Paradigm Market Update & Outlook for 2017

PARADIGM
MORTGAGE
SERVICES

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Contents

1. Executive Summary

Paradigm Mortgage Services LLP, a sister business to Paradigm Partners Ltd, was launched 9 years ago and although now an established business, we remain one of the UK's fastest growing financial services Distributors.

A core aim of Paradigm Mortgage Services is to deliver growth to you, our members, by developing close, trustworthy and interdependent Lender, Provider or Supplier relationships that are unquestionably as important to us as the relationship that we have with you, our intermediary Partner firms.

Although we now generate a substantial scale of new business, Paradigm was never designed to be a mass volume distributor, i.e. to seek the maximum aggregation of transactions via any number of intermediary firms. Paradigm's model is primarily designed to develop profitable relationships with existing and well established firms who focus on client relationships, as opposed to transactional process led activities. We actively seek firms who have a history or capability of producing the highest quality and value of business in each area of trading, generating higher revenue and profit for all stakeholders.

We will continue to invest in the organic growth of our business particularly where we see an outcome that takes the customer and adviser experience to another level. Should the opportunity present itself, growth may also come via acquisition potentially bringing new skills, opportunities and expertise into the group.

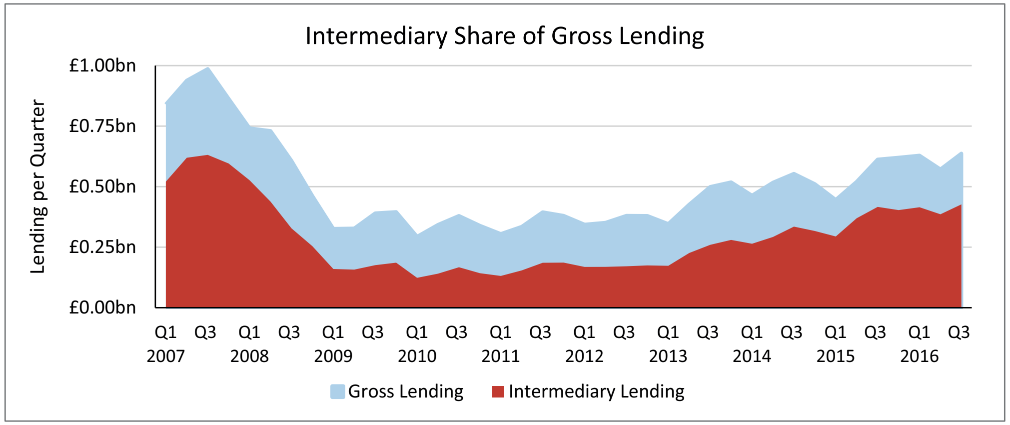
At the time of writing, it is apparent that 2016 has been Paradigm's best year yet with Mortgage, Asset & Discretionary Fund Management and Protection sales at record levels. Organic (net) recruitment of new Partner members and sales growth continues at significant pace. Despite the hurdles created by what can often appear to be a consistently challenging regulatory and economic environment, it is clear that Intermediaries have benefitted significantly from both the Retail Distribution Review (RDR) and more recently the Mortgage Market Review (MMR), with retail banks' sales propositions in particular suffering from the changing regulatory responsibilities.

The mortgage market recovery began in the summer of 2013, reversing the trend in declining intermediary channel sales, where at the market's low point in 2010, intermediary share fell to 41% of gross lending which was then £135bn. Today, the intermediary channel accounts for >70% of gross sales, with 2016 market completions on track to exceed £237bn[1]. 2017 forecasts vary, however, the current consensus suggests a c.£260bn market with an intermediary channel share trending towards >72%. This trend in rising intermediary channel share is not limited to just mortgages; it is true of investment business too.

1 Council of Mortgage Lenders (CML), 'Market forecasts', www.cml.org.uk/news/housing-and-mortgage-forecasts/

Paradigm Mortgage Services' growth outstripped the market during 2015 (up 30% vs. 2014). 2016 completions are set to finish the year at c.£4.75-£4.8bn (up c.37% vs 2015), once again outperforming the market which it is estimated will grow by c.10-11%.

