Autumn/Winter 2024

Mortgage & Protection news

The newsletter from Synchro Mortgage Solutions Ltd

Synchro Mortgage Solutions Ltd
Impartial Mortgage Specialists

Looking Ahead

Over the last few months, there's been a general improvement in the **Mortgage Rates** on offer. However, following the **Budget,** some lenders increased their rates (partly influenced by Swap rate movements). And now, we've had the **0.25% reduction** in the **Base Rate** to add to the mix.

Overall, a number of other factors have already come together in the UK to create a more encouraging environment.

A reducing level of inflation (down to 1.7%); annual UK house prices continuing to show an increase (up annually by 2.4%), and sizeable enthusiasm amongst lenders to compete for your business.

(Sources: Office for National Statistics, CPI, 16 October 2024; Nationwide, House Price Index, October 2024)

Base Rate reduction

With the **0.25% drop,** the Base Rate now stands at 4.75%, and this means:

Those on Tracker deals are likely to see an immediate benefit, as their interest rate should be influenced by the Base Rate reduction.

Those on Fixed Rate deals will not see any changes to what they pay, until they come to the end of their deal period.

Those seeking a mortgage, or looking to remortgage onto a new deal may benefit from lenders responding to the lower Rate.

Of course, the fallout from the Budget, with the financial markets not initially responding positively, may still influence future Base Rate decision-making.

As for the Budget...

The outcome of the Budget will result in an **extra £70bn of annual spending.**

This extra amount, according to the Office for Budget Responsibility, will result in **inflation** being slightly higher than expected (2.6% in 2025, for example). With regard to the **Base Rate,** this is still expected to fall, but not by as much as previously predicted (in the realms of 3.6% to 4.7% for 2025). This would probably then have an impact on **mortgage rates.**

Also, to meet the extra spending plans, **£36bn will come via higher taxes,** with the following being the main areas targeted:

■ **National Insurance (for employers)**

Around £25bn is expected to come from an increase in Employer NI contributions, applicable from April 2025.

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MARKET FACTS

INFLATION

Back in October 2022 annual inflation stood at a recent high of 11.1%.

The latest annual CPI inflation figure to September 2024 stands at **1.7%** - its lowest level since April 2021.

Core CPI - which tends to have a greater influence on the Bank of England's decision-making, also dropped, and rose by an annual **3.2%** (compared to August's increase of 3.6%).

(Source: Office for National Statistics, CPI, 16 October 2024)

PROPERTY PRICES

In October 2024, the average annual UK property price rose by **2.4%** (to around £266,000), and it increased by **0.1%** on a month-on-month basis.

(Source: Nationwide, House Price Index, Oct. 2024)

And if you want to get a feel for house price sales in your own local area, you can check out the following:

gov.uk/search-house-prices (for Eng. & Wales)

scotlis.ros.gov.uk (for Scotland)

finance-ni.gov.uk (for Northern Ireland)

AVERAGE MORTGAGE RATES

Residential:

■ **2-year fixed rate deal**

- Average rate, 1 Nov. 2024 = **5.39%**

■ **5-year fixed rate deal**

- Average rate, 1 Nov. 2024 = **5.09%**

■ **Standard Variable Rate (SVR)**

- Average rate, 1 Nov. 2024 = **7.95%**

Buy-to-Let

■ **2-year fixed rate deal**

- Average rate, 1 Nov. 2024 = **5.23%**

■ **5-year fixed rate deal**

- Average rate, 1 Nov. 2024 = **5.32%**

(Source: moneyfactscompare.co.uk, November 2024)

Looking Ahead (contd)

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■ Stamp Duty

For those buying an additional home (such as landlords), the 3% surcharge they already faced was lifted to 5%, with immediate effect.

Also, after a period of reduced Stamp Duty charges, all purchases will return to the normal rates from 1 April 2025

Stamp Duty is applicable to England and Northern Ireland.

■ Capital Gains Tax (CGT)

The sale of shares and assets will now face the same higher CGT bands as those applicable to additional homes. This means they are increased from 30 October 2024 from 10% to 18% for basic rate taxpayers, and 20% to 24% for those on a higher rate.

■ Inheritance Tax

The current thresholds will remain as is, but will be frozen at that level for a further two years, until 2030, drawing more into the net.

