required in a small community, to protect the Bailiwick's reputation as a centre of financial excellence.

We have adopted the proposal to mirror the UK regulatory regime as far as possible, as set out in the consultation paper. There are minor adjustments, to ensure it is appropriate for the Bailiwick while remaining consistent with the UK. For the avoidance of doubt, we will not be adopting the wider UK regulatory regime (including the Consumer Duty) in the Bailiwick, as we do not consider that would be necessary or proportionate.

3.2 Q2: Is the level of consumer protection appropriate?

If not, what alternative requirements should be considered?

A key consideration of the regime is to ensure an appropriate level of consumer protection. We have implemented this via appendices to the LCF Rules detailing an Equity Release Code of Practice and requirements around key-facts illustrations for equity release, as well as two new sections (Part 7A and 8A) to the LCF Rules.

Respondents strongly supported this proposal, with several commenting that the ERC's product standards provide useful additional protections for consumers when applied alongside the UK FCA's formal regulatory regime.

Many respondents gave support for specific aspects of the regime that they considered to be essential in providing effective consumer protections. Several respondents detailed areas they would like to see considered further. These are addressed below.

Some stakeholders asked whether ERC membership was required to operate within the Bailiwick market. There is no specific requirement for firms to be ERC members, but they will be required to meet the relevant ERC standards, which are incorporated into the amended LCF Rules at Schedule 6 (Equity Release Code of Practice).

One respondent asked whether we would require special provisions for customers with Power of Attorney arrangements in place. We don't propose specific additional requirements. The existing provisions of the *Capacity (Bailiwick of Guernsey) Law, 2020* (the "Capacity Law") provide appropriate safeguards for customers who have a valid registration for lasting power of attorney. A person who holds power of attorney must have a valid registration that allows them power over property and financial decision-making, and if the Attorney is seeking to dispose (including selling or otherwise conveying or creating a charge over a property) of a person's real property they must seek the Royal Court's permission.

We note the message received from respondents that they agree that strong consumer protections are essential for an ER market to be successfully established.

The Commission adopts this proposal as set out in the consultation paper.

3.3 Q3: Are the requirements for the information to be given to customers appropriate?

If not, what alternative requirements should be considered?

As explained in the CP, customers must be given clear and complete information that explains the ER product in fair and simple terms.

Respondents strongly supported the proposals in the CP. A small number of respondents suggested areas they would like to see modified. These included two respondents suggesting that a representative from the customer's family should be included in the discussion, with one of the respondents advocating that this family representative should be a co-signatory to the agreement. One respondent suggested that complex scenarios such as the effects of interest roll-up, the benefits of ringfencing equity, and how partial home reversions affect inheritance, might be best illustrated to the customer through simplified case studies.

While we agree that it is desirable for customers to keep family members informed the Commission does not intend to make such involvement mandatory. Advisers must facilitate the opportunity for an ER customer to involve their family, but ultimately it is the customer's decision as to whether or not to involve family members and to what extent.

Following feedback the Commission has made some changes to the requirements for key-facts illustrations in the LCF Rules, to align more closely with UK requirements.

3.4 Q4: Is it reasonable to require all equity release agreements to be advised by a locally licensed equity release adviser?

If not, what alternative approach should be used?

In the CP, the Commission proposed that advice on ER agreements should be provided by suitably qualified advisers licensed in the Bailiwick.

This position was strongly supported by respondents. A majority agreed that advisers offering an informed and holistic service to Bailiwick customers would need to understand the notable differences between the UK and Guernsey in terms of legislative and market specifics.

One respondent commented that local advisers might inspire greater consumer confidence in the ER market. Another respondent went further, expressing their view that local advisers would be a pre-requisite to the success of the market.

A handful of respondents did not agree that this proposal is reasonable. Two respondents believed that this requirement could reduce competition and therefore increase the risk that customers might receive low-quality advice which in turn could lead to a negative outcome for the customer. One respondent considered that requiring the use of a local adviser could make the advice process cumbersome if there is low availability of suitably qualified advisers locally. One respondent suggested that customers ought to have the freedom to decide whether they use a local adviser or not.

We note respondents' concerns on customers being unable to secure local advice. There is a material risk to local customers if they were to receive advice from a UK based adviser without a full understanding of Guernsey property laws and the significant differences from the UK. The corollary is that local customers may not be so able to readily access good quality specialist advice from suitably qualified local advisers and may struggle to access ER product when required. On balance we have taken the view that we will keep the proposal as drafted.