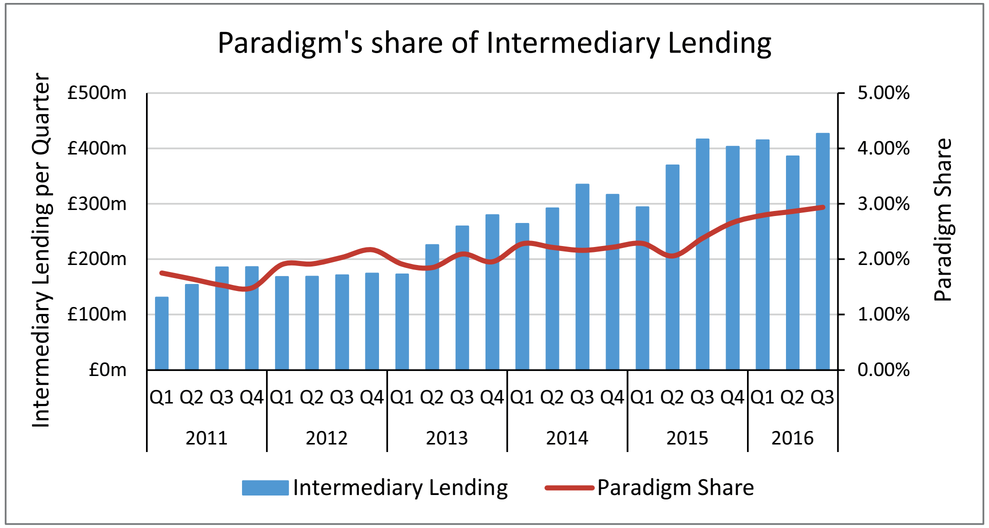
As we approach our 10th anniversary in 2017, we have many exciting plans for the future; this potentially includes expansion through acquisition as well as significant development in associated strategic partnerships, where discussions are well advanced. That aside, we are confident that we will continue to gain further ground on competitor distributors (encompassing scale, value and improved margin).



From a low of 41% in 2010, the Intermediary market has grown to c.70% of gross lending. This share is expected to continue to increase in 2017, with intermediary lending set to reach c.£188bn.

This is achieved through our innovative 'Profit through Partnership' approach, growing our reputation for service excellence and sheer determination to remain the UK's fastest growing intermediary distribution business.

Support from our Strategic Partners has been vital to our growth whether in terms of procuration fees, Protection and General Insurance (GI) commission terms, marketing contributions or other forms of indirect assistance.



Having outperformed the market significantly over the past two years, Paradigm Mortgage Services are set to finish 2016 with a 3% share of the intermediary market.

2. The Market for Financial Services

2.1 Background & Economics

The UK economy is the 5th largest in the world measured by GDP[2] and 9th largest by purchasing power parity according to World Bank statistics[3]. It is the 2nd largest economy in the European Union (EU) by both metrics.

Until 23rd June 2016, the UK – and, in particular, London, which voted 60/40% definitively in favour of remaining – was pretty sure of its place in the world as both a trading hub and major centre for financial services[4]. The referendum vote in favour of Britain's exit from the EU suddenly challenged this feeling of stability.

If that shockwave wasn't enough, we now have the reality of 'President Trump' which 12 months ago seemed even more far-fetched than the UK voting to leave the EU. With both of these having occurred, one must question if we are about to see a new political and world order. There will no doubt be many millions of column inches reflecting on how we have got to this place but it certainly seems apparent that there are similarities between Brexit and Trump's victory. Trump tapped into the anti-establishment 'vibe' that is sweeping the Western world – it will be interesting to see if this continues to be played out in the upcoming French and German elections.

Regardless of political persuasion, there appears to be agreement that it will take several years to negotiate our exit and then discover exactly what Brexit means in practice for the UK. This is particularly pertinent on two fronts: the uncertain outlook for Britain's ability to sell without restriction to the EU-wide single market; and the prognosis for so-called freedom of movement, i.e. the right of EU nationals to continue live and work in the UK.

For businesses, though, the bigger concern is about market access and the extent to which exporters will be able to retain anything of the seamless single-market access they currently enjoy. On a positive note, start-up financial technology should be relatively unaffected by Brexit where "some already see London as the world's most vibrant fintech hub".

