Surrey Downs Financial Services

Surrey Downs Financial Services Limited
Sandy Farm Business Centre
The Sands . Farnham . Surrey
GU10 1PX

T: 01483 338 678
W: www.surreydowns-fs.co.uk

Your Window on

Home Finance

WINTER 2021

Property market – the latest

When the property market reopened in mid-May last year, pent-up demand, combined with many people reassessing their housing needs following lockdown, led to a surge in buyer demand. Demand was further bolstered when, in July, the Chancellor announced a Stamp Duty holiday, during which the first £500,000 of most residential property purchases in England and Northern Ireland would be duty-free, until 31 March 2021.

Housing market activity robust towards the end of 2020

According to the latest figures from Nationwide, house prices rose by 0.9% in September and 0.8% in October, taking the annual growth figure to 5.8% in October, the highest rate since January 2015.

Nationwide also reported that a total of 91,500 mortgage approvals were granted in September, which is well above the August figure of 84,700 and represents the highest level since September 2007.

Elsewhere, Zoopla reported the size of the home sales pipeline to be 50% bigger than in the same period of 2019, with 140,000 more buyers rushing to buy a home before losing out on the Stamp Duty holiday.

Mortgage payment holidays

The mortgage payment holiday scheme had been due to end on 31 October, but when a second national lockdown for England was announced last November, the scheme was extended, allowing borrowers who had not yet applied for a mortgage holiday to ask their lenders for a repayment break of up to six months.

Mortgage protection is important

If 2020 taught us anything, it's that the unexpected can happen and being prepared is key to ensuring our loved ones are financially secure. This includes mortgage protection cover – ensuring you have the right cover in place should be a priority for 2021.

We can help with your mortgage search and more

Finding a suitable mortgage and the right protection cover can be challenging, particularly in the current climate, but we can help. We can assess a wide range of mortgages and protection policies and advise on which best suit your circumstances.

How much space can £231k buy you?

The increased time spent at home has prompted many of us to reflect on our living space and contemplate moving. Yet the amount of space you can get for your hard-earned cash varies widely by region.

A study[1] has revealed that, based on the UK's average house price of £231,000, the West Midlands is the UK region with the most living space. Many properties in this region have around 30% more space than average at 104.92 sq m. Buyers can also expect to benefit from a higher-than-average number of bedrooms for their money, averaging 3.02 against the UK's 2.64. Northern Ireland takes the top spot with an average of 3.26.

London offers poorest value

Meanwhile, those buying in Greater London can expect the smallest living space, at a tiny 45.74 sq m on average, with some properties measuring as low as just 21 sq m. House buyers are also less likely to have a garage or utility space compared to those in the West Midlands.

Outside the capital, South East residents are only able to buy an average of 62.91 sq m. for their £231,000, while those in Scotland can expect 72.31 sq m.

[1]Space Station, 2020

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INSIDE THIS ISSUE:

New parking scam

Fraudsters have been pocketing cash in a recent online scam by renting out parking spaces and driveways that don't belong to them. One website, which lists vacant parking spots to other drivers, unknowingly listed locations advertised by scammers and in some cases, owners have returned home to find cars parked in their private parking spaces. It isn't straightforward to remove a car parked on your property as legal loopholes make removal very difficult.

Faults found after moving-in day

Research[2] has found that more than three-quarters of Brits (77%) have found a fault after moving into their new home. The most commonly missed faults are damp or mould (24%), poor electrics (22%), poor plumbing (20%), cosmetic issues with walls, ceilings or internal fixings (19%), and poor or no central heating (18%). It's important to have a survey before purchasing a property as the average cost of putting the defects right is around £5,000.

Family financial support continues

Over half (56%) of first-time buyers aged under 35 receive financial support, averaging £19,000, from the Bank of Mum and Dad (BoMaD) to help them get onto the property ladder[3]. BoMaD continues to play a major part in the housing market, with 71% of BoMaD funded homeowners saying they wouldn't have bought without financial support and instead would have delayed their home purchase plans by an average of four years.