3.5 Q5: Is it reasonable to require that the provision of all equity release products should be advised?

If not, what alternative approach should be used?

In the CP, we proposed that all equity release agreements should be properly advised by suitably qualified advisers. The Commission's Approved Qualification tables follow requirements imposed by the FCA for the equivalent mortgage and equity release activities⁴. This gives consistency with the approach in the UK but would give consideration to a local qualification if an appropriate one existed.

Respondents gave this position unanimous support.

A handful of responses requested clarity about whether there would be a specific requirement for colleagues reviewing advice ("four eyes review") to hold approved ER

⁴ See the [FCA's Appropriate Qualification tables](#).

qualifications, noting that if such an obligation was imposed there would be too few qualified advisers to support the market in the Bailiwick.

One respondent recommended that the Chartered Banker Institute's ("CBI") Associate of the Chartered Institute of Bankers ("ACIB") designation be added to the list of Approved Home Finance Qualifications.

One local adviser suggested that ER advisers should be required to hold a qualification in long-term insurance in order to provide a more holistic approach to advising customers.

Two respondents expressed the view that advisers should be suitably qualified to advise on both lifetime mortgage and home reversion products, so that they can offer whole-of-market advice.

Four-eyes review

For the avoidance of doubt, while the Commission considers it best practice for a qualified colleague to undertake four-eyes review of advice, there is no requirement to do this for equity release. Our position remains unchanged in this regard.

Specific qualifications

The Commission's approach is to mirror the FCA's approved qualifications. The ACIB designation is not included within the FCA's Appropriate Qualification tables. Although the CBI flagship programme (the Chartered Banker Diploma⁵) covers a range of banking topics, the syllabus does not include specific mortgage or equity release topics. Therefore, we are not adding the ACIB designation to either of our Approved Qualifications tables.

While there may be benefits to holding relevant insurance qualifications as well as those for ER, the Commission is not imposing this requirement on ER advisers at this time.

The Commission recognises that there may be benefits in providing additional advice to ER customers and adopting a comprehensive approach to later-life financial advice including pensions, investments and insurance. We do not mandate such an approach at this time, as it would go some way beyond rules currently in place in the UK, but we would encourage firms to adopt good practice and to give proper consideration to the entirety of any customer's financial situation. This will be reviewed in line with any changes to the broader approach in the UK.

Advising on both lifetime mortgage and home reversion products

The Commission considers that advisers should be suitably qualified to advise on both lifetime mortgage and home reversion products, in order that they can identify the most suitable product type for every equity release customer. Accordingly, the relevant permissions for equity release advisers will encompass both product types.

Noting this approach, we reviewed our list of Approved Equity Release Qualifications.

⁵ [CBI | Associate Chartered Banker Diploma](#)

The Commission is satisfied that, at present, all qualifications listed cover both home reversion and lifetime mortgage extensively. However, the Commission acknowledges that a qualification's syllabus may have changed over time. To ensure that advisers offer advice only on product types for which they are suitably qualified, a new rule (Part 2, rule 2.14.3) has been added to the LCF Rules. This clarifies that a qualification is not an Approved Equity Release Qualification if, at the time it was obtained, its syllabus did not comprehensively cover **both** lifetime mortgage and home reversion products.

This rule addresses the issue that, in some cases, older qualifications may not have covered both lifetime mortgage and home reversion plans.

Further guidance has been added which sets out transitional arrangements that the Commission would be willing to consider for advisers who hold an historic equity release qualification that would not meet the definition of an Approved Equity Release Qualification. The Commission expects that all advisers should have filled any knowledge gaps by 1 January 2028.

Transitional arrangements will be considered on a case-by-case basis, and upon licensee request, during the licence application process.

3.6 Q6: Are the Rules in respect of equity release appropriate?

If not, please detail any specific amendments you would recommend to the proposed rules.

Are there any additional considerations that should be made?

There was strong support for these rules, with respondents recognising their role in building robust consumer protections.

Respondents made a series of constructive suggestions.

Independent legal advice

One respondent asked whether an independent legal adviser should give the customer an opinion on whether the product is suitable for them, or if this went beyond the scope of the advice.

The independent legal adviser's role is to act in their customer's best interests, support them in understanding whether equity release is appropriate for their circumstances and to advocate for their client in cases of vulnerability and to safeguard against coercion. The independent legal adviser should ensure that the customer has fully understood the risks, implications and terms and conditions specific to the recommended equity release product. We have added guidance to the Rules at 7.18 to clarify the role of the independent legal adviser.