2 International Monetary Fund 'World Economic Outlook Database, October 2016' www.imf.org/external/pubs/ft/weo/2016/02/weodata/weorept.aspx, October 2016
3 BBC News, 'Reality Check: Is UK still the world's fifth biggest economy?' www.bbc.co.uk/news/business-37763913, 28 October 2016
4 Financial Times, 'The City of London faces up to the future beyond Brexit' www.ft.com/content/0eba4f78-76b1-11e6-bf48-b372cdb1043a, 4 October 2016

As with the post-EU referendum mode, it is likely that the spectrum of dire consequences following Trump's success will not be as real, or as damaging, as many have predicted. From a housing and mortgage market perspective we suspect there will be little short to medium term impact from Brexit given the UK's overriding demand for housing where supply is woefully inadequate. Overall our market's influencers will come from within rather than outside these shores. Our view is that, short-term at least, the surprise (and panic) will be followed by a swift recovery and a new normal.

Looking specifically at the financial services sector, there is rising consumer demand for independent financial advice across all product areas. The intermediary channel currently generates >70% of all mortgage transactions in the UK driven by the rapid adoption and expansion technology, including WRAP architecture in the wealth space, where IFAs now control c.40% of the mass Wealth Segment of Assets-under-Management, worth c.£600bn. Intermediaries are therefore well placed to expand their share of the consumer wallet. Indeed, retail adviser numbers have risen in the past year by 5% and are now 10% higher than on the eve of RDR, and Mortgage adviser numbers (including mortgage brokers and IFAs with mortgage permissions) are growing too, now standing at c.10,000 individuals[5].

UK banks, the top 6 of whom encompass c.80% of all branch outlets, are rapidly moving towards digitally focused models, retreating from the high street as they take more banking services online and on to digital and mobile platforms. These are actions that are irrevocably changing retail banking and, despite some commentary to the contrary, we believe that intermediaries will benefit, particularly from the associated technological developments – leading to both significant reductions in process costs and better customer outcomes, it will also strengthen the hand of the intermediary channel.

The client retention strategies of some banks have seen customers, introduced to them by intermediaries, targeted prior to their product maturity date. This manner of targeting our intermediaries' customers is not, in our opinion, a serious concern for our partners. In many cases, the banks actions serve to encourage clients to return to their intermediary for advice. That aside, the majority of firms operate with robust CRM programmes, where client needs are routinely dealt with and the intermediary is equipped to offer professional, whole of market advice – a far superior service to an execution only renewal. Notwithstanding this, we would encourage all Lender partners to work with intermediaries at renewal where there is every prospect of a much improved retention outcome.

5 The FCA speaking at the Financial Services Expo in Coventry, 3rd November 2016

The opportunities within the Protection market are often shown in relation to the 'protection gap' currently standing around £2.5 trillion[6]. The sheer volumes of these figures are often beyond the scope of comprehension. In recent years, we have witnessed a continued decline in protection sales in the individual sector – despite a seemingly obvious client need for these products.

However, a report recently published by Gen Re confirms positive news of a headline market increase in overall Protection sales premiums during H116 by 5%, with new Income Protection policy sales rising by 9.1%, and Critical Illness sales rising by 7.5%[7]. The report also highlighted stronger growth in the two advised channels – Independent and Restricted, up 5.2%.

The entry into the market in 2016 of new Providers is testimony to the scope of the opportunity and recent growth in the protection market. However, it seems obvious that without continued (and in some cases) radical simplification in the protection application and support process, or perhaps the development of complex but not complicated solutions, the vast majority of intermediaries are unlikely to change their habits, i.e. sticking to what seems easiest, and not creating real growth in the market. Thankfully, we are now seeing the development and, albeit slow, adoption of enhanced technology both at point of sale and within the application and underwriting process. We are keen to embrace innovation, particularly in terms of technological advancements – however, one can understand some advisers' apathy when the average online application is still 47 pages long.

