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Your **Home Finance** Autumn Q4 2023

Mortgage Charter provides relief

A helping hand for mortgage holders was announced during the summer by Chancellor Jeremy Hunt with a view to providing support to residential mortgage customers suffering from rising interest rates.

Three-part plan

The Mortgage Charter has three key elements:

1. Anyone can talk to their bank or mortgage lender for information and support, and this will have no impact on their credit score
2. People can choose to swap to an interest-only mortgage or extend their mortgage term, with the option to switch back to their original mortgage deal within six months with 'no questions asked' and no impact on their credit score
3. Customers won't be forced to have their homes repossessed within 12 months of their first missed payment.

More flexible

Further flexibility relates to customers approaching the end of a fixed-rate deal. Under the new Mortgage Charter, customers will be able to lock in a deal up to six months ahead and still apply for any better deals that are available right up to the start of their new term.

Affordability checks will be waived for those switching to a new mortgage deal if they are up to date with their payments when their fixed term ends.

"Comfort for the anxious"

In the Foreword to the Charter, Jeremy Hunt commented, *"These measures should offer comfort to those who are anxious about high interest rates and support for those who do get into difficulty. As we have consistently shown through the pandemic, and the consequences of the war in Ukraine, we will always be on the side of households."*

Nikhil Rathi, Chief Executive of the Financial Conduct Authority said, *"This Charter builds on the work we and lenders have done over recent years to ensure those who get into difficulty receive the support they need. The additional commitments from signatories provides customers with clarity and certainty on how they can expect to be treated."*

Your safety net

When faced with the unpredictability that life brings, it is comforting to have the support of protection cover.

Increased household bills, mortgage and rent costs, mean that protection is more important than ever right now but, in response to these challenging conditions, some households are considering reducing their level of protection – leaving themselves vulnerable to financial shocks.

It may seem tempting to save a few pounds by cancelling or postponing taking out cover but there is a risk that, should the worst happen, you will be left in a difficult financial position. Have you considered how you would be able to afford your monthly outgoings if your family were to lose the income of the primary earner through death or illness?

Unique needs

Protection is an essential part of long-term financial planning for everybody. Having the right insurance cover for your unique needs is an indispensable financial safety net for you and your loved ones.

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As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments

