MARKLAND HILL WEALTH

INDEPENDENT FINANCIAL ADVISERS

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Your Window on

Home Finance

SPRING 2021

Positive signs for the property market

There's no doubt that 2020 was a difficult year and 2021 is likely to have its own set of challenges. However, with the vaccine programme giving us hope and the property market booming, there are signs of better times to come.

Recent data[1] shows that overall mortgage availability rose by 42% between October 2020 and February 2021 to 3,215. This is the highest number of products on the market since March 2020 (5,222) and marks the highest four-monthly increase recorded in 13 years.

High LTV mortgages returning

First-time buyers have had a rough deal during the pandemic, with mortgages for those with smaller deposits initially disappearing from the market. However, positive changes in recent months have seen the number of 90% LTV mortgages – for buyers with a 10% deposit – jump to 248 in February from January's figure of 160. This represents a significant 386% growth in availability since October 2020.

Negative interest rates on the horizon?

Despite the Bank of England holding the UK base interest rate at its record low of 0.1% in February, banks have been told to be ready for the possibility of negative interest rates within six months. Negative interest rates, if they happen, are unlikely to be passed along to mortgage holders, but this does mean that mortgages look set to remain highly competitive for the foreseeable future – great news for those looking to buy or remortgage.

Shifting priorities

The pandemic has also resulted in borrowers re-evaluating what's important to them when it comes to choosing a mortgage provider and a place to live[2]. Flexible lending criteria are now a higher priority for customers, according to 79% of brokers, most likely due to the negative financial impact of COVID-19. Over half of brokers also say homebuyers are prioritising bigger houses to make room for home offices and a third say that customers are looking to move out of the city to a more rural area.

Get in touch

Spring is the ideal time to review your mortgage, so get in touch and we can help you assess all the options available to you, including whether you have sufficient life insurance in place.

[1]Moneyfacts, 2021, [2]Masthaven Bank, 2021

How your front door could add value to your home

With the pandemic and Stamp Duty holiday causing a stampede to move home, canny sellers have been keen to add as much value to their property as possible.

So, they might be interested in new research[3] which has discovered a little-known way of increasing the value of your home: door colour.

Lockdown blues

According to the study, you can beat those lockdown blues with a blue door, which can add an astonishing £4,000 to your house value. Next most valuable is a white door, adding an average of £3,400, with red doors coming in third place at £1,800.

Making a good first impression

Interestingly, the study also consulted an environmental psychologist to gauge the impact of door colour on buyers. He commented, *"The colour of your front door can influence a buyer's initial perception. Our eyes are drawn to entrance points, so a front door is often one of the first things you notice."* Keen to sell this spring? Your front door could potentially make the difference between a quick sale or months of waiting. Get your paintbrush out!

[3]Sellhousefast.uk, 2020

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

INSIDE THIS ISSUE:

What did the 2021 Budget have to say about housing?

Rishi Sunak stood up on Wednesday 3 March to give his highly anticipated Budget speech to the House of Commons. While other coronavirus support measures were first on the agenda, the Chancellor's speech also revealed some important housing measures.

Extension of Stamp Duty holiday
The Chancellor announced a three-month extension of the temporary £500,000 nil rate band for Stamp Duty Land Tax (SDLT) to 30 June 2021, followed by an interim £250,000 SDLT threshold for a further three months to 30 September. The government has been under intense pressure from the property sector to extend the tax break due to severe delays in the transaction process (a result of the huge demand caused by Mr Sunak's original announcement in July), which have left many buyers at risk of missing the original 31 March deadline through no fault of their own. The regular £125,000 SDLT threshold will return from 1 October 2021. In Wales, the Land Transaction Tax (LTT) temporary tax reduction has been extended to 30 June 2021.

Guarantee on 95% mortgages
Mr Sunak announced a new government guarantee on 95% LTV loans, to give lenders the confidence to offer loan finance to homebuyers with a 5% deposit. While small deposits are a hallmark of first-time buyers, the scheme is not limited to this group; nor is it restricted to new build properties and is available to all borrowers on properties up to the value of £600,000. Commencing in April 2021, the scheme will be available for all new mortgages up until 31 December 2022.

Ask the experts
Whether you're looking to get your transaction over the line by the new Stamp Duty holiday deadline or are interested in the new guarantee on 95% LTV mortgages, we're here to advise you. We can guide you through your options and find a mortgage that suits your circumstances.