There was also a suggestion from one respondent that independent legal advice should only be required for home reversion plans. In the Commission's view, independent legal advice should be available and is strongly recommended for both lifetime mortgages and home reversion products. However, we note that there may be limited availability in the market to offer face-to-face, specialist, equity release legal advice available in the Bailiwick.

After carefully taking into account the responses received, the Commission considers that it is reasonable to relax the obligation for customers to obtain independent legal advice when taking out lifetime mortgage products but not for home reversion. This is because home reversion involves the sale (or partial sale) of a customer's home. In the case of lifetime mortgages, equity release advisers will instead be required to *recommend* that a customer seeks independent legal advice when taking out a lifetime mortgage. For the avoidance of doubt, independent legal advice will remain mandatory for all home reversion transactions.

The new approach to independent legal advice is broadly in line with the approach in the UK set out in the UK's FCA Handbook. The Rules have been amended to reflect these changes.

Clarify material difference between home reversion and lifetime mortgages

One respondent requested we add clarification to the Rules that to specify which apply to home reversion, lifetime mortgages, or both. We have checked the drafting on this point and have made minor amendments where necessary.

Income generation from equity release agreements

One respondent suggested that customers should receive cash flow illustrations when releasing equity to generate an income. These would help customers to assess how sustainable the projected income would be. We agree that this would be helpful (for example, in instances where income-generating equity release products are recommended). However, this is not a requirement set out by the FCA or ERC. We have not introduced any such requirements to the equity release framework.

Where a customer releases equity, and is likely to use the released cash to separately obtain an income-generating product, the latter activity would fall into scope of other supervisory laws, such as The Protection of Investors (Bailiwick of Guernsey) Law, 2020, The Insurance Business (Bailiwick of Guernsey) Law, 2002 or The Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002. For example, if a customer took out a lump sum equity release product and used the released cash to purchase a single-premium annuity, the purchase of the annuity would fall into scope of long-term insurance supervision and would be subject to any illustration requirements applicable to that regime.

Customer declaration

One respondent suggested that customers should be required to declare that they have provided the ER adviser with a full and accurate picture of their financial position, to minimise the risk (to both parties) of the customer receiving unsuitable advice. The Commission notes that the provision of full and accurate information may affect the quality of advice provided. However, we consider that it is an adviser's responsibility to satisfy themselves that any information they rely upon for the provision of advice is accurate. The means for determining the accuracy of this information should be appropriate to the nature, scale and complexity of the business conducted and to the type of information obtained.

We consider that the guidance drafted under Rule 8.4 reflects this, so no changes to the Rules have been made in this regard.

3.7 Q7: Are the requirements placed on advisers reasonable?

If not, what alternative approach should be used?

Within the CP, we proposed rules for equity release advisers. These include the consideration of various factors when assessing whether an ER product, in general, is suitable for a customer, as well as the following requirements:

- For lifetime mortgages specifically, advisers must consider whether it is appropriate for the customer to pay any fees and charges upfront.
- ER advisers must provide customers with an accurate Key Facts Illustration containing all the specified information in Schedule 5 to the Rules.

Respondents strongly supported these requirements. Several respondents emphasised the importance of advisers providing holistic advice, to explore all avenues for a customer. This approach helps customers to achieve their desired outcomes, rather than limiting the discussion to pursuing only an ER product. Respondents also gave some suggestions that:

- Advisers must give customers sufficient time to digest and reflect on the large volume of information relating to the ER product.
- Advisers should have dual competency so that they can advise on both lifetime mortgages and home reversion plans.
- Advisers should undertake relevant continuing professional development.

We agree that these approaches are sensible and have added a new rule (2.14.3) and guidance where appropriate.

3.8 Q8: Is the Code of Practice for equity release appropriate?

If not, what would be a more appropriate approach?

The new regime on ER includes an Equity Release Code of Practice (set out in Schedule 6 to the LCF Rules) which all ER licensees will be required to follow. It is based on the UK ERC's Standards. It is split into three broad sections: overarching principles, outcomes, and requirements for advisers and providers.

There was strong support for the Code of Practice. Respondents commented that it was clear, appropriate, fit for purpose, and provided a path for setting standards in the ER market. There were no objections to it, but some respondents raised useful additional considerations.