6 Financial Times Adviser, 'Protection is sold never bought', www.ftadviser.com/2016/06/23/training/adviser-guides/protection-is-sold-never-bought-TRDK47zthqyW9bh7TKkrqN/article.html, 23 June 2016

7 Cover Magazine, 'Gen Re: Protection sales increase by 5%', www.covermagazine.co.uk/cover/news/2476536/gen-re-protection-sales-increase-by-5, 7 November 2016

3. Market Regulation

3.1 Mortgage Credit Directive Overview

The lessons learned from MMR and more recently the MCD have shaped our approach to other regulatory changes – where we remain committed to continuing to support all DA firms through the impacts and requirements of FCA regulatory changes. As we move forward there is clearly work to do in continuing to help firms maintain high standards, ensuring they are giving quality advice around a model that puts the client at the centre of its business.

Although the implementation of MCD is now behind us, there are still a number of legacy issues that have not been dealt with, as well as conflicting market understanding and confusion, particularly in the translation of being an Independent adviser and advising on second charge mortgages. The interpretation of where the advice lies when handing over a client to a second charge provider is still not fully understood on both sides. This has been exacerbated by the delay in sourcing systems being able to accurately produce second charge comparison quotes, in addition to second charge lenders not wanting to distribute agencies to all intermediaries.

Paradigm will continue to support our member firms particularly where a potential lack of clarity exists, ensuring that they do not compromise any customer outcomes in the process. Consumer Buy to Let remains somewhat confusing, where certain Lenders do not allow these types of transactions; some Lenders have either adopted the CML's approach, and others have taken guidance directly from the FCA. Paradigm remains committed to providing clarity on such areas to avoid our member firm's clients being treated unfairly.

3.2 Policy Changes

"Change is a constant" is a phrase that is very true of our regulatory environment. Whilst 2017's anticipated changes may pose some compliance challenges, they also offer the opportunity for innovation in our marketplace. Paradigm will support you through the expected financial policy changes; including but not limited to, the future of the advice landscape captured in the Financial Advice Market Review (FAMR), the FCA's Mortgage Market Study looking at competition issues faced by consumers in today's marketplace and the Senior Management Regime. The Senior Management Regime rules aim to ensure that senior managers can be held accountable for any misconduct that falls within their areas of responsibilities[8]. This could have unintentional consequences for firms and we will be applying our knowledge and understanding of this to assist our firms navigating their way through their responsibilities under this new regime.

'Robo-advice' is a buzz word of the moment and we are watching closely the likes of Habito – who have created a digital mortgage adviser which claims to remove the need for a human adviser to assist in the home buying process[9] – and Trussle.com, develop their propositions in relation to the outputs of FAMR and the Mortgage Market Study. It is interesting to note that currently, both models are required by the FCA to use an adviser in the final stages of the processes involved.

3.3 PS28/16– Standardising Buy to Let underwriting

Following the Financial Policy Committee (FPC)'s concerns around the rapid growth of the BTL market and the consequent visits to c.30 Lenders, the Prudential Regulation Authority launched consultation paper CP11/16, which looks into standardising how Lenders underwrite their BTL business. This consultation finished in June 2016 and in September a Policy and supervisory Statement PS28/16 was issued confirming the new rules.

The main issues are: standardising Interest Cover Ratios (ICR) used by Lenders, along with the other affordability tests applied to BTLs, including costs and new personal taxation; the way portfolio and experienced landlords are underwritten and the treatment of the SME factor for capital requirements. PS28/16 describes what Lenders must do to satisfy the affordability rules of a BTL purchase along with a statement that clarifies how clients with more than 4 properties should be treated. The SME supporting factor, which enables Lenders to reduce their capital requirements for certain commercial loans by up to 24%, has now had clarity and this should not be applied to regulated BTL loans. The new tapering of tax relief for landlords receiving rental profits comes into force in April 2017, however, with a judicial review led by Cherie Blair possible, it will be interesting to see how this will play out. All of these points will undoubtedly subdue the BTL markets further.

We anticipate that the BTL market will be somewhat subdued by the PRA's initiatives, particularly as intermediaries have to be clear about their role and the advice they give moving forward. Many are not skilled in giving tax advice and do not wish to become involved in doing so, meaning the majority of understanding will likely come from the different underwriting, information and criteria that will come from lenders operating in the BTL space.