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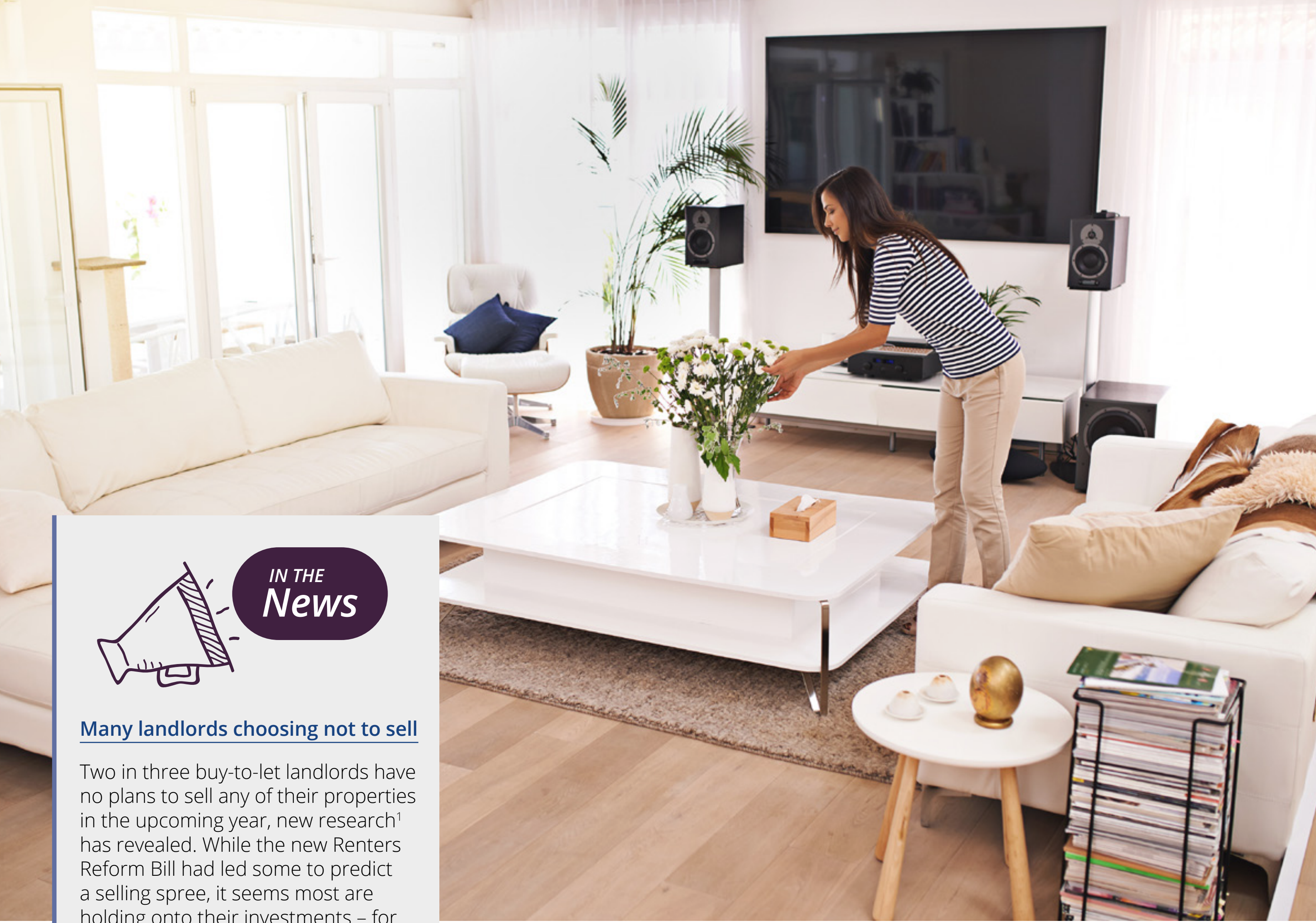

IN THE **News**

Many landlords choosing not to sell

Two in three buy-to-let landlords have no plans to sell any of their properties in the upcoming year, new research[1] has revealed. While the new Renters Reform Bill had led some to predict a selling spree, it seems most are holding onto their investments – for now. Those with a single property (75%) and those with two or three (69%) are most likely to hold onto all their properties. In a turbulent market, rising interest rates are the main motivation for six in 10 landlords who intend to sell, a 15% jump on the previous survey. Nearly half claim that the rent they charge no longer covers their mortgage costs.

Transaction delays

More than half of people selling a property in the last year experienced delays, a survey[2] has shown, with one in five seeing their transaction collapse. For more than six in 10 sellers, moving home within their timeline was an important factor when entering the market. Almost four in 10, meanwhile, believed that the requirement to provide information on their property at various points during the process contributed to the delay.

[1]Landbay, 2023, [2]Moverly, 2023

New builds command premium

New-build properties remain overwhelmingly popular despite a small drop in the number of starts in the past year.

New home starts slip

Work was started on 137,800 new-build homes in England during the 2022–23 financial year to the value of £55bn[3], which represents a 1.4% year-on-year decline.

Generally, a new-build house or flat is counted as a 'start' from the moment on-site construction begins. For example, when the foundations are laid for a block of 100 flats, that is counted as 100 'starts.'

New-build premium skyrockets

The average new-build house price, meanwhile, rose by 13.8% on an annual basis.

A separate study has shown that, with the average new build now valued at £425,186, the premium commanded by new homes currently sits at 52%. This astronomical difference follows a 20% increase in the premium over the course of the last year alone.