Payments to valuer

A respondent suggested amending the Code of Practice to prohibit an adviser, provider, or legal adviser making a payment to the independent RICS valuer. This would further protect customers by preventing a potential conflict of interest. However, the Commission notes that various obligations are already set out within the LCF Rules regarding the identification and management of conflicts of interest and such an obligation would go beyond requirements set out by the FCA and ERC.

RICS property valuation

One respondent noted that, in the current Bailiwick market, RICS surveyors are mainly sole practitioners. The original requirement set out under Rule 2.7.1 (b), requiring that an approved valuer must work in a practice with at least two fully qualified RICS members, is impractical for the Guernsey market. This requirement has therefore been removed from the Rules.

3.9 Q9: Is it appropriate to allow one-off transactions by individuals via applications for limited permissions and the application of conditions?

If not, what would be a more appropriate approach, and how should appropriate consumer protection be provided?

The purpose of this question was to seek views on whether individuals should be permitted to provide ER in private one-off transactions with an unrelated customer without requiring a licence.

For the avoidance of doubt, ER transactions with family members (as detailed in Section 4.2 below) do not require a licence.

Historically, a small number of one-off arrangements have been made between unrelated private individuals. In the CP the Commission proposed that this should be permitted provided no more than one agreement was entered into by any individual, with limited permission granted on a case-by-case basis on application.

A couple of respondents queried whether individuals offering one-off transactions would be exempted from the customer advice requirements. Other respondents asked whether it meant private one-off transactions would be out of scope of the LCF Law.

For clarification, in all cases, advice must be provided by a locally licensed adviser. Overall, the respondents who understood the question and agreed with the position outnumbered those who disagreed.

We will adopt the position as proposed to ensure customers are protected in a consistent way, and to avoid a two-tier market. Individuals may make such one-off arrangements but would need to apply for limited permissions for that specific ER arrangement. Applications will be considered on a case-by-case basis. In any case, the individual provider will be required to follow the Rules and Guidance to ensure the customer is appropriately safeguarded. We expect that compliance with the Rules and Guidance should be reasonably achievable for individuals providing equity release finance under limited permissions, and that these should not be unduly burdensome.

We encourage any individuals who may be considering such arrangements to review the Rules and Guidance at an early stage to ensure they understand their obligations and the exemption process.

4. Other Feedback

As well as responding to the specific questions set out in our CP, stakeholders raised a number of other issues and concerns for our consideration. The most significant of these are addressed in this section.

4.1 Licensing arrangements

One ER provider queried how equity release licences would be structured. The arrangements are set out in Section 6 (Licensing and Fees) of this paper.

4.2 Family-financed ER arrangements

Several responses raised a concern that equity release arrangements between family members would be caught within the scope of the LCF Law and require licensing. For the avoidance of doubt, the Commission will not regulate equity release arrangements made between family members, as the Notice of s40 Notice (which disapplies the licensing requirement for classes of business)⁶ (the “Notice”) already disapplies the Part II licensing requirements where persons extend credit to family members.

Nonetheless, for clarity, we will amend the Notice to clearly specify that this exemption would encompass equity release transactions and the licensing requirement would be disapplied for family arrangements.

4.3 Vulnerable customers

During initial consultation, some stakeholders identified that customers for equity release were more likely to be vulnerable than would be the case for ordinary home finance products. Some stakeholders proposed during early engagement that all ER customers should be automatically designated as vulnerable customers. This suggestion was further raised during the consultation period.

We recognise there is a greater likelihood that ER customers may experience circumstances in which they are vulnerable during the lifetime of the product. This is because of the age of customers when they take out equity release, and its nature as a long-term product that is intended to last until a customer’s death or move into long-term care. Some ER customers may take out an equity release product to consolidate debts, or because they are already experiencing financial distress or difficulty. In the UK, this is one of the primary reasons to release equity.

The Commission expects that all firms providing equity release products or services should recognise these risks. This is a fundamental obligation to ensure that any products, services, policies and procedures are appropriately tailored to mitigate the risks associated with the relevant target market.

⁶ [Notice with respect to the disapplication of the requirement to hold a licence under section 40 of the LCF Law](#)

However, as noted within the CP, we do not consider it appropriate for all equity release customers to be automatically designated as vulnerable customers. This is because:

- Doing so disregards the fact that every customer’s circumstances are different; many equity release customers do not, and may not ever, experience vulnerable circumstances. By evaluating each customer’s specific needs, firms can hopefully provide an appropriate service.
- Automatically assuming that all customers are vulnerable increases the likelihood that firms take a blanket approach to vulnerability for all customers, rather than give consideration of any particular vulnerable characteristics impacting each person.
- Such an approach would be inconsistent with the FCA⁷ and the ERC⁸ approaches.