■ Income Tax

This is untouched, but the thresholds at the moment are frozen until 2028, creating a fiscal drag (as it generates a bigger tax take as incomes rise). But from 2028/29, the thresholds will then rise in line with inflation.

(Sources: HM Treasury, October 2024; Office for Budget Responsibility, Economic & Fiscal outlook, October 2024)

Lender Rates

Across this year, we've had yo-yo periods with regard to rates on offer.

Whilst the 'average' fixed rates for a 2-, or 5-year deal currently start with a '5', better rates that begin with a low '4' (or even 3!) may be on offer. This is generally applicable to loans of 60%, or less, than the value of the property.

Whatever your situation, it's likely that the comparative rate for those coming off 2-, and 5-year deals, will result in a bit of a price shock, although not as bad as it would have been a number of months back.

(Source: moneyfactscompare.co.uk, November 2024)

Swap Rates

To some extent the fluctuating rates are down to the impact of **Swaps,** which have a big influence on the pricing of **Fixed Rate** mortgage deals. There was an uplift, following the Budget, which then levelled off around the Base Rate reduction.

(Source: Chatham Financial, Swaps, 7 November 2024)

Whatever your current situation, please do get in touch if you'd like to hear more.

The Financial Conduct Authority does not regulate taxation advice.

HM Revenue & Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

You may have to pay an early repayment charge to your existing lender if you remortgage.

■ Your property may be repossessed if you do not keep up repayments on your mortgage.

Turn to us for ADVICE

Quite apart from the **700,000 fixed-rate mortgages** that would have reached the end of their deal rate in the second half of 2024, a further **1.8m will come to an end in 2025.**

(Source: UK Finance, Household Finance Review, Q2 2024, released September 2024)

That 1.8m figure equates to over 20% of all outstanding residential mortgages; so, 2025 is likely to be quite busy. *(Source: UK Finance, June 2024 data)*

Additionally, there are about 242,500 buy-to-let loans that will also come to the end of their deal period in 2025.

Furthermore, there are still many that would love to make that jump from renting to taking their first step on the property-owning ladder.

Where we can help

With over 6,400 different mortgage products out there, offering a range of options, and criteria to meet; it's no wonder that in 2025, over 90% of residential borrowers are expected to turn to mortgage advisers, such as us. *(Sources: moneyfactscompare.co.uk, November 2024; IMLA prediction for 2025)*

Existing mortgage-borrowing clients:
We would be in touch, ahead of your deal rate coming to an end, to discuss your future borrowing requirements, and would then set out the options for you.

Conversely, if you're looking to purchase a new property, then do get in touch to see how that plays out with regard to your current borrowing arrangement.

New clients, and first-time buyers:
Again, we would run through your needs, consider your affordability situation, and how creditworthy you might be. From here we would identify the most suitable routes.

Credit Rating

A credit score is designed to try to predict your future behaviour. You can check your rating at agencies such as Experian, Equifax, and TransUnion. Or take a look at Checkmyfile, which generally brings together your results across most rating agencies:

Tel: 0800 086 9360
www.checkmyfile.com

Securing a deal:
A further benefit of dealing with us, rather than going direct to a bank, for example, is that once you take up a deal rate (generally 4-6 months ahead of the existing one coming to an end), we can still switch it to a better rate (on a comparable plan) from the chosen lender. This option is there up until near the commencement of your new mortgage deal, which means you can lock-in a deal early, and benefit should rates improve. If you went direct to the lender, then it is unlikely they'd tell you that a better deal could be had.

Doing the legwork for you:
And, we can hold your hand throughout the application process, and liaise with others - such as the lender, estate agents, solicitors, and surveyors.

Please do get in touch if you'd like to have a chat about your borrowing requirements.

■ Your property may be repossessed if you do not keep up repayments on your mortgage.

Protection Insurance payouts

Whilst obtaining a mortgage loan may be your primary reason for talking to us, it's equally important to consider the various types of Protection Insurance that are on offer. Some are designed to ensure your income stream can be maintained in the event of an **illness or injury,** and others may deliver a payout for your family, **should the unthinkable occur.**

97.4% of all claims were paid out in 2023, equating to a record £20.1m per day!

Life Cover
- 99.4% of all Life claims were paid out.
- Average payout of £80,403 (term), £5,760 (whole of life).

