Advisers ignoring home reversions

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The Financial Services Authority requires that when considering whether a lifetime mortgage is suitable for a client, advisers must look at the alternatives available.

The rules give one alternative as a home reversion plan. I have expressed concern over the fact that advisers are not exploring home reversions adequately and dismiss it without proper explanation.

Examples of brokers talking to clients about home reversion have been as straightforward as "home reversion involves selling your house, you wouldn't want to do that would you?"

There is no way that this can be considered as an adequate explanation or discussion of the concept of home reversion.

It is worrying that years after lifetime mortgage regulation was introduced Which? recently found in the early stages of a mystery shopping exercise that home reversion is barely being discussed with clients and that it is quickly dismissed by some advisers.

Home reversion is not necessarily the easier concept to explain or for some to grasp. But this should not negate the need to adequately explain and consider its suitability. Poor fact-finding and consideration of alternatives must not be tolerated and poses a threat to the hard work by many to improve the sector's reputation.

At a time when resources to help those advising is extensive there is no excuse or defence for advisers to act in this way and the industry must not tolerate it.

Change needed to regain confidence

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To help your clients make sense of critical illness cover, there are two areas of the sale process that should be addressed.

First, it's important to encourage clients to make protection part of their mortgage process. In an age where everything is just a mouse click away, first-time buyers particularly are at risk of steering towards securing cheap and quick deals online rather than seeking professional advice first.

But if they don't know what they are looking for or how to compare products, a cheap deals could leave them under-insured.

Second, it's important to note that over three-quarters of CI claims are made up of four illnesses – cancer, heart attacks, strokes and multiple sclerosis.

Instead of focussing on endless lists of obscure conditions, advisers should look at the extra benefits policies provide and educate clients on these.

For example, some providers include mastectomy cover as a free additional benefit, which means that if a client is diagnosed with the early stages of breast cancer, they could undergo a mastectomy and receive a payout.

To ensure clients understand their policy we need to step away from the conditions list and focus on providing products and advice that match individual needs.

It's only with this sort of cultural change that the protection industry can start winning back consumer confidence and make some headway on closing the protection gap.

Vital to know cost of winning clients

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John Wanamaker, the well-known US retailer, famously said nearly 100 years ago that "half the money I spend on advertising is wasted – the trouble is I don't know which half".

This is still largely true. The return on investment from many marketing activities is hard to track, as you may never know exactly how many new clients you have as a result of which activity.

The internet does help to a degree. If you have a functioning and optimised website or run pay-per-click campaigns you can at least see what drives traffic.

Leads on the other hand are easy to measure. You know when you've paid for a lead, whether it has converted into business or not and how much you have earned from it.

You also know how many leads you have bought to get that sale.

But gauging true value from customer acquisition is not just about measuring the effect of the initial contact, as some prospects may not do any business with you for several months. But when they do, it is still a return on your initial investment.

Others may result in insurance sales and referrals that yield returns for years.

Of course, if you don't work out what return you've made from where, you won't know whether your investment has worked or not, so you could be throwing good money at something that is mostly ineffective.

More crucially, you may also be missing out on the sources of business that are highly effective for you.

Buy-to-let will spur market recovery

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In previous downturns, everyone thought first-time buyers held the key to unlocking property values. But this time around, we shouldn't limit ourselves by focussing solely on first-time buyers.

If we do, it will mean a long wait for the trickle down effect to hit second and third-time movers.

Landlords can play a major role in speeding up recovery. When they enter the market, they generally seek three and four-bedroom properties with greater yields.

As a result, we don't have to wait for the effect to be felt on the second and third rungs of the property ladder from first-time buyers – it's already underway.

Of course, we couldn't focus on landlords in the last recession as there weren't enough of them.

But since then, we've seen a significant rise in the number of loan facilities available to landlords.

When lenders came up with branding loans to landlords as buy-to-let, the increase in loans became a surge, then a phenomenon. Landlords' importance has grown exponentially and they now account for 12% of housing stock.

The issue is availability of funding. Although lenders are still focussing on first-time buyers, there are signs they recognise the importance of buy-to-let.

We are talking to existing lenders and potential new entrants to the market to redress the balance. They need to realise that supporting buy-to-let landlords will accelerate the recovery of the housing market.