8 The FCA, 'FCA publishes final rules to make those in the banking sector more accountable' www.fca.org.uk/news/press-releases/fca-publishes-final-rules-make-those-banking-sector-more-accountable, 19/04/2016

9 Mortgage Solutions, 'Habito launches 'human-free' mortgage advice service' www.mortgagesolutions.co.uk/news/2016/09/12/habito-launches-fully-digital-mortgage-advice-service/, 12/09/2016

3.4 Brexit

Theresa May has confirmed that her Government's plan to trigger Article 50, by the end of March 2017, (with the UK then leaving the EU by the Summer of 2019) will not be delayed by the High Court's ruling that parliament must vote on the decision. Whilst we still await the outcome of the appeal it is interesting to note that the "Great Repeal Bill" enables Parliament to amend and cancel any unwanted EU legislation as well as put an end to the jurisdiction of the European Court of Justice in the UK. We must wait to see if that includes any financial legislation that has burdened the industry in recent years.

3.5 Fraud Prevention

In 2017, Paradigm will also be focusing on fraud prevention within the financial services industry and specifically how you can protect your businesses from the threat posed by our increasing use of technology in business. Cyber Crime is high on the agenda for everyone in the UK but particularly where a firm's activities centre around finance. Our intention is to raise awareness of ways in which you can make simple changes to your everyday processes to increase the level of protection you provide for yourselves, the Lenders and your clients from potential fraudsters.

Paradigm has specific plans to run Fraud prevention workshops and will issue bulletin updates throughout next year on this and related topics. We will be inviting Lenders, as well as appropriate experts, such at the Metropolitan Police and their document processing teams at Amberhill, to share their experiences and knowledge with our firms.

Paradigm has also entered into a joint initiative to bring to market a new and innovative type of technology for use initially at 'point of sale' which we believe will significantly enhance the consumer, intermediary and supplier experience. Asides the cost and efficiency gains involved, it will also significantly reduce the opportunity for documentation fraud. The pilot phase is underway and we hope to bring more news on this exciting initiative to you in the near future.

4. Paradigm’s Perspective

4.1 The Intermediary Mortgage Market: Our Perspective

There’s an old saying, ‘May you live in interesting times’, which has never been as accurate as it is today when applied to the intermediary mortgage market. 2015 saw significant growth in our sector and 2016 was expected to deliver much the same, with the minor hurdles of the implementation of MCD and the EU referendum vote. It is fair to say that most within our industry, and the wider business community, were in favour of remaining within the EU and the benefits it brought, whilst recognising its many failings, and all the indicators leading up to vote confirmed this view. The morning of June 24th brought us all face to face with a new and uncertain landscape. The markets reacted as markets do in these uncertain circumstances and plunged, followed by sterling, and the PM. After an unprecedented period, economically and politically, the markets rallied, sterling stabilised, and the general public realised that they still needed a place to live, either as a home owner or as a renter. Pre-Brexit and Post-Brexit the issues affecting the housing situation in the UK remained fundamentally the same.

Key Group Facts:

- Paradigm has, at the time of writing, **c.3,000 RI members**, via over **1,060 Directly Authorised (DA) firms**
- Applications to the Mortgage/Protection Club are growing at a pace of **16 new firms per month** (net)
- Mortgage business application volumes are currently running at circa **£505m per month**
- Paradigm’s mortgage applications to completions ratio has risen by **16.2%** from 2015 to **74.5%**
- Mortgage completions are projected to finish **c.37% up vs 2015**, a total of £4.75 – £4.8bn– we project that this will exceed **£6bn in 2017**
- Average loan size is **£193,000** and average loan to value (LTV) is **c. 62%**
- Paradigm has **over 350** member firms actively using Paradigm Protect, aggregating **in excess of £10m** APE in life sales in 2016
- Protection business volumes via Paradigm firms is estimated to exceed **over £25m commission** in 2017
- Tatton Investment Management, our sister DFM business, now manages assets in excess of **£3.3bn** making it the largest on platform DFM in the UK, adding **c.£80-100m per month** in new assets
- Paradigm Wrap Assets currently exceed **£3bn** – representing **c.27%** of all Nucleus Assets

The reduction in the BBR in August, appears to have stimulated activity in the remortgage market, potentially buoyed by the now unlikely prospect of a further cut in interest rates. Home ownership still plays a vital role in the UK economy, and unlike the financial crash of 2008/09, we have lenders who are looking to lend and new entrants coming to market with now over 20,000 mortgage products available on the sourcing systems, which is the highest it has been for over 8 years. This creates healthy competition and more choice for intermediaries and consumers.

