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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 data¹ 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 live². 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.

¹Moneyfacts, 2021, ²Masthaven 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 research³ 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!

³Sellhousefast.uk, 2020

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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Scottish Budget Update

On 28 January 2021, Scottish Cabinet Secretary for Finance, Kate Forbes, set out the government's proposed spending and tax plans for 2021/22. Speaking almost a year after Scotland's first COVID-19 case was identified, she told MSPs that the "pandemic has shaken our society and economy to the core."

Ms Forbes stated that the Budget would address "three key priorities" for Scotland's future, these being:

- Creating jobs and supporting a sustainable recovery
- Responding to the health pandemic
- Tackling inequalities.

She added that certain assumptions had been made when drawing up the Budget, due to the fact that the UK Budget was not taking place until March.

The economy and business

To support businesses and economic recovery from the coronavirus crisis, the Finance Secretary announced measures including:

- Total investment of £1.1bn in jobs and skills support
- The launch of a five year £100m Green Jobs Fund and commitment to establish a Green Jobs Workforce Academy
- Doubling of the Local Authority Discretionary Fund to £60m

Personal taxation

The Finance Secretary told MSPs that now was the time for "stability, certainty and targeted support" so there would be no changes to Income Tax rates. The thresholds for each tax band would, however, increase in line with inflation, as follows:

- Starter rate of 19% payable on earnings over £12,570, up to £14,667
- Basic rate of 20% to be charged on earnings over £14,667, up to £25,296
- Intermediate rate of 21% to be paid on earnings from £25,296, up to £43,662
- Higher rate of 41% on earnings over £43,662, up to £150,000
- Top rate of 46% on earnings over £150,000.

Meanwhile, the cut to Land and Buildings Transaction Tax (LBTT) for homebuyers, which was announced during the first lockdown, is due to end on 1 April. The Scottish Government has been under pressure to extend the tax 'holiday' after Chancellor Rishi Sunak announced that the equivalent scheme in England is to be extended until the end of June, but at the time of writing, this has not occurred.

COVID-19 and healthcare

Ms Forbes expressed gratitude for the dedication of Scotland's health workers throughout the pandemic, saying "*When the history of this pandemic is written, our NHS and social care staff will be recognised as the undisputed heroes they are. I'm sure I speak for everyone in this chamber – everyone in this country in fact – when I offer them our heartfelt thanks.*"

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In recognition of the ongoing severity of the pandemic, Ms Forbes announced:

- £869m to support Scotland's response to COVID-19,
- £1.9bn for primary care
- £143.5m in funding to tackle alcohol and drugs issues – a £50m increase
- £1.1bn spending on mental health services – a £139m increase

Tackling inequality

Education, the Finance Secretary stated, is the best way of addressing inequality and she announced:

- £2.7bn across education and skills, including £1.9bn for universities and colleges
- Support for Gaelic education to remain steady at £25.2m
- £39.8m for the early learning and childcare (ELC) programme.

Transport, infrastructure and connectivity

Aiming to reduce Scotland's reliance on cars and to offer a more environmentally sustainable form of mass transport, a £1.6bn investment in the country's bus and rail services was announced, in addition to the following:

- Increase in spending on motorway and trunk roads from £748.9m to £825.9m
- £10.5m for the National Islands Plan, which is designed to tackle depopulation and improve transport links
- £102.7m for digital connectivity, up from £63.4m.

Closing Comments

In closing her Budget speech, Ms Forbes said, "*Now, with large-scale vaccination, focused firstly on the most vulnerable, there is some light at the end of the tunnel. This Budget seeks to build on that hope, and by focusing on how we continue to protect, recover, rebuild and renew our country, it seeks to make that light at the end of the tunnel shine that bit brighter.*"

**As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.
Think carefully before securing other debts against your home. Equity released from your home will be secured against it.**

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 market⁴.

Where flowers bloom, so does hope

Spring is a 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.

⁴The 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 2019⁵. 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 Advice⁶, 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.

⁵ONS, 2020, ⁶Citizens 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 research⁷.

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.

⁷TSB, 2021

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