Sale and rent back – a market study

Annexe J - Consumer awareness

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## CONTENTS

<table>
<thead>
<tr>
<th>Chapter/Annexe</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>J.1 Overview</td>
<td>4</td>
</tr>
<tr>
<td>J.2 Outline of campaign</td>
<td>6</td>
</tr>
<tr>
<td>J.3 Opportunities/Gaps</td>
<td>8</td>
</tr>
<tr>
<td>J.4 Risks/Issues</td>
<td>11</td>
</tr>
</tbody>
</table>
J.1 OVERVIEW

J.1.1 This annexe sets out some further detail on the consumer awareness work recommended in the main report.

J.1.2 It is clear that not all consumers are making informed decisions about sale and rent back. However, as argued in the main report, we do not believe that a campaign to highlight the risks of sale and rent back would, on its own, be sufficient to remedy the harm in this market. We do not believe such a campaign could, in large numbers, deter consumers from sale and rent back or ensure that they went into it fully aware and accepting of the risks entailed. We believe that regulation will have more impact in preventing poor outcomes for consumers.

J.1.3 However we believe that there may still be a benefit in working to increase consumer awareness of the risks around sale and rent back, particularly in the period before regulation comes into effect. This should focus on raising awareness of the fact that sale and rent back is a risky option, and encouraging people to seek independent advice before making major decisions. We do not believe there would be benefits to a campaign aimed at allowing the consumer to assess the situation for themselves by providing detailed information on the pros and cons of sale and rent back.

J.1.4 We believe an awareness effort should develop up to date, accurate and consistent messages on sale and rent back that consumers can easily comprehend. It should build on existing information distributed by Government departments, lenders, financial advisers and the media. In addition, it might be possible to use the same promotional tools as sale and rent back firms (for example advertising in local papers) to prompt consumers to seek independent advice before taking major decisions.

J.1.5 The importance of face to face advice for consumers in crisis situations also means that it is important that consumers have timely access to advice services and that advisers are well versed in the pros and cons of the options available to homeowners in financial difficulty, including sale and rent back. We note that earlier this year the Government announced
a package of measures to support home owners in difficulty, including strengthening the capacity and expertise of the National Homelessness Advice Service, and more specialised training in financial advice for Citizens' Advice Bureaux staff and local authorities. Clearly Citizens' Advice and Shelter are already alive to the risks of sale and rent back and we anticipate that, in part thanks to this additional funding, these and other organisations will able to ensure that appropriate messages about sale and rent back reach front line staff.

J.1.6 In due course, further awareness work will also be needed to pave the way for regulation, to inform consumers that they should deal only with regulated firms.
J.2 OUTLINE OF AWARENESS WORK

J.2.1 The suggested outline of the awareness work is as follows:

**Strategic objective**

To minimise potential detriment, both financial and psychological, to individuals entering into sale and rent back agreements prior to regulation of the market.

**Marketing objectives**

- Increase consumer awareness of risks of entering sale and rent back agreements.
- Encourage people to seek independent advice before signing a sale and rent back agreement.

**Target audience**

- Homeowners with financial difficulties and in danger of repossession.
- Homeowners looking to release equity in their home.
- Homeowners with low levels of financial literacy.

**Key messages for consumers**

- There are risks of agreeing to sale and rent back:
  - you are likely to get less money for your property than if you sold on the open market
  - you may not be able to afford your rent after the agreement, in which case you could get evicted
  - your landlord can evict you even if you keep up your rent payments
You may not be eligible for housing or council tax allowances.

Sale and rent back schemes are not regulated so if things go wrong you may not have access to complaints and compensation procedures.

- You should get advice on the best option available to you. Sources of advice include:
  - Citizens Advice Bureaux (CAB)
  - Consumer Credit Counselling Service (CCCS)
  - National Debtline
  - Payplan
  - Shelter
J.3 OPPORTUNITIES/GAPS

J.3.1 There are a number of organisations that already issue information on options available to people when faced with financial difficulties or repossession. An effort to raise awareness about the risks of sale and rent back could link with, and build on, these channels.