The Commission expects that firms should remain vigilant to identifying vulnerability and should offer their customers a level of care that aligns with each person’s specific circumstances. The appropriate level of care for each customer will vary depending upon the nature and severity of any vulnerable circumstances they are in; firms should use their judgement to determine the best approach to be taken in each situation. This is consistent with the existing vulnerability requirements set out in Rule 3.2.4 of the LCF Rules; no further amendments are made in this regard.

4.4 Capacity assessments

Under LCF Rule 3.2.4 [vulnerable customers], we originally proposed to expand the guidance to include a statement regarding capacity assessments. This would have required that firms consider whether it is appropriate to seek an independent opinion from a suitably qualified medical practitioner.

Some stakeholders expressed a view that there should be a requirement for capacity assessments to be performed for every vulnerable customer. Others commented that this may be impractical. There was a concern that medical professionals would not be prepared to offer such judgements and that their insurance may not cover them if they did so.

For the avoidance of doubt, the Commission does not expect that a capacity assessment should be undertaken for every customer deemed to be vulnerable. Our view is that these should be undertaken in line with *the Capacity (Bailiwick of Guernsey) Law, 2020* (the “Capacity Law”)⁹. This states that a person must be assumed to have capacity to make a specific decision, unless it can be shown that they lack capacity.¹⁰ Additionally, someone’s understanding should not be assessed until they have been given information relevant to the decision being asked of them. Where there is doubt as to a customer (or potential customer’s) decision-making capacity, firms should refer to their obligations as set out within the Capacity Law.

⁷ [FCA - FG21/1: Guidance for firms on the fair treatment of vulnerable customers](#)

⁸ [Vulnerability Vigilance: Insights from the Equity Release Independent Legal Advice Process](#)

⁹ [The Capacity Law](#)

¹⁰ [Capacity Law summary](#)

Noting the comments raised, we have amended the wording set out within the guidance under Rule 3.2.4 to more closely align with the wording set out in the Capacity Law and the Capacity Law Code of Practice¹¹.

4.5 Commissions and fees

One provider asked whether we would impose any rules for ER firms around commissions and fee structures. ER firms licensed under Part II of the LCF Law would be subject to all existing, relevant requirements that are already set out within the LCF Rules. This includes, but is not limited to, those in 3.2.2 of the LCF Rules around commissions and fees.

We note comments that these requirements could be more clearly labelled as applicable to ER licensees within some areas of the LCF Rules. However, the relevant Rules apply to all Part II licensees, which includes ER firms. We consider that further insertions to the Rules are not necessary.

4.6 Professional indemnity (“PI”) insurance for advisers

One respondent queried how easy it would be for local equity release advisers to obtain PI insurance. This will entirely depend on individual insurers’ risk appetite and is outside the Commission’s control.

4.7 Potential barriers to the market

Some stakeholders raised concerns around barriers that could potentially deter providers and advisers from entering into a Guernsey ER market.

- **Regulation of the market**

One respondent offered a general comment that regulation would act as a deterrent to market entry. This view was not representative of views offered by other stakeholders.

- **Customary law**

Many stakeholders raised concerns that the Bailiwick’s customary laws are not currently compatible with traditional lifetime mortgage arrangements.

There is, at present, no legal bar to either form of equity release. However, changes to customary law may address the concerns raised and facilitate future market entry. There are issues related to, for example, the roll up of interest that would affect the balance of risks. At its meeting on 5 November 2019, the States of Guernsey carried a proposal to amend customary law, to make it easier for lenders to offer equity release mortgages in Guernsey.¹² The States of Guernsey is leading a workstream to progress the necessary legislative changes. The Commission will pass on commentary raised by stakeholders during the consultation to assist with

¹¹ [Capacity Law: Code of Practice](#)

¹² [The States of Guernsey Annual Budget for 2020](#) – P&R Committee, States of Deliberation.

this process, and we anticipate that the customary law amendments will be completed by the end of 2025.

- **The Guernsey housing market**

Several stakeholders raised the issue that it is not known what impact equity release may have on the local housing market. For example, some stakeholders felt that housing stock availability might be negatively impacted, as equity release agreements could encourage older homeowners to remain in larger properties for longer.

