

Essentially Mortgages

Self-care for your mortgage and protection

Are BTL landlords ready for change?

Equity release rises again



Q2 2023

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Self-care for your mortgage and protection

As daffodils and tulips bloom across gardens around the country, the prospect of new starts – and better weather – can help lift people’s spirits. As part of your spring ‘self-care’ workout, it’s a great time to make sure your finances are on track.

Looking after number one

Self-care, according to NHS England, is about “*keeping fit and healthy, understanding when you can look after yourself, when a pharmacist can help, and when to get advice from your GP or another health professional.*”

It’s not so different with your finances. Getting everything in order can provide a huge boost for your peace of mind. And if something isn’t how it should be, knowing when to seek the advice of an expert is crucial for your self-care.

Mortgage

The mortgage market has been through a challenging period following the mini Budget last autumn, leading many to face difficulties re-mortgaging or making repayments. For most homeowners, the monthly mortgage costs are often the biggest regular outgoing, which makes them a prime target for a bit of ‘self-care’.



Protection

Likewise, protection is a vital part of ‘self-care’ because it provides the peace of mind that can underpin all your other financial decisions. Knowing that you are covered should you lose your salary, or that your family won’t suffer financial hardship once you are no longer here, helps many people sleep a little easier at night.

Support when it’s needed

To look after yourself and your finances, you sometimes need to speak to the experts. We’re happy to help!



Are BTL landlords ready for change?

With several major legislative reforms due to come into force, 2023 is set to be another eventful year for buy-to-let (BTL) landlords. What do they need to know about?

Renters Reform Bill

Of the scheduled legislative changes, it is the Renters Reform Bill that is causing most discussion (and disquiet) among landlords. Seen by many as the biggest overhaul of the private rented sector in decades, the bill proposes, among other things, to:

- End section 21 evictions
- Ban tenant notice periods of longer than two months
- Prevent blanket tenant bans
- Create a new landlord ombudsman and property portal

New EPC requirements

Another big upcoming change is an update to the rules on Minimum Energy Efficiency Standard (MEES) for privately rented homes in England and Wales. Currently, the MEES is an Energy Performance Certificate (EPC) rating of 'E'. From 2025, though, the bar will be

raised to a minimum of a 'C', with new tenancies affected immediately and the rules applying to all tenancies from 2028.

Licensing and tax

Local authorities have been broadening their rules in recent years to include standard, single-tenancy BTLs within the requirements for landlord licensing.

Another upcoming administrative task is the introduction of Making Tax Digital. This had been due to start for landlords from April 2023 but has now been delayed until 2026. When it does come into force, landlords with an annual rental income above £50,000 will need to file digital tax returns once a quarter rather than annually.

Capital Gains Tax

For landlords seeking to escape the new legislation by selling up, Capital Gains Tax (CGT) needs to be another consideration. Simply put, in most cases you'll need to pay CGT if you sell a rental property for more than you paid for it. Currently, the tax-free allowance is £6,000 per person (reduced from £12,300 for 2022-23), falling to £3,000 from April 2024.

Finger on the pulse

With so much happening (and scheduled to happen), we're here to help you make sense of it all. We can help make sure your property portfolio is well prepared for years to come.

Here to help – whatever the interest

Mortgage rates have settled somewhat since the uncertainty caused by the mini-Budget back in September.

With Bank Rate predicted to peak in the middle of the year, we'll continue to monitor developments in the mortgage market and are here to provide help and support, your best interests remain our priority. Wherever your property journey is heading, we'll help you navigate the market. Please do not hesitate to get in touch with any questions or concerns you may have. We can source the most suitable mortgage for your unique circumstances.



Protect your home against flooding

The Environment Agency estimates that 5.2 million homes and businesses in England are at risk of flooding. Unfortunately, many homeowners are oblivious to the risks of severe water damage. What protection do you need?

Wetter and wilder

The Met Office's UK climate projections show that climate change will cause more extreme weather events and sea level rises in the not-so-distant future. In 2023, spring has already brought snow and wintry showers to the UK, with flood warnings announced in parts of Derbyshire, Hampshire and Lincolnshire.

It is important that homeowners think about their protection and how they would respond to an extreme flood event. But research shows that some 12% of people have no idea whether they live in a flood risk area¹.

What is flood insurance?