[2]Compare the Market, 2020

[3]Legal & General, 2020

Equity release market shows signs of recovery

The equity release market is gradually showing signs of recovery following the initial lockdown last spring, although activity is still below the previous year's levels. A total of £963m of equity was released in Q3 2020 by new and returning customers, according to data from the Equity Release Council (ERC), up 38% from Q2 but down 3% from Q3 2019.

The number of new equity release plans agreed increased 41% to 10,351 from the previous quarter, with September being the busiest month. The improvement was likely influenced by extended pipelines, as some plans that might otherwise have been completed earlier in the year bore fruit in Q3. However, the ERC added that the number of new plans remained 9% down year-on-year and Q3 2020 was the quietest for new customers (after Q2 2020) since Q1 2018.

Similar trends were also found among returning customers, with 6,697 customers returning to take extra drawdowns from their agreed reserves. This was up 19% from the previous quarter's 5,608 but still down 30% from the 9,605 seen a year earlier.

Future expectations

Looking further ahead, David Burrowes, Chairman of the ERC, said that the key market drivers remain in place, *"People are living longer and retirement finances are increasingly squeezed as generous final salary pensions edge further to extinction. Many older households are already facing a situation where their expenses outweigh their disposable income, which makes access to property wealth an important pillar to support later life living standards."*

We're here to help

Equity release won't be the right choice for everyone and it's important to consider your options carefully. If you would like to know more about the choices available to you, don't hesitate to get in touch.

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Mortgage ready in 2021, know your A, B, Cs and Ds

Here's a quick reminder of your mortgage ready tips for the year ahead:

Advice - Choosing the right mortgage deal can be a challenge, which is why we're here to advise and support you throughout the process and help you find the right deal for your circumstances.

Budget and Be prepared – Go through your bank statements to see how much you have coming in each month and how much you're spending. Close or cancel any accounts, subscriptions or memberships you don't need. Before applying for a mortgage, be prepared, have all the correct documentation ready, including utility bills, your passport or driving licence, P60 from your employer, the last three months' payslips, three to six months' worth of bank statements or, if you're self-employed, a statement of two to three years' accounts from an accountant and tax return form SA302.

Credit score - The higher your credit score, the more likely you are to be offered a competitive mortgage deal. Improve your credit score by checking you're registered on the electoral roll, paying your bills on time, and paying off your credit card balance monthly.

Deposit and Debt - To increase your chances of being offered a mortgage on favourable terms, save as much as you can for a deposit before you apply. Open a dedicated savings account with a competitive interest rate to help. Lenders will look at how much debt you have, including whether your current account is in credit. They will also look at whether you are only making the minimum repayments each month as this can indicate you're living outside your means. Get your debts paid off to stand you in good stead.

Go green in 2021 with a grant

Launched in September 2020, the Green Homes Grant is a government scheme that allows homeowners in England to claim vouchers of up to £5,000 to help pay for energy-saving home improvements. Examples include insulating your home to reduce your energy use or installing low-carbon heating to lower the amount of carbon dioxide your home produces.

For most, the vouchers will be worth around two-thirds of the cost of energy-efficiency improvements, but fuel-poor and low-income households can qualify for grants of up to £10,000 to cover the entire cost. The initiative is a £2bn investment as part of a wider government plan to cut carbon emissions. In November, the existing 31 March 2021 deadline for completion of qualifying improvements was extended until 31 March 2022.

How many will benefit?
According to a poll[4], 62% of homeowners have expressed interest in the scheme, yet a limited number of vouchers are available. Those with poor energy efficiency measures in their property are more likely (66%) to be very or fairly interested in the scheme, although more than half of those who own or rent one of these inefficient homes said they hadn't heard of the grant.

The scheme is only open to homes in England, but those living in Wales, Scotland or Northern Ireland can take advantage of other schemes that offer financial support towards making homes more energy efficient.

Scams warning
Additionally, consumers are being warned to watch out for scams, following reports that some homeowners had received calls, emails and texts telling them that they were eligible for the grant just days after the new scheme was announced by the government. Some scams have also claimed to offer specific energy-saving measures such as insulation. Scams can be reported to Action Fraud online or by phone, and you can also contact us for guidance.

