

When Protection Limits Flexibility: Tenants in Common & Lifetime Mortgages

Recently, I spoke with a widow who contacted me to explore whether equity release might be an option for her home. Much of her wealth was tied up in the family property, and her savings had been largely depleted after covering the funeral costs for her late husband. She hoped that a lifetime mortgage might offer some much-needed financial breathing space.

A lifetime mortgage is a form of equity release that allows homeowners aged 55 or over to borrow against the value of their home, often without making regular repayments if they choose to “roll up” the interest. Instead, the loan is usually repaid when the property is sold, typically following death or a permanent move into long-term care.

The difficulty for the widow was this: she and her late husband owned their home as tenants in common, with a will trust coming into effect on his death. As a result, half of the property now sits within a trust – and most lenders offering lifetime mortgages are unwilling to proceed.

Holding property as tenants in common is often used in financial planning. It can help ensure children inherit a defined share of a property and protect assets from the future care fees of the survivor – particularly in blended families where there are children from previous relationships. Because of these considerations, tenants in common is sometimes seen as the “safer” option. However, this approach is not without consequences, and these are not always fully understood at the outset.

The same structure that can provide an additional layer of protection can also reduce flexibility later in life for the survivor. Once a trust is reflected on the property title, many mortgage lenders – including those providing lifetime mortgages – will not proceed. This can significantly restrict access to housing wealth at a point when income and savings may already be under pressure.

In theory, a solicitor could prepare documentation assigning the full beneficial interest in the property to the surviving owner, which might allow a lifetime mortgage to be considered. However, this would require the agreement of all parties connected to the trust. In the widow's case, her late husband's children are unlikely to consent, leaving her with very limited options if she wishes to remain in her home. Even if she did decide to sell, she would only receive half of the proceeds, which would significantly limit her buying options.

This is not an argument against holding property as tenants in common. In many situations, it remains an entirely appropriate arrangement. But it should be a conscious, informed decision – not one that only reveals its drawbacks during an already difficult period of bereavement.

For advisers, this is where responsibility is critical. Clients often assume they will be able to access housing wealth later in life if needed, and it is essential that advisers are clear when that will not be possible – including where half of a property will sit in trust on first death.

For the widow I spoke to, her options are now severely limited, leaving her to manage financial stress while grieving her husband.