Critical Illness
- 90.5% of all claims were paid out.
- Average payout of £68,354.

Income Protection
- 81.3% of all claims were paid out.
- Average payout of £22,270.

(Source: Association of British Insurers, 2023 data, September 2024 release)

Of course, with numerous calls for the money in your pocket, we fully understand that some of you may view protection cover as something:

- that's simply ***'not for me'.***
- that's ***'too expensive'.***
- where ***'I don't believe the insurer will pay out in the event of a claim'.***

We'd be keen to discuss the first two points, as you may be pleasantly surprised at the costs, and how protection cover could bring 'peace of mind'. With regard to the last point, as the box item shows, **almost 98% of claims are actually paid out.**

■ As with all insurance policies, terms, conditions and exclusions will apply.

For the government to achieve its spending objectives, the **Budget** aimed to raise an extra £70bn, annually. Over half of this amount will be generated by increased taxation, with most measures being applicable from April 2025.

The Autumn BUDGET

According to the Office for Budget Responsibility (OBR), the **UK economy will grow by 1%** this year, and 2% in 2025. And, it forecasts that **inflation,** will be slightly higher than previously thought, at 2.6% in 2025. Both aspects would, undoubtedly, be affected by the increased level of government spending.

Main elements of the extra £36bn tax hit

Employers NI contribution	**= + £24.5bn**
Capital Taxes, such as CGT, IHT & Stamp Duty	**= + £5.6bn**
HMRC compliance activity	**= + £4.0bn**
VAT charges on private school fees	**= + £1.6bn**

(Source: Office for Budget Responsibility, Economic & Fiscal outlook, October 2024)

Employers National Insurance contribution

This is, undoubtedly, the biggest area for the additional tax raising. The NI contribution for employers will increase to 15% on salaries above £5,000, against the current 13.8% for salaries above £9,100. On average, this equates to an annual extra £800 per employee, according to the OBR.

Although, for smaller businesses this may be countered by the rise in the Employment Allowance from £5,000 to £10,500 (where the £100,000 threshold for eligibility has been removed).

Stamp Duty (for England & N. Ireland)

Landlords, and those buying an additional home, were already facing a 3% tax surcharge on their Stamp Duty bill. This has now risen, with immediate effect, to 5%. With no time to plan for the additional financial hit, it may impact the purchase chain.

Also, there's further bad news, as there was no announcement about extending the discounted Stamp Duty set-up that's been in place since 2022. The normal rates will be applied from 1 April 2025.

This will mean that from April next year, the nil rate threshold for those buying their primary property will reduce from £250,000 to £125,000. And for First-Time Buyers, it'll come down from £425,000 to £300,000.

£3bn to help boost housing

- On the spending front - £3bn of additional support will be provided for SMEs and the Build to Rent sector, in the form of housing guarantee schemes, to support the private housing market.

Capital Gains Tax (CGT)

The possibility of increasing taxes on the capital growth of an additional property, when sold, didn't materialise. But, the CGT on selling shares/assets immediately rises to the same level as an additional property sale. That's a shift from 10% to 18% for basic rate taxpayers, and up from 20% to 24% for those on the higher rate.

Income Tax

The freezing (since 2022) of Income Tax thresholds is seen as a stealth tax, as more people are drawn into paying tax, or paying at a higher rate, as their incomes rise.

It was thought that this measure might be extended for a year or so beyond 2028. Instead, from the 2028/2029 tax year, the chancellor announced that the thresholds will then rise in line with inflation.

Inheritance Tax (IHT)

These thresholds have also been frozen over time (with the chancellor extending this from 2028 to 2030). A measure that will bring more estates into paying the 40% tax above the threshold amount. For the individual, the nil tax threshold remains at £325,000. And could rise to £500,000 if the property is also passed on to family. And, if married, or in a civil partnership, then these thresholds could be doubled to £1m, before any tax is claimed.

Although, the chancellor did also announce that from 2027, inherited pensions will also be brought into the IHT calculation.

Fuel Duty

The 5p cut in fuel duty for petrol and diesel, brought in by the Conservatives (due to end in April 2025), will be kept for another year.

VAT on Private School fees

This was already out there, and was confirmed by the chancellor, with it coming into effect from January 2025.