London leads the way

Regionally, the annual change in the number of new build starts ranges from a 13.4% increase in London to a 14% drop in Yorkshire & Humber. In terms of price growth, the South West (16%) and East Midlands (15.9%) were out in front, with London (9.3%) recording the lowest growth.

[3]Sourced Franchise, 2023

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Home insurance claims

Home insurance offers protection against the most likely things that can go wrong in your home. While we often think of outside threats like theft or fire, a new study[4] has shown that more claims result from clumsiness than malice.

Accidents happen

Accidental damage and escape of water are the most common reasons people claim on their home insurance, the study found.

Of 76,518 claims made last year, accidental loss or damage at home accounted for more than a quarter, with escape of water making up another quarter of claims.

Accidental damage is defined as sudden and unexpected damage to property or contents by an outside force. This label is wide reaching, spanning everything from staining a carpet to drilling through a pipe.

What else?

Other reasons for claims included storm damage (13%), theft (7%) and accidental loss or damage away from home (7%). The least common reasons to claim included leakage of oil (108), property owners' third-party liability (10) and arson, which recorded just seven incidents.

Come what may…

However careful you are, it is a fact of life that accidents happen. When damage occurs, having the right home insurance in place to cover it provides crucial peace of mind. We can help you find the best protection for your circumstances.

[4]GoCompare, 2023

BOMAD do their bit

The Bank of Mum and Dad (BOMAD) is being called upon to help with more than just a house deposit these days. As more parents and grandparents reach deeper into their pockets to help their offspring, it is vital not to compromise your own financial security.

Mortgages and more

One in four parents with assets (including property) in excess of £250,000 is helping grown-up children cover rising mortgage bills, research[5] suggests. Remarkably, almost four in five are stepping in to support with other everyday costs.

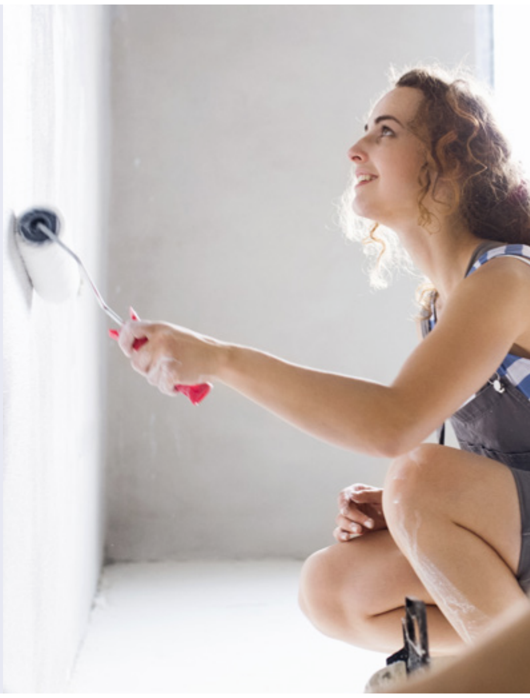
While BOMAD has long been a reliable contributor towards house deposits for many, the latest figures show 20% of parents now helping to cover shortfalls in their children's rent.

Be wary

Every parent wants to help their children as much as possible. However, it is important not to spread yourself too thin.

Worryingly, the research shows that one in five parents has sacrificed their own financial stability for the good of their children. This could be through reducing pension contributions, selling other assets or taking equity from property.