[4]Energy and Climate Unit and YouGov, 2020

Is your loft a gold mine of undiscovered treasures?

Most houses have at least a little clutter lying around. Maybe a few old schoolbooks circa 1960, or some of the children's old teddies; lofts and cupboards across the country are full of what optimists might call 'keepsakes' and what others would label 'junk'.

Over the years, some priceless artefacts have been uncovered in the homes of unsuspecting residents. A tatty wooden box, used by an elderly man as a TV stand, was discovered when his house was being cleared out following his death. It turned out to be an ancient Japanese Mazarin Chest valued at an incredible £6.3m! An array of very rare rugby memorabilia and kit from the turn of the 20th century, including an England shirt from the inaugural game in Twickenham in 1910, was found in a dusty box by the great grandson of rugby player and WWI hero Charlie Pritchard. The priceless items are currently on loan to the World Rugby Museum.

Don't risk being underinsured
Time for an early spring clean? Be careful what you bin, you too could be sitting on a valuable treasure. It's important to review your home contents insurance policy and make sure you're covered for everything you own – including the contents of your loft! Get in touch with us and we can help find a contents insurance policy that suits your needs.

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We're here for you in 2021 and beyond

Whatever 2021 has in store, we want to reassure you that we're here for you and your financial planning needs.

While the coming months are expected to see the global economy rebound from the COVID-induced recession, the pace of recovery is indeterminable. In addition to uncertainties created by the pandemic, Brexit, trade and political issues will no doubt persist. As always, the only real certainty is that we live in uncertain times.

There are many factors involved with determining the mood and movement of the property market; few things have a bigger impact than uncertainty. Rest assured we are here to help if you have any questions about the property sector, mortgages, or your protection requirements.

We are proud to support you through 2021 and look ahead with hope and confidence.

Mortgages: A brief history

To reach their dream of homeownership, most aspiring buyers depend on being offered a mortgage. In Q2 2020, the outstanding value of all residential mortgage loans had reached a staggering £1,513.3bn[5]. But where did it all start?

Pre-1900s

Estimates of homeownership are sketchy prior to the 20th century, but data from 1831 has led to estimates that between 13% and 22% of households may have been owner-occupiers[6]. Those who did purchase their own property often did so by paying into building societies, which allowed members to pool their funds to facilitate the purchase of land, housebuilding – and the provision of mortgages to other members. For many decades to follow, building societies dominated the mortgage industry.

Homes fit for heroes

Following the First World War, people became increasingly dissatisfied with Victorian-style living conditions. The government pledged to provide returning war veterans with decent homes, prompting a huge housebuilding drive that continued well into the interwar years. By the 1930s, cheap homes and easy mortgage finance was available to a rising middle class. However, a 1931 survey suggested that homeownership remained out of reach of the majority of the working classes[7]. Even so, total mortgage assets held by building societies jumped from £69m in 1919 to £678m in 1940[8].

Homeownership rises…

A period of economic affluence followed the post-war rebuilding effort, with low house prices and interest rates enabling more people to get their foot on the ladder. Home ownership increased from 29% in 1951 to 45% in 1964[9].

Fast-forward to the 1980s and the introduction of legislation to further boost homeownership. The Right to Buy scheme, introduced under the Housing Act 1980, allowed council house residents to purchase their home at a heavily discounted cost. In 1983, the MIRAS (Mortgage Interest Relief at Source) scheme was introduced, offering tax relief on mortgage interest payments. By 1991, 67% of Britons aged between 25 and 34, and 78% of 35 to 44-year-olds, owned their own home[10].

…and falls

The 2008 financial crash spelled the end of this period of homeownership growth. Tighter regulations since 2014 have rendered borrowers subject to more stringent lending criteria, impacting first-time buyers the hardest. According to figures, declining home ownership in the decade since the financial crisis means that those aged between 35 and 44 are now three times more likely to rent than they were two decades ago[11].

[5]FCA, 2020, [6]The Smith Institute, 2011, [7]University of Oxford, 2000, [8]The Smith Institute, 2011, [9]Stonewater, 2019, [10]ONS, 2016, [11]ONS, 2020

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