

RULES ON EQUITY RELEASE FINANCIAL PRODUCTS

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1.0 INTRODUCTION

In August 2019, the Authority issued the first [Chapter](#) of the Rulebook dealing with the Registration process, applicable to credit and financial institutions intending to offer Equity Release Financial Products [‘equity release] to pensioners for Consultation. Following feedback from the industry, the Authority has on the 4th of October 2019 published Chapter 1. Credit and Financial institutions intending to offer equity release financial products can now submit the applications and relevant documentation to the Authority accordingly.

2.0 SCOPE AND PURPOSE OF THE CONSULTATION

The Authority is hereby issuing this Consultation Document to the public to allow stakeholders especially credit and financial institutions to comment, make suggestions and provide feedback in relation to Chapters dealing with the Ongoing Obligations.

The Rulebook will include four chapters dealing with Ongoing Obligations and are as follows:

- Chapter 2 – Disclosures;
- Chapter 3 – Sales processes and selling practices;
- Chapter 4 – Complaints handling;
- Chapter 5 – Valuation

Therefore, all in all the Rulebook will contain five chapters, the first Chapter dealing with the Registration Process and the remaining four dealing with Ongoing Obligations.

3.0 ONGOING OBLIGATIONS

Credit and Financial institutions [‘institution’] licensed in terms of the Banking Act, 1994 or Financial Institutions Act, 1994 respectively, providing, or holding itself out as providing, Equity Release Financial Products shall comply with the Ongoing Obligations set out in chapters 2-5 of the Rulebook. To note that this is a separate regime and is product based, therefore institutions still need to also comply with any other applicable requirements as set out in the Banking Rules; Financial Institutions Rules and Conduct of Business Rules.

3.1 *Chapter 2: Disclosures*

This Chapters deals with Disclosures to be made to Consumers so that they are able to understand the nature and risks of Equity Release and are able to make an informed decision. The requirements focus mainly on pre-contractual disclosures; disclosures where the product is being provided through the internet; information to be included in the credit agreement; information to be provided regarding the costs and charges; information to be included in any marketing material and advertisements and the disclosures to be provided regarding actual or potential conflicts of interest.

3.2 Chapter 3: Sales processes and selling practices

Institutions offering equity release must act honestly, fairly and in the best interest of consumers. This chapter sets out both ex ante and ex post requirements to be complied with by institutions when engaging in equity release transactions with consumers.

3.3 Chapter 4: Complaints Handling

This chapter deals with the policies and procedures the institutions is required to have in place regarding the handling of complaints from consumers regarding equity release. Furthermore, an Institution is required to have a complaints management function in place.

3.4 Chapter 5: Valuation Rules

Before entering into an equity release transaction, the institution or an external valuer needs to carry out a property valuation. This is to be carried out in line with the Valuation Rules included in this chapter. The valuer is required to prepare a valuation report, a copy of which is to be provided to the consumer.

4.0 SUPERVISORY FEES

It is the intention of the Authority to impose an annual supervisory fee of Euro 9,500 to credit and financial institution offering this product. In order to carry out its supervisory tasks, which in this case is product specific, the Authority needs to carry out the following: [1] analysis of conduct related data on the provision of equity release; [2] the sales practices being adopted by the credit and financial institutions specifically for this product when providing it to pensioners; [3] the disclosures being made before the pensioner enters into an equity release transaction as well as any ongoing disclosures to be provided during the term of the transaction.

When carrying out its supervisory tasks, the Authority will give particular attention and focus on the vulnerability of consumers and this shall be a determining factor in the approach being adopted by the Authority in regulating and supervising the provision of equity release.

5.0 CONSULTATION PERIOD

This Consultation is open to the public until 28th October 2019. Industry participants and interested parties are invited to send their feedback via email to equityrelease@mfsa.com.mt.