- **Market size and appetite**

Some local stakeholders expressed the opinion that providers may be reluctant to enter a comparatively smaller market that has different legal processes and location-based housing risks to that of the UK.

The Commission is aware of these points and has tried to take these into account when drafting the Rules and considering our overall approach to the regulatory framework.

5. Changes to LCF Rules and Guidance, and laws

5.1 Changes to LCF Rules and Guidance

The amendments to the LCF Rules and Guidance discussed within the CP and this Feedback Paper will be implemented.

Given that lifetime mortgages already fit the definition of “home finance”, they are already encompassed by Part II of the LCF Law. The original drafting of the Regulations to amend the LCF Law did not specifically define “lifetime mortgages” and associated terms. These terms were instead originally defined within Part 12 of the draft Rules (as published alongside the CP):

- “*Lifetime mortgage*”;
- “*Retirement interest-only mortgage*”; and
- “*Specified life event*”.

However, after the draft Rules and CP were published for consultation and following consultation with the Law Officers of the Crown, it became apparent that these terms would be more appropriately included in the LCF Law itself. The Regulations have been amended accordingly and these terms will be defined within the LCF Law, instead of the Rules.

Therefore, definitions for “retirement interest-only mortgage” and “specified life event” have been removed from Part 12 of the Rules. The definition of “lifetime mortgage” in these Rules has been amended to refer to the revised definition within the amended LCF Law. Furthermore, we have made minor amendments to the LCF Rules and Guidance to ensure that all equity release terms used are consistent with those defined within the LCF Law.

We have set out all changes to the LCF Rules and Guidance within a red-lined, consolidated version. Please find a copy of this document in Appendix 1 to this Feedback Paper. **Red** text indicates the amendments that were proposed during the consultation. **Blue** text indicates any changes made after consultation, in response to feedback received.

5.2 Changes to LCF Law

Following discussions with stakeholders there will be a small number of changes to the LCF Law to facilitate the inclusion of ER within the regulatory framework. The changes, which have been agreed with the Law Officers of the Crown, primarily incorporate various definitions within the LCF Law, while the detail of the approach is set out in the Rules as consulted on in the CP.

These changes to the LCF Law will be made by Regulation of the Policy & Resources Committee in due course, with a view to them taking effect from 1 January 2026.

5.3 Changes to customary law

The States of Guernsey’s Law Officers of the Crown (“LoC”) continues to work on amendments to customary law, as necessary to facilitate the provision of lifetime

mortgages in the Bailiwick. The Commission will continue to work closely with the LoC to assist in making the necessary changes to facilitate the provision of equity release.

The amended LCF Rules will be issued to facilitate the supervision of equity release from 1 January 2026. For the avoidance of doubt, the regulatory regime will commence on that date even if the customary law changes have not been completed. This is because there is no legal bar to prevent firms from offering either form of equity release, home reversion finance is already available in the Bailiwick and the Commission is committed to the prompt implementation of consumer protections for this area of the market. Some lifetime mortgage providers may be comfortable offering these products before the customary law changes come into effect, while others may prefer to wait.

Once the relevant customary law changes are complete, providers can be confident in offering lifetime mortgage products to Bailiwick customers.

6. Licensing and Fees

6.1 Licensing

Equity release licence categories

As noted within section 4.1, there will be two types of licence relevant to equity release under Part II of the LCF Law.

1. A licence for ER providers.
Licences will specify the permissions granted as either lifetime mortgages, home reversion finance or both.
2. A licence for services ancillary to the provision of equity release.
This will include provision of advice on equity release, which will cover both lifetime mortgages and home reversion products. We would expect advisers to be suitably qualified to offer advice on all forms of ER within two years of commencement of the revised Rules (i.e. from 1 January 2028.) More detail regarding qualification requirements is provided in section 3.5 of this Feedback Paper.

Multiple LCF licences

Persons providing any of the aforementioned services will be required to obtain the relevant ER permissions. A specific licence will be required even if a person is licensed to provide other activities under part II of the LCF Law.

In such cases, annual licence fees will be adjusted accordingly see section 6.4 below for more details.

6.2 Applications

Persons wishing to offer equity release products, or services ancillary to equity release, will be required to apply for the appropriate licence under Part II of the LCF Law. However, the detail of the application process will be different, depending upon whether they already hold an LCF licence to provide other services captured by the LCF Law:

- Existing licensees will need to submit an application to vary their activities.
- New applicants will need to submit a full application.