The good news is that, in most cases, you don't need a specific flood insurance policy. Most buildings insurance policies cover flood damage up to the rebuild value of your home, while you can protect your belongings with contents insurance (insurers may provide cover for vulnerable properties through the Flood Re scheme.) If your home is fully protected and happens to be severely damaged by a flood, you'll be able to claim on your home insurance policy to pay for the necessary repairs and replace your personal possessions. Each policy is different, however, so it's always a good idea to check the details of your specific plan.

The Great British weather is predictably unpredictable

Flood risk

The Great British weather is predictably unpredictable. For homeowners, it might not be possible to control the elements – but you can make sure you have the right protection in place to lessen the damage should the worst happen.

¹Environment Agency, 2020

New-build premium leads to resell loss

One in eight new-build homes were resold at a loss in 2022, figures show², with new builds twice as likely to make a loss compared with older homes.

Because new builds are often sold at a premium, this can mean prices fall back to market rate when resold.

Flats make up more than four-fifths of loss-making sales, with experts saying the Help to Buy scheme is partly responsible for inflating prices.

²Hamptons, 2023

Sustainable home improvements delayed

Another impact of the UK's ongoing cost-of-living difficulties has been revealed: homeowners are delaying making improvements to the sustainability of their homes, according to the latest 'Greener Homes Attitude Tracker' from NatWest³.

On hold

More than a quarter of homeowners indicated they are less inclined to implement energy saving measures in the upcoming 12 months amid enduring financial concerns. In the three months to December 2022, the number of people looking to improve the sustainability of their home fell for the first time since the Green Home Improvements Index started in Q2 2021.

Some 71% of homeowners who do not plan to make modifications in the next decade cited the expense of the work as the single biggest obstacle.

Keeping it simple

The reduction in homeowners planning to make green improvements does not stem from people placing lower importance on energy saving. Instead, with budgets stretched, it is the simplest ideas that are at the front of people's minds. Indeed, installing a smart energy meter, one of the easiest measures, is the most popular choice for the next year.

³NatWest, 2023



Equity release rises again

Equity release is continuing to enjoy a spell in the sun, latest figures⁴ show, as an increasing number of older homeowners choose to borrow against the value of their home.

Up and up

Equity release allows over-55s to access some of the value of their home as tax-free cash. In total, homeowners used equity release to borrow £6.2bn in 2022, a 29% yearly rise. Since 2017, the market has more than doubled.

It's not only higher amounts being borrowed; there are now more individual equity release plans too. In 2022, 93,421 people chose to release wealth from their property, up 23% from a year earlier. The number of new equity release plans taken out also rose by a fifth.

Cost-of-living cause

The main reason for releasing equity is still to meet everyday spending needs. With household budgets stretched, equity release is a convenient choice for many older homeowners trying to keep up with rising bills.

Last year, more than half of new customers opted for lump sum plans, up from 43% in 2021.

The average lump sum received was £128,382 in the final quarter.

Improved products

The popularity of equity release also reflects recent improvements for consumers. For example, in March 2022, new regulation was introduced to guarantee that all new plans with Equity Release Council (ERC) approval give customers the right to make voluntary, penalty-free partial repayments to reduce interest costs. In addition, products meeting the ERCs standards are required to feature a 'no negative equity guarantee,' meaning your estate will never owe more than the property is worth when it is sold.

Choose carefully

Equity release might not be the best choice for everyone. When considering releasing equity, it is important to weigh up your options and make sure it is suitable for your unique needs. Get in touch today to see how we can help!

⁴Equity Release Council, 2023

What next for 'mortgage prisoners'?

The Financial Conduct Authority (FCA) has been reported to estimate more than a quarter of a million homeowners are trapped on mortgage deals because they don't pass current strict affordability tests or their administrators have become inactive.

Trapped

'Mortgage prisoners' often have interest rates as high as 8%, significantly above the current market rate. The majority took out a mortgage before 2008 at a time when lending rules were far more relaxed.

As a result, many 'mortgage prisoners' are no longer able to keep up with repayments. Campaigners are calling again for government action to free the prisoners from unaffordable deals.

A way out?

Despite the precarious situation faced by many, there can be options to escape such costly deals. Given the complicated nature of some of these arrangements, the best way to see if you can switch is to get advice from an expert.

It is possible you might be able to switch because revised provisions now allow lenders to conduct a 'modified affordability assessment.' Lenders can now waive some of the strict checks but only if they choose to.