Non-Dom regime to be scrapped

From April 2025 this will be replaced with a new residence-based scheme. Time will tell if this has an impact on the property-buying activity of the Non-Doms. *(Sources: HM Treasury, October 2024)*

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FIRST STEPS

In the past, **First-Time Buyer** mortgage loans generally equated to three to four times your salary. Nowadays, we're seeing deals where the **loan to income** amount has risen to **5.5,** or even **6 times!**

This is one of many examples where there is a **desire by the lenders to help First-Time Buyers.**

Elsewhere, the **government's enthusiasm to help them out,** covers schemes like 'Freedom to Buy', and also, they are committed to building more homes to meet the demand (1.5m over the next 5 years).

Additionally, the government's desire to view Landlords as a Budget revenue source, may result in more properties coming onto the market, as some within that sector depart.

Finally, let's factor in **possible financial help via parents (and grandparents).** Or, consider the pragmatic approach taken by some first-time buyers, where two (or more) people are clubbing together to obtain their first home.

Providing a deposit

This is one of the biggest stumbling blocks. In 2023, the **average deposit was £53,414,** equating to around 18.5% of the purchase price. *(Source: Halifax, First-Time Buyer report, January 2024)*

This percentage deposit will obviously open up the buyer to better rates than those who are looking at deals at around a 5% deposit (or less). Although, for some, the lower deposit option may be more appealing, as it'll get them onto the property ladder sooner.

The lower Stamp Duty cost is going...

First-Time Buyers (in England and Northern Ireland) benefit from lower Stamp Duty charges. However, the better tax rates currently in place will end on 31 March 2025.

From 1 April 2025 it will revert back to the previous higher charges. This would, for example, mean a £425,000 First-Time Buyer purchase will generate **no Stamp Duty tax up to 31 March 2025, thereafter, it would be £6,250.**

And, in another example, a £625,000 purchase would see the tax take **rising from £10,000 to £21,250.**

This may prompt some to endeavour to complete before April.

(Source: gov.uk, Stamp Duty calculator)

STAMP DUTY

Reduced rate bands applicable to a **First-Time Buyer** (FTB) property purchased in England and Northern Ireland.

UP TO 31 MARCH 2025		FROM 1 APRIL 2025	
Up to £425,000	**0%**	**Up to £300,000**	**0%**
Portion from £425,001 to £625,000	**5%**	**Portion from £300,001 to £500,000**	**5%**

- If the property price is over £625,000, the FTB reverts to the normal rates. (up to 31 March 2025)
- If the property price is over £500,000, the FTB reverts to the normal rates. (from 1 April 2025)

(Source: HM Treasury, October 2024)

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Talk to us

41% of First-Time Buyers, who bought in the last two years, struggled to understand the range of mortgage options available to them. *(Source: Moneybox, Voice of FTBs survey, September 2024)*

And that's where we come in. We can assist with your application, factor in any financial support from the family, and assess where you stand on meeting the lender's affordability criteria - which varies across the board.

We'd also consider the various schemes on offer from the government, and balance that against the alternatives out there in the general marketplace.

If this is of interest, then please get in touch to find out more.

■ Your property may be repossessed if you do not keep up repayments on your mortgage.

It's happened again!

It's hard to identify the positives for **Landlords,** as they're hit again in the **Budget,** and elsewhere. But, as before, they have proved to be an extremely resilient group of individuals.

In recent years, this sector has faced tax rises, increased regulations, and higher mortgage rates. And now we've had the Autumn Budget, along with other recent initiatives.

Renters' Rights Bill

This is currently going through parliament, with representation from those concerned about the implications of the Bill.

It encompasses elements such as ending Section 21 'no fault' evictions, and allowing tenants to keep pets, provided they have insurance to cover potential damages. Elsewhere, there's Awaab's Law to, understandably, tackle damp and mould in rental properties.

EPC targets by 2030

The government also expects landlords to improve the Energy Performance Certificate (EPC) ratings of their rental properties to a C rating, or above, by 2030. Whilst Portfolio landlords are more likely to have made the improvements, there are still about 2.9m properties that would need to be upgraded, at an average cost of £8,074 each. *(Source: Rightmove October 2024)*

Rental take is still rising

That said, across the UK the average monthly rent was a healthy £1,327 (up 3.4% annually). The highest return was Greater London at £2,211, with the rest of the UK averaging out at £1,119.