Despite his own views and the regulations imposed by the previous Chancellor on the Private Rental Sector and landlords, the BTL market has continued to prosper, albeit with a new norm. As with other distributors, Paradigm saw a large spike in BTL applications and completions in February and March, as landlords rushed to beat the stamp duty hike deadline. Naturally there was a fall-off in April as many landlords had brought forward purchases to March. However, since May, Paradigm has seen this sector stabilise, with 4 months in a row of business that is comparable to the previous month. There is a noticeable drift towards Limited Company BTL as brokers and landlords plan ahead for the new tax regime, and where new lenders to this sector are catering for this type of borrowing, although there is still a place for amateur and first time landlords. With a new Chancellor and Housing Minister we anticipate a change in both sentiment and policy, and already note a change in emphasis as Gavin Barwell (in one of his first speeches) mentioned working with the Private Rental Sector as part of the solution to the housing crisis this country faces. Quite a departure from Mr. Osborne and hopefully, a positive signal of what is yet to come.

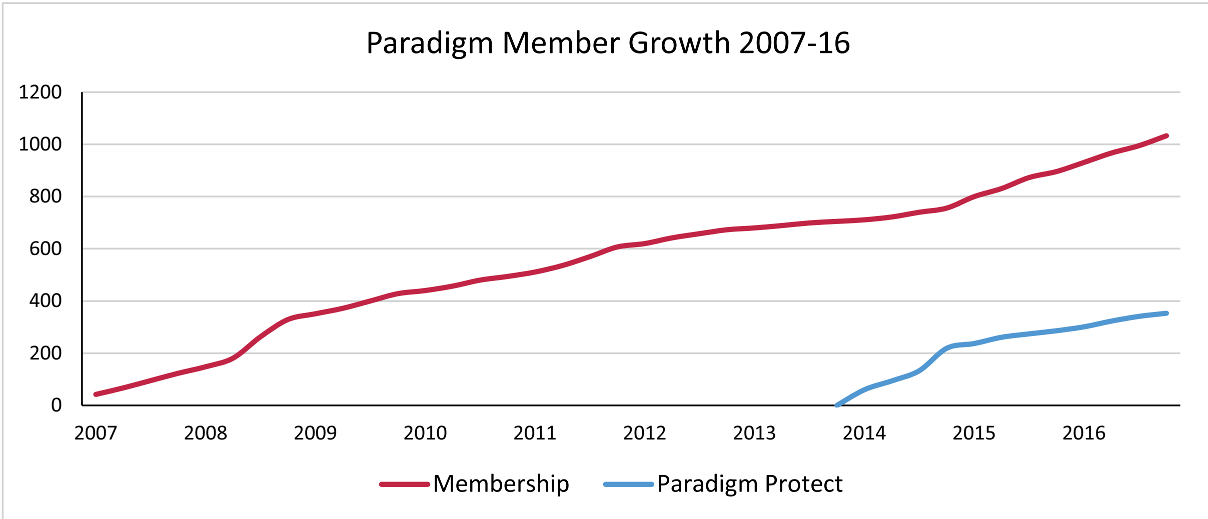
Looking ahead to 2017 and beyond, our view is that for 2017 we are likely to see growth continue at current levels, suggesting an estimated gross market of between £255 – £260bn. We see the market moving forward slowly in 2018 with growth of between 4-6% taking gross lending up to around £270bn. The good news is that through this period we see the intermediary share of market continuing to grow and move well beyond >70% of total lending we see today. This is despite the challenges of 'robo-advice' innovators who are gaining some publicity, though perhaps not that much traction at present. Intermediaries, however, need to mindful of this challenge, and others, and ensure that they embrace technology and what it can do for their business and how they interact with their clients.