J.3.2 Existing sources of information and advice include:

- **Financial Services Authority (FSA):** The FSA currently issues information via its website and its information sheet on mortgage arrears 'Just the facts about what to do when you can't pay your mortgage'.\(^1\) The FSA’s mortgage regulations state that if a customer falls into arrears on a regulated mortgage contract, a firm must as soon as possible, and in any event within 15 business days of becoming aware of that fact, provide the customer with several key pieces of information including the current FSA information sheet on mortgage arrears.\(^2\) The FSA also works in a number of ways to increase general financial capability.

- **Consumer Credit Counselling Service (CCCS):** The CCCS has a free national telephone service, ten regional centres and online CCCS Debt Remedy, to help people with debt problems wherever they live. They also provide training for debt counselors and money advisors on a variety of debt topics enabling debt advisors to give informed debt advice.

- **Credit Action:** Credit Action provides online advice to consumers on mortgages and directs people to the CCCS for further help.

- **Consumer Direct:** Consumer Direct signposts people requiring debt advice to:
  - Federation of Information and Advice Centres

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\(^1\) [www.moneymadeclear.fsa.gov.uk/home.html](http://www.moneymadeclear.fsa.gov.uk/home.html)
\(^2\) MCOB 13.4.1R
- National Debtline
- Consumer Credit Counselling Service
- Financial Services Compensation Scheme
- Financial Ombudsman Scheme

- **Local authorities**: Local authorities may advise on housing or benefits matters.

- **Citizens Advice**: Citizens advice service offer financial and debt advice to consumers face to face. England and Wales also have a number of financial capability forums to work to deliver financial advice to the community.

- **Money Advice Scotland**: Money Advice Scotland provides training, conferences and seminars for those offering money (debt) advice. It has approximately 130 members from a variety of agencies providing or in support of a free, independent, impartial, confidential money advice service. They direct consumers to local advice providers and National Debtline.

- **National Debtline**: National Debtline is a national telephone helpline for people with debt problems in England, Wales and Scotland. Their service is free, confidential and independent. They currently have information on their website, [www.nationaldebtline.co.uk](http://www.nationaldebtline.co.uk), a mortgage arrears information sheet and model letters.

- **Payplan**: Payplan are based in Grantham, Lincolnshire. They provide free telephone service for debt advice and specific help for repossessions. Their website also has a budget calculator.

- **Shelter**: Shelter provides online, telephone and face to face advice for people that are going through repossession.

- **Directgov**: Directgov is the website of the UK government providing information and online services for the public. It provides information from across government departments, including information from the Ministry of Justice about repossessions.
• **County Courts:** earlier this year the Government announced new arrangements with the Ministry of Justice to ensure that households at risk of repossession have access to free legal advice and representation at county courts.

J.3.3 There are a range of methods that sale and rent back firms are using to promote their service to consumers, including direct mailing, newspaper advertisements and web advertisements. These same channels could be used to encourage people who are viewing these advertisements to seek advice if falling into mortgage arrears. One element may be to have a sponsored link on search engines so that when people type in sale and rent back, or similar, one of the top results is a page on where to get advice if in financial difficulty.
J.4 RISKS/ISSUES

J.4.1 There are a number of risks and issues that need to be borne in mind when considering efforts to raise awareness.

J.4.2 First, raising the profile of sale and rent back could encourage more people to choose this option. It is important to strongly encourage consumers to get independent advice on the best option available to them.

J.4.3 Negative publicity of sale and rent back could discourage consumers from choosing options that are more suitable for them. For example the recent Mintel report on equity release stated that:

'recent negative press associated with the previous generation of faulty equity release products, as well as unregulated copycat sale and lease back schemes, have unfairly given modern equity release products a bad image.'

J.4.4 Research indicates that the best way to help the target audience is through face to face debt advice. However the decision to enter into sale and rent back agreements appears to be taken quite quickly. There can often be delays to get appointments to see an adviser face to face. These delays can mean that people do not access advice prior to entering agreements.

J.4.5 There are limitations to the impact that an awareness campaign can have, especially over a short timeframe, where consumers are in an agitated state of mind, and given that this audience is very hard to reach.