(Source: Homelet Rental Index report, October 2024)

We're here to help...

So, if you're coming off a fixed rate deal, or simply want to have a chat about future financing options, then please do get in touch.

THE BUDGET

Yet again, Landlords are viewed as a relatively easy target, and one where little allowance is made.

■ Not only was no extension put in place for the existing set of Stamp Duty rates (they end on 31 March 2025), but the 3% surcharge faced by those purchasing an additional home (that isn't their primary residence), was replaced by a 5% one.

On average, this may add in the realms of £4-8,000 to the purchase cost. And this measure has been implemented immediately, and not from April next year.

So, aside from the extra costs applicable to an ongoing property purchase, it may also have implications for the property-buying chain.

■ On the upside, the feared increase in Capital Gains Tax for the sale of an additional home didn't materialise, and the rate remains at 18% for normal rate taxpayers, and 24% for higher rate. *(Source: HM Treasury, October 2024)*

There is no guarantee that it will be possible to arrange continuous letting of the property, nor that the rental income will be sufficient to meet the costs of the mortgage.

The value of your Buy-to-Let property and income from it can go down as well as up. You may also require advice on the legal and tax issues.

The Financial Conduct Authority does not regulate legal and taxation advice, and most Buy-to-Let mortgages.

HM Revenue & Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

You may have to pay an early repayment charge to your existing lender if you remortgage.

■ Your property may be repossessed if you do not keep up repayments on your mortgage.

There can be numerous benefits from being **Self-Employed,** and if things are going well, you'll generally see immediate financial returns. However, historically, there was often an issue **when applying for a mortgage.**

Working for YOURSELF

» On the positive side, **a number of lenders appear to be more accepting these days of the variable income streams of a self-employed worker,** and also those salaried employees for whom a sizeable part of their income stream is made up of bonuses, commission, or overtime.

Unfortunately, this more supportive approach by lenders is not as understood as it could be by many amongst the 4.2m self-employed - who broadly equate to a sizeable 1 in 8 of all those in employment.

(Source: Office for National Statistics, Labour market overview, October 2024)

And this is even more pronounced if we look at those who are not yet on the property buying ladder. First-Time Buyers, who are self-employed are still twice as likely to have been rejected for a mortgage (39% compared with the national average of 20%). It's then no surprise that four out of 10 First-Time Buyers opted to give up being self-employed in order to secure a mortgage.

(Source: Aldermore Bank, October 2024 research)

Talk to us...

However, this route does not always need to be the case, and that's why it makes sense to **take professional advice.** We know the hoops the self-employed need to jump through, and how to best present their situation (whether a first-time buyer, or not). And, can hopefully obtain the most suitable outcome for them.

Each lender will have different criteria for assessing and approving a mortgage. Some will base it on the latest year's income, while others may opt for seeing the last two or three years.

Also, lenders may (if you're a limited company) use salary and dividends, or perhaps salary and a share of net profits, or maybe a share of gross profits.

Put simply, it's a minefield, and one where a self-employed worker really should obtain advice. By taking this approach for their mortgage needs, they can hopefully avoid exiting the self-employed sector, and continue to fully focus on what they do best - delivering on their own business offering.

Please get in touch if you'd like to hear more.

Income Protection

- This type of insurance cover is designed to pay out a monthly income, if you are unable to work due to an accident or illness. Yet many self-employed workers mistakenly believe that they'll never qualify for this - which is generally not the case.
- And, of course, the self-employed worker is likely to be more financially exposed should they not be earning, and won't have a traditional safety net, such as sick pay.
- Also, if you operate through a limited company, then the option exists for the company to pay the monthly premiums.
- There are a multitude of options to consider, if taking out this type of policy - such as: long-term vs. short-term plans; or when the payments kick in after claiming for an accident or illness. All the numerous options will impact on both what you pay out each month, and the amount you could be claiming, if successful.

As with all insurance policies, terms, conditions and exclusions will apply.

■ **We cover mortgages, insurance and protection products along with a number of other financial areas, so do contact us if you'd like to discuss your financial needs: Tel: 01782 346 491 Email: mail@synchromortgages.co.uk Web: www.synchromortgages.co.uk**