Key Points *Spring Budget 2021*

Job support

- Furlough scheme extended until 30 September 2021 - the government will continue to pay 80% of employees' wages up to £2,500 a month until the end of June, employers then pay a 10% contribution in July, rising to 20% in August and September
- The Self Employment Support Scheme also extended until the end of September.

Business support & taxation

- A new 'Recovery Loan Scheme' replacing previous emergency government funding to support businesses, offers loans between £25,000 and £10m up to 31 December 2021 (government provides an 80% guarantee)
- A new 'Restart Grant' scheme provides retail, hospitality, accommodation, leisure and personal care firms up to £18,000, and non-essential retailers £6,000
- Business Rates Relief for retail and hospitality firms has been extended for three months to 30 June 2021, with a two-thirds discount available until 31 December 2021
- Headline rate of Corporation Tax will rise from 19% to 25% in April 2023; a tapered rate will be introduced for profits above £50,000, so that only businesses with profits of £250,000 or more will be taxed at the full 25% rate, businesses with profits of £50,000 or less will continue to be taxed at 19%
- To encourage business investment, a temporary 'super-deduction' tax incentive scheme will cut companies' tax bills by 25p for every £1 they invest, by providing allowances of 130% on qualifying investment in new plant and machinery, from 1 April 2021 to 31 March 2023
- VAT 5% reduced rate for tourism and hospitality sectors extended until 30 September 2021, followed by an interim rate of 12.5% for six months.

Personal taxation, wages and pensions

- From 6 April 2021 Personal Allowance increased to £12,570 and the Income Tax higher rate threshold increased to £50,270, both thresholds will remain at these levels until April 2026
- National Insurance threshold increased to £9,568 from 6 April 2021, the Upper Earnings Limit will be £50,270
- Inheritance Tax nil-rate band remains at £325,000 and residence nil-rate band at £175,000, until April 2026
- Capital Gains Tax annual exemption remains at £12,300 for individuals and £6,150 for most trusts
- Lifetime Allowance for pensions remains at £1,073,100 until April 2026, the Annual Allowance remains at £40,000
- New single-tier State Pension increased to £179.60 per week in April 2021, the older basic State Pension increased to £137.60 per week
- ISA (Individual Savings Account) allowance remains at £20,000 for the 2021/22 tax year
- JISA (Junior Individual Savings Account) allowance or Child Trust Fund annual subscription limit remain at £9,000 for the 2021/22 tax year
- National Living Wage increased to £8.91 per hour from April 2021 and will include those aged 23 and over.

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The best time to sell your home

We're all relieved that spring is here – it's been a long, difficult winter. But for sellers, there's some good news: spring to early summer has historically been the best time of year to put your house on the market[4].

Where flowers bloom, so does hope
Spring is traditionally an optimistic time of year, buoying buyers to participate in the market. In many ways, although this year has been different, there are sparks of hope and positivity, so with optimism in the air, why not consider your options?

Regarded and proven to be the optimum time for selling your home as gardens are coming into bloom, the milder weather in spring draws more people out house hunting and the brighter light helps properties to look their best. An increase in competing buyers may also prompt a potential bidding war.

As we enter the golden season for home sellers, if you're looking for mortgage advice, please get in touch, we can help you get moving this spring.

[4]The Advisory, 2020

Are you unwittingly invalidating your home insurance?

One in four UK households have no home contents insurance whatsoever, a situation made worse by the pandemic, as many people tighten their financial belts.

Even if you are insured, you may not be aware that there are several ways to potentially invalidate your policy, leaving your precious possessions at risk. Here are some surprising ways you could invalidate your home contents policy:

Leaving your home unoccupied
Many people have been forced to leave their home unoccupied during the pandemic due to moving in with relatives or getting stuck abroad. Your policy will usually limit the number of days you can leave your home vacant (typically 30, although fewer in winter due to the risk of freezing pipes and flooding). If you plan to be away from home for longer, it's important to contact your insurer to discuss the available options.

Renovating your home
Whether or not your home insurance is affected by renovations usually depends on the scale of the work. Small renovations such as redoing your kitchen or bathroom are unlikely to impact your policy, but you should definitely talk to your insurer if you're carrying out extensive work, for example a loft conversion or structural alterations.

Using your home for business
During the pandemic, we've increasingly been working from home. For office-based workers, the ABI has stated that remote working won't affect your home insurance. However, if you've switched to using your home as a business premises, for example to keep business stock or receive clients, you will need to speak with your insurer.