[5]Saltus, 2023



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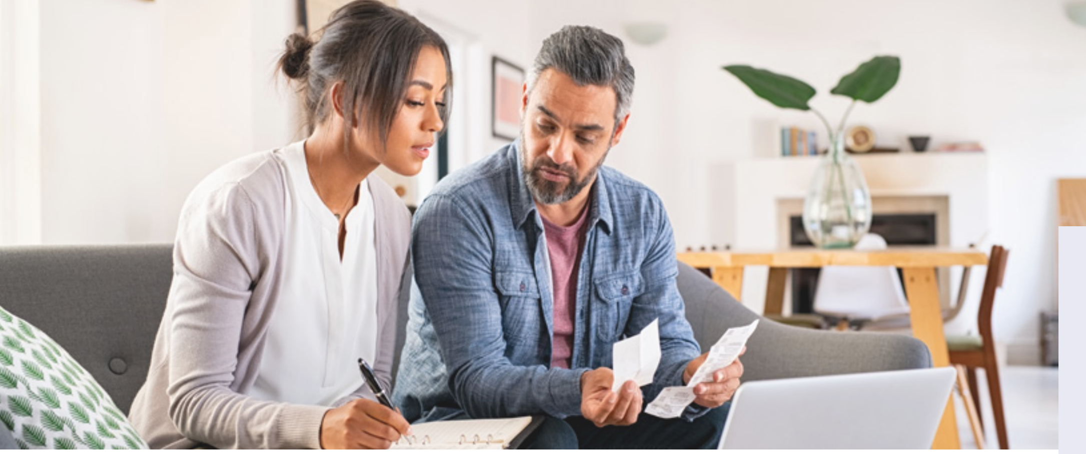

Mortgages – keep calm

After successive Bank Rate rises, the cost of a mortgage hit a 15-year high in July. In unpredictable and unsettling times, here are some ways for mortgage holders to keep a cool head.

Help is available

If you're worried about your mortgage payments, in the first instance, seek help from your lender, to come up with a payment plan to help you get back on your feet. Repossession is a last resort; in the first three months of this year, only 750 homes and 410 buy-to-let properties were repossessed[6]. The best thing to do is communicate with us early if you are finding it hard to keep up with costs.

Careful stress tests

When we send lenders a mortgage application, they check whether your finances will be able to withstand higher interest rates. Lenders are testing applicants more stringently to make sure they would cope with interest rates of 8% or 9%.

Room for manoeuvre

In difficult economic conditions, existing borrowers are finding new ways to mitigate the higher bills. Examples include extending the term of their mortgage, which can reduce the burden now but will ultimately result in more being paid back in total. First-time buyers are seeing their plans change too. Options to navigate the rising rates include putting down a larger deposit or buying a smaller property.

Job security and protection are key

A positive economic indicator has been the jobs market, which has remained resilient throughout the past year. Lenders say the most common reasons for people falling behind on mortgage payments generally involve life-changing events such as a job loss or serious illness, highlighting the importance of protection policies such as income protection or critical illness cover.

Unpredictable rates

According to the Bank of England, one million people will see their mortgage bill rise by more than £500 a month by the end of 2026. As has always been the case, however, mortgage rates fluctuate in relation to other economic factors. For example, rates offered by many big lenders fell significantly in August after official inflation figures came in lower than expected.

And above all else…

Keep calm and call us.

[6]UK Finance, 2023

Interest-only on the up

The number of searches relating to interest-only mortgages soared by 53% in June, as borrowers sought out ways to lower their monthly expenditure.

More interest in interest-only

Research[7] shows that 'interest-only mortgages' was the most common search term in August, ahead of other staples like 'buy-to-let' and 'fixed-term'.

The jump is likely to be linked to the government Mortgage Charter launched in that month to support homeowners. As a result, many borrowers now have the choice to swap to an interest-only mortgage for up to six months, if needed.

Here to talk

In turbulent economic conditions, there is lots of help available if you are struggling to keep up with repayments. Get in touch today to see how we can help.

[7]L&G, 2023

If you would like any advice or information on any of the areas highlighted in this newsletter, please **get in touch**.

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It is important to take professional advice before making any decision relating to your personal finances.

Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK. We cannot assume legal liability for any errors or omissions it might contain.

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Information is based on our understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from taxation are subject to change.

A mortgage is a loan secured against your home or property. Your home or property may be repossessed if you do not keep up repayments on your mortgage or any other debt secured on it.

Tax treatment is based on individual circumstances and may be subject to change in the future.

All details correct at time of writing (September 2023).