2016 has been another year of growth for Paradigm Mortgage Services; although still not at the year-end, we surpassed last year's total of £3.5bn completions in September and are projecting to finish at around £4.75 – £4.8bn, a significant increase of c.37% over 2015. This follows on from growth in 2015 of 30% and 49% in 2014. These are outstanding results when set against growth in the intermediary market of 10-11% in 2016, and overall gross lending growing by c.6.5%. Intermediaries are once again proving to be the driving force in the lending market and our expectation is that channel share will continue to rise in 2017 and 2018. These results have been achieved through expanding our membership, developing our existing firms through training and workshops to help them write more business, staying on top of 'leakage' to other distributors and ensuring our service and proposition are always first rate. An example of our improving performance is shown in the increase in the applications to completions ratio. In 2015 the ratio was 64.3%, whilst for 2016 it is at 74.5%, an increase of 16.2% over the previous year.

In line with market changes, the product split of our business has altered this year. BTL has fallen from a peak of 31% during 2015 to a new level of 23% of total mortgage business. Residential remortgage share has also risen, with the balance coming mostly from mainstream purchase and BTL remortgage, with small amounts for equity release, bridging and second charge lending. For 2017 our expectation is that our BTL business will be maintained at this level , although we anticipate that Q1 2017 will be somewhat subdued as the PRA's influence begins to be understood, and Lenders introduce their revised cirteria, for example around mortgage interest coverage ratios.

There are many challenges facing the intermediary market as we move forward with Brexit and a new government, who have already announced the ending of Help to Buy. However, with more products available generally and specifically at 90%+, and the new build market growing healthily, there are plenty of positives. Additionally, we have seen the DA sector grow in strength these past couple of years as established firms move away from the Appointed Representative model and set up on their own. With our experience in dealing and supporting DA's we are ideally placed to help these firms grow and expand their businesses.

Paradigm's focus will continue to be two fold in 2017; 1) on improving the performance of our existing members, whilst 2) continuing to take on and support new member growth. In 2016 we have attracted 169 new member firms, bringing our total number to over 1060 DA firms. Throughout 2016 Paradigm exhibited at major nationwide mortgage industry events – including the Financial Services Expo. This has helped raise our profile and has also aided in bringing new firms to Paradigm; we now have an average of 16 new member firms joining Paradigm each month.



Paradigm's membership has grown substantially in the last 12 months, with 194 new members (net).

4.2 Paradigm Protect

When Paradigm undertook a review of the scale, mix and make up of protection sales generated by our member firms in 2013, the results indicated that they were collectively generating significant sales volumes, and critically the business being written was of the highest quality. Given the number and type of firms that form our membership, this was not surprising, however, we were not offering appropriate routes for the submission of this business via Paradigm. As such, the business was not being attributed to Paradigm prior to the launch of Paradigm Protect in 2014. In reviewing the MI this year it is evident that in less than three years, over 350 Paradigm firms are now placing in excess of £10m AP via Paradigm Protect; with an average case size of c.£700 AP. Given the rate of growth of Paradigm Protect, we anticipate that these numbers will grow substantially in 2017. This places Paradigm as a major distributor within this sector of financial services, although, as with other aspects of our business, our ambition is not necessarily to grow volume for volumes sake. We seek business of the highest quality and to achieve this, we seek firms with the highest professional standards. As with the whole of the Paradigm Group, business retention persistency rates are impressively high, something we know is of importance to our Provider partners.

At the launch of Paradigm Protect to the DA market, our key objectives were to:

- Deliver the most comprehensive range of Protection products and choices for our firms and their clients – this included a definitive “no loaded premium” stance
- Give intermediaries access to a higher quality support and associated product material, primarily via the Paradigm Protect website
- Provide ongoing training and development via seminars and all associated communication media
- Build a sustainable business model whilst offering intermediary firms market-leading terms and support processes

In a short space of time these key milestones have been achieved but there are significant opportunities to improve our proposition further in 2017.

4.2.1 Paradigm Protect’s website

The Paradigm Protect offering is communicated to all of our firms via emails, newsletters and branding on all Paradigm Group websites. Paradigm Protect’s profile is also raised externally via PR campaigns in appropriate trade publications and magazines.