Information on the LCF licence application process can be found on the Commission's website.¹³

Our application forms will be updated in due course to encompass some additional questions specific to equity release, for the relevant applicants to complete. Licensing applications will be accepted from 1 January 2026, when the relevant law changes have been made and the new rules come into effect. We strongly encourage anyone interested in applying for a licence to contact the Commission at the earliest opportunity.

¹³ [Lending, Credit and Finance Applications](#)

6.3 Equivalence

There is provision within the LCF Law for firms that are based outside the Bailiwick, and which are authorised to provide those services in their home jurisdiction, to make use of equivalence arrangements. This is subject to the home jurisdiction having equivalent consumer protections as the Bailiwick's LCF regime¹⁴.

Firms wanting to make use of the equivalence arrangements under the LCF law must notify the Commission of their intention to operate in the Bailiwick. More information on equivalence can be found in FAQs on the Commission's website¹⁵.

At present, only the UK is considered equivalent for provision of home finance and consumer credit. Note that equivalence arrangements apply only to providers of ER arrangements and not to advisers. As detailed in section 3.4 of this Feedback Paper, ER arrangements must be advised through a locally licensed equity release adviser.

6.4 Indicative Licence Fees & Application Fees

The application fees and annual licence fees for ER providers and advisers will be consulted on and confirmed through the Commission's usual fees consultation process. However, in order to give potential market entrants an indication of fees, we offer the following indicative fees. We do not expect to change these significantly prior to the annual fee consultation although these may be subject to adjustment for inflation.

Variation of licence

Any firms already licensed under Part II of the LCF Law, who wish to undertake activities related to equity release, should submit an application to vary their licence. We intend that the associated fee would match that already charged for an application to vary an existing LCF licence. Currently, this fee is £1,415.

ER Providers

Fees for new applications, and annual fees, are intended to be the same as for home finance providers in general, but it is proposed that annual and application fees are discounted 50% for the first three years from implementation of the relevant Rules, to encourage the ER market's growth.

For the avoidance of doubt, any banks that hold an LCF licence would continue to receive a 50% reduction in their LCF annual fees, if conducting activities related to equity release.

Advisers (Providers of services ancillary to credit)

We intend that fees for new applications, and annual fees, will be the same as those charged for ancillary service providers conducting home finance business (e.g., home finance brokers).

¹⁴ [*The Lending, Credit and Finance \(Designated Jurisdiction\) Regulations, 2023*](#)

¹⁵ [FAQs — GFSC](#)

Multiple licence fees

Firms which hold more than one licence under Part II of the LCF Law will be required to pay the higher of the relevant fees but will not be charged additional amounts for their additional licences.

Other fees

For all other fees, we propose to charge the same as those currently charged for Part II licensees. “Other fees” include administrative penalties for late or inaccurate filing, notifications of a change in controller and applications, to vary the activities an entity is licensed for.

7. Next Steps

Regulations to amend LCF Law

The Regulations to amend the LCF Law will be put to the States of Deliberation for ratification in due course. Changes to the LCF Law will come into effect from 1 January 2026.

Revised LCF Rules

Changes to the LCF Rules will come into effect from 1 January 2026. Please find a red lined copy of the amended Rules in Appendix 1 to this feedback paper.

Licence exemptions and limited permissions

The Commission will publish a revised version of its notice of limited permissions (the *Notice with respect to the disapplication of the requirement to hold a licence under section 40 of the LCF Law*¹⁶) in due course. The revisions will set out consequential amendments to the limited permissions contained in this notice.

Ordinance to amend customary law

The Commission will work with the Law Officers of the Crown to make the changes to customary law needed to facilitate equity release. While we would ideally like to see such changes in place by 1 January 2026, this depends on the availability of resources and the States' timetable for approving the necessary changes. As noted previously, there is no legal bar to offering either form of equity release, and even without changes to customary law, providers may have an appetite to offer equity release products. Home reversion plans are not affected by changes to customary law and are, of course, viable prior to such changes being completed.

¹⁶ The current version of the Notice is available on the Commission's website: [*Notice with respect to the disapplication of the requirement to hold a licence under section 40 of the LCF Law*](#)

8. Appendix 1: Lending, Credit and Finance Rules and Guidance, 2023, as amended

See attached document.