Stay but switch

Another option that might be available to some 'mortgage prisoners' is to switch to a different deal with the same lender. Similarly, if your lender is part of a wider group, you might be able to find a new deal with an active lender in that group. Let's consider your options together.



Mortgage approvals keep falling

The number of mortgage approvals fell for the fifth month in a row in January, according to Bank of England figures, to reach the lowest monthly total since May 2020.

Fewer approvals

The Bank said that, excluding the pandemic and its immediate aftermath, January's total was the lowest for approvals since January 2009. Around 39,600 mortgages were approved for house purchase in January 2023, down from 40,500 in December. With mortgage approvals on the slide, what's the latest state of play for rates?

Stable rates

Having soared above 6% last September, lenders have recently been lowering the rates of five-year fixed deals below 4%. Although higher than a year ago, there is much more stability in these rates compared to the chaotic scenes that followed the 'mini Budget.'

With house prices still predicted to fall by the end of the year, mortgage approvals could pick up in the ensuing buyers' market.

Stick or twist?

Fixed-rate mortgages are great at providing certainty about what you'll pay. When rates rise, those with fixed deals are protected. The downside, of course, is that should rates start to fall then you could end up locked in at an above-average rate.

If you're looking to mortgage, or re-mortgage, we're here to help you through the complexities of the market to find the most suitable option for your unique needs.



Stick to the experts for protection advice

Social media influencers promote all manner of things, from phones to flights, restaurants and cars – and even protection policies. Taking financial advice from unqualified Instagrammers, however, can be a risky business.

Conduct crackdown

In 2022, the Financial Conduct Authority (FCA) warned financial firms about how they use influencers to promote their products on social media. With an abundance of adverts targeting online scrollers with financial advice (sometimes slyly, without revealing it is a paid ad), it is more important than ever to be vigilant.

All about you

When it comes to something as important as protection and insurance, you need to think carefully. Expert advice can take account of your personal circumstances, offer a range of options and give you the necessary time and support to make the best decision for your unique long-term needs.

In contrast, adverts fronted by online influencers rely on the personality and popularity of the influencer. This can result in consumers not being offered the most suitable products, not being given time to properly review quotes and lacking support throughout the whole process.

Listen to the experts

Advisers are qualified experts for a reason! We are here to help you make the best decision tailored to your unique situation – get in touch today.

Spring Budget rundown

On 15 March, Jeremy Hunt delivered his “Budget for Growth.” The three-month extension to the household Energy Price Guarantee (EPG), confirmed by the government on 15 March, is expected to help temper inflation over the coming months.

The Chancellor’s growth strategy focuses on four pillars ‘Everywhere, Enterprise, Employment and Education.’ Although specific housing measures were sparse, encompassed within the ‘Everywhere’ pillar, Mr Hunt spoke about the government’s plans for ‘Levelling Up,’ including the launch of 12 new Investment Zones. Across these “12 potential Canary Wharfs,” £80m of support per zone will be available for skills, infrastructure and tax reliefs. Mr Hunt also mentioned specific projects selected for local investment including £200m for local regeneration projects and £400m for new Levelling Up Partnerships across England. The government is consulting on transferring responsibilities to Local Authorities from April 2024, giving mayors greater financial autonomy to control investment in their areas, such as determining the strategic direction of the Affordable Housing Programme.



*Budget
for Growth*

“Planning plays such an important role in shaping our neighbourhoods”

In addition, £1m was pledged to recruit and train more skilled planning professionals by councils with the ultimate goal to develop the talent to create better neighbourhoods that people are proud to call home. Rachel Maclean, Minister for Housing and Planning commented on the initiative, “*Planning plays such an important role in shaping our neighbourhoods, making sure we have the right housing and infrastructure to*

level up the nation. It is essential that our planning authorities have the skills and resources they need and today’s funding will make sure the sector is better equipped to deliver a quality service for local communities.”

Acknowledging the difficulties encountered by housing developers seeking to deliver housing on protected sites with high levels of nutrient pollution, the Budget pledged additional support to ensure the delivery of nutrient neutrality obligations.

Important information: We have updated our Privacy Policy to better explain how we keep and use your information to profile groups based on factors like interests, age, location and more, so we can better understand our customers, to adapt and improve our products and services. To find out more, please read our Privacy Policy online.

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