If in doubt, talk it out
A good rule of thumb is to discuss any changes in circumstances with us. We will be able to tell you whether they'll affect your policy. Meanwhile, if you're looking to find a competitive home insurance policy or to update your cover, we can help.

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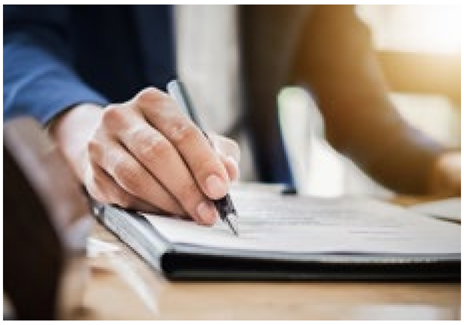
Sorting out your mortgage during divorce



Divorce can be an incredibly stressful time for couples and the financial impact it can have only adds to the pressure. The number of couples getting divorced surged by almost a fifth in 2019[5]. Although data for 2020 has not yet been released, after the strains of the last year or so, unfortunately it would hardly be surprising if this is a trend we see continue as we progress through this year.

Many family lawyers are predicting a post-lockdown divorce boom. In fact, according to Citizens Advice[6], visits to its divorce webpage were 25% higher in the first weekend of September 2020, compared with the same period in 2019.

Dividing the family home
For couples who own their home, one of the biggest decisions they face is what to do with the property. There are several routes you can take:

- **Selling your home and dividing the proceeds** – you may both be able to afford another home using your half of the profits
- **One partner buying the other out** – if it is affordable, one partner could purchase the other partner's share in order to take ownership of the entire property
- **Keep the ownership of the property unchanged until a later date** – you might choose to keep the property under both your names and sell up once your children have left home, for example.

What if we can't decide?
If you can't agree on the best course of action, then a court will decide for you. The courts place the wellbeing of any children at the heart of their decision and will choose the option that causes as little disruption to their lives as possible.

Helping you move forwards
If you are looking for a new property following a divorce, we're here to assist you in getting the most suitable mortgage for your circumstances. We understand the stress divorcing couples will be under and are here to make the process as straightforward and streamlined as possible.

[5]ONS, 2020, [6]Citizens Advice, 2020

Could you save money by remortgaging?

Homeowners could reduce their monthly mortgage payments by an average of £169 in 2021 by remortgaging at current interest rates, according to research[7].

Back at the beginning of the pandemic, Bank of England (BoE) slashed its base rate to a record low of 0.1% to mitigate the pandemic's impact on the economy. While disappointed savers saw their interest cut to almost nothing, homeowners have potentially stood to benefit.

Households aim to reduce spending
According to the research, the economic fallout of the pandemic means that many homeowners (70%) are looking to cut costs this year. And yet, despite today's current low interest rate environment and the significant cost of mortgage outgoings, an astonishing 89% of homeowners haven't considered remortgaging as a way of reducing their spending.

Instead, they tend to focus on smaller cost-cutting exercises, such as reducing takeaways (60%), switching energy provider (33%), or cutting out takeaway coffees (29%).

Remortgage myth-busting
According to the study, there are some common reasons why homeowners shy away from the remortgage process, including:

- It's too daunting/stressful – 25% of homeowners think that remortgaging is too stressful an undertaking. However, we can search for the most suitable mortgage for you and your circumstances, break down the process into easy steps and liaise with your lender on your behalf
- I'm happy with my current rate – 51% of respondents said they're already happy with what they're paying – but what if they could be paying even less? With the study calculating an average annual saving of £2,000, maybe it could be worth considering your options?
- It takes too long and I don't know where to start – we work with our clients to drastically cut the time they have to spend on the remortgaging process. From searching out the most suitable mortgages, so you don't have to, to communicating with lenders, we can minimise the time and effort you have to spend on the remortgaging process.

So, get in touch
If you're looking to remortgage or would like to but don't know where to start, just get in touch. We can explore your personal circumstances and assess whether remortgaging could benefit you.

[7]TSB, 2021

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It is important to take professional advice before making any decision relating to your personal finances. Information within this newsletter is based on our current understanding of taxation and can be subject to change in future. It does not provide individual tailored advice and is for guidance only. Some rules may vary in different parts of the UK; please ask for details. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change. The information contained within this newsletter is for information only purposes and does not constitute financial advice. The Financial Conduct Authority does not regulate commercial buy-to-let mortgages.

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