It was always our intention to offer you a unique and comprehensive website, whether you're writing protection business already or wanted to improve your presence in this area. The intuitive website offers an unrivalled host of marketing and product information, with access to valuable research technology and compliance support.

The hit rates to our website reached an all-time high in 2016, indicating the popularity of our ever-increasing offering. We are continually looking to improve the site, and added significant content in 2016 including the launch of our proposition for Group Life. Given the developing opportunities in the auto-enrolment sector and the importance attached to IFAs in supporting SME firms, we created a new panel of providers to support Paradigm members in this area. We also enhanced the GI section of our website, where we recognised the importance of encouraging intermediaries to write, or at least refer, this kind of business. Indeed, the risks of letting clients venture onto comparison websites are great – not only are they likely to select a cheap policy that doesn't adequately cover them, but this also opens the door to losing their business on other products given these websites now offer everything from mortgages to ISAs, Life Insurance to Landlords Insurance. In an additional effort to support you, the Paradigm Protect website now also offers referral options directly from our website using a short online form to our trusted partners for both Private Medical Insurance and specialist GI.

4.3 General Insurance

2015 saw considerable strides in our understanding and knowledge of the types of GI business our firms were writing. We also know what support is needed to move into other sectors. Similar to the knowledge we had prior to launch of Paradigm Protect, we know that our firms write significantly greater volumes of GI business than we presently process, however this business is placed through different aggregators. Our aim in 2016 was to work on this and it has proved fruitful.

All GI business produced by Paradigm firms qualifies for rebate share, and as such the GI proposition is commercially compelling. We know that when we market sensible opportunities, sales will increase and with the successful addition of further Protection Products in 2016, we will continue to grow the GI proposition during 2017.

4.4 Equity Release

Year on year, there has been even more growth in the Equity Release (ER) market. Indeed, the Equity Release Council statistics show annual growth of £198m in ER lending between the first halves of 2015 and 2016 – the highest level seen for over a decade (£908m of lending in H1 2016 was up by 28% from £710m in H1 2015)[10]. There has been an overall trend of innovation in the market; more providers and products have come to market with the aim of supporting older borrowers and lending money to those of retirement age, making it a much more viable option for consumers[11]. Alongside this increased competition, there has been a significant decrease in the cost of these products to the consumer. This is demonstrated by the average lifetime mortgage rates falling further (24 basis points) than any other category of mortgage products during H1 2016, reaching 5.96% in July with many sub-5% rates available[12].

As before, Paradigm will continue, via its panel of Providers, to promote propositions to those amongst its membership who are appropriately qualified to give advice. Partner members who are not qualified will be given assistance in developing ER business services, and help in obtaining relevant qualifications, or support in working with our chosen referral partner, The Right Equity Release Ltd.

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10 The Equity Release Council, 'Annual equity release lending growth at a ten year high as product flexibilities grow' http://www.equityreleasecouncil.com/news/annual-equity-release-lending-growth-at-a-ten-year-high-as/, 27 September 2016
11 MoneyFacts, 'Equity release lending hits a new record', http://moneyfacts.co.uk/news/retirement/equity-release-lending-hits-a-new-record/, 01/08/2016
12 The Equity Release Council, 'Annual equity release lending growth at a ten year high as product flexibilities grow' http://www.equityreleasecouncil.com/news/annual-equity-release-lending-growth-at-a-ten-year-high-as/, 27 September 2016

4.5 Other Markets

It has never been as important as it is today that advisers maximise cross sales opportunities, and Paradigm will continue to support this by either assisting its advisers in the development of new competencies or via professional and fully vetted referral services. Although they are peripheral to core offerings, the collective value derived from services such as valuation and conveyancing, wills and legal services, specialist lending etc. should not be underestimated.

As mentioned in Chapter 3 – as part of our update on fraud prevention – we are presently working upon an exciting joint venture that will provide innovative new technology at the point of sale for financial advisers and will aid your, your clients' and your suppliers' experiences and processes. In addition, when this technology is brought to market it will help us substantially grow the scale of our business whilst ensuring we maintain our high recruitment and quality standards.

We are working on a number of collaborative initiatives, that we feel will help us to aid you and our suppliers' processes. This will help us substantially grow the scale of our business whilst ensuring we maintain our high recruitment and quality standards.