



Royal London Commentary

Worry families renting long-term are financially exposed

“Average national rents increased by 6.8% in 2021, compared to the first nine months of 2020, according to the latest Daft Rental Report.* This increase reflects a ‘weak supply’ of rental properties ‘in the face of very strong demand’ – with Daft reporting that at the start of November last year the national supply of rental properties was just 1,460, the lowest seen since its series reporting began in 2006. The disruption and building site closures that took place during the pandemic will likely put further pressure on Ireland’s already constrained property supply over the next few years. Those in long-term rental accommodation are particularly vulnerable to the impact of this lack of supply, which in turn is putting further upward pressure on rents.

“Both property-owners and those in long-term rental situations are at risk of the main earner’s untimely death due to illness or injury. However, families who are renting long-term can be significantly more exposed than their homeowners counterparts, as they are less likely to have financial protection in place to cover the ongoing cost of their accommodation. This is because when someone buys a property, they are generally required by the lender to take out a life insurance policy, known as mortgage protection. This insurance works by providing a lump sum payment to clear the outstanding mortgage if the policyholder passes away during the term of the policy. However, for families in long-term rental accommodation the situation can be quite different, as without the requirement to put insurance akin to mortgage protection in place, they can be left financially exposed.

“Over the past number of years, there has been a growing cohort of families and individuals in their 30s, 40s and 50s** who are renting long-term in Ireland. For this group of people, financial resilience and protection will become more important as they settle down and grow older, especially if they have children to look after. Long-term renters will be vulnerable if they experience an accident or serious illness as this could have a significant impact on the household’s ability to make ongoing rental payments. The CSO reported that the number of homeowners rose across the country in 2020***, as the impact of the pandemic saw more people eschew the vagaries of the rental market for the security – and potential space – of their own home. However, not all people renting will be in the position to become a homeowner in the future. That’s why we are encouraging long-term renters to review their financial capabilities and consider putting their own form of ‘Rent Protection’ in place by taking out a Life, Serious Illness and/or Income Protection policy.

“Putting financial protection in place can provide an important safety net as well as peace of mind for those who are renting long-term. People who are renting can take out life insurance, called Term Assurance, that works the same way that Mortgage Protection works for mortgage holders – by providing a lump sum payment if a policyholder passes away during the term of the policy. Long-term renters can also protect themselves by taking out Specified Serious Illness cover, which can help ensure that rent, or other outgoings, can be maintained should they get seriously ill. Families or individuals can also consider taking out Income Protection, which can provide a monthly income during the period that the policyholders may be unable to work due to illness or injury.

“If you are renting your home long-term, we would recommend speaking to a Financial Broker to find out more about the financial protection you can put in place to best meet your and your family’s needs.”

Commentary from Karen Gallagher, Royal London Interim Head of Proposition

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Notes to editor

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Sources

*The Daft.ie Rental Price Report, Q3 2021 –
<https://ww1.daft.ie/report/2021-Q3-rental-daftreport.pdf>

**National Economic and Social Council’s report on Homeownership and Rental: What Road is Ireland On? No. 140, December 2014 –
<https://www.nesc.ie/publications/homeownership-and-rental-what-road-is-ireland-on/>

***Irish Times, April 2021 - <https://www.irishtimes.com/business/economy/home-ownership-rises-across-state-as-numbers-renting-falls-1.4533381>

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