



WINSTANLEY
MORTGAGE SERVICES

Mortgage & Protection news

The newsletter from Winstanley Mortgage Services Ltd

ANNUAL INFLATION
Remains at **2%**.
Unchanged from
month before.
(Source: Office for National
Statistics, 17 July 2024)

Do TAKE ADVICE...

There's already plenty to consider when looking at your borrowing needs, and now we have to factor in the impact of the **new Labour government** - which arrives with a healthy majority in parliament.

» A key objective flagged in the Labour manifesto, and echoed in the King's Speech, is that it intends to signal the return of compulsory housing targets. And wants to see **1.5m new homes built over the next five years**. The government's also keen to help buyers get onto the property ladder, and will create a permanent mortgage guarantee scheme - **Freedom to Buy**. This manifesto promise aims to assist 80,000 new buyers over the next five years.

A better climate

Outside of the political ambitions, a number of factors have already come together to create a more encouraging environment.

A reducing level of inflation; a hold on

the Bank of England's Base Rate rises (and the possibility of a reduction); annual UK house prices actually showing an increase, and some enthusiasm amongst lenders to compete for your business.

Of course, for the **1.6m borrowers who will come to the end of their deal rates in 2024***, the positivity may wane slightly when they seek a new deal, that is likely to be at a much higher interest rate. For example, those borrowing £100,000 over 30 years might see their monthly payments jump by around £160. (Sources: moneyfactscompare.co.uk, 5-year fixed rate comparison, July 2024; *UK Finance, August 2023)

Lender Rates

Across this year, we've had yo-yo periods

where rates have been regularly falling and rising. The only constant has been the continuous rate changes!

Most recently, we've seen price falls amongst a number of mortgage lenders.

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**.

The rate for Swaps had been falling since the middle of last year, and hit their lowest level in recent times at the start of 2024.

Since then, due to various market factors, Swaps have been on a slight upward path,

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Welcome.... to this newsletter, which covers what we believe are some of the key issues of the moment that affect mortgage, protection and insurance products - and sets out how **we may help you**.

■ Winstanley Mortgage Services Ltd is authorised and regulated by the Financial Conduct Authority.

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



Movement of Swap Rates

Swap Rates influence Fixed Rate mortgage deals. Rates have fluctuated in 2024. So far, in July, the 2- and 5-year rates have fallen slightly, which is good news.
(Source: Chatham Financial, Sterling Overnight Index Average (SONIA) Swap rates to 17 July 2024)

DO TAKE ADVICE... (contd)

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although as we move through July, there has been a reduction (see the chart above).

Swaps may also fluctuate over the next few months, due to the new government, world activity, and the general economic pointers. (Source: Chatham Financial, Swaps, 17 July 2024)

Base Rate

Whilst the Bank of England's 2% inflation target has been met, certain sub-sets of the inflation data were still higher than hoped-for in May (June was much the same), resulting in the Base Rate remaining at 5.25%.

All eyes will now turn to the next meeting on 1st August, to see if there's an improved set of circumstances at that stage, which would enable a cut in the Base Rate. And, if not then, maybe at the next meeting on 19th September.

We offer so much more...

Not only are we up-to-speed on all the

aspects mentioned earlier, but we can deliver support in the following areas too:

■ **There at the outset.** Do talk to us early in the process, such as **6 months before your current deal period ends**, and also ahead of looking to purchase a home. This is because we can provide pointers on what you may be able to borrow, in light of what's on offer from lenders. At the same time, we can consider the affordability issues you may face, plus factor in how creditworthy you might be.

Additionally, **once we take up a deal rate on your behalf** (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 the commencement of your new mortgage deal, which means you can lock-in a deal early, and then benefit should rates improve.

Conversely, you may want to lock-in,

should deals increase in the next few months.

In short, regular product reviews are extremely important in this marketplace.

■ **Identify the deal that meets your needs.** To achieve this, we would **look at the wider marketplace.**

The fact that we undertake the legwork to look elsewhere, may simply deliver the reassurance that you should remain with your existing lender.

■ **First-Time Buyers.** We're also mindful that many of **those who are renting** are unlikely to escape rising costs, as landlords may pass on their extra cost of borrowing. If this prompts someone to consider purchasing their first home, then we can deliver the advice they need.

■ **We will liaise with others on your behalf.** This covers, for example, the lender, solicitors, estate agents, and surveyors.

Whatever your situation, we'd fully assess the suitability of the options on offer. And you can take comfort from the fact that we operate in this sector day-in day-out, plus have the qualifications and expertise to deliver advice that meets your needs.

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

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

KEY INDICATORS TO CONSIDER

Property Prices

Look away if you're trying to get onto the property ladder, but for those who are homeowners the gloom and doom about a sizeable drop in property values didn't really materialise. In June 2024, the average annual UK property price rose by 1.5%, and it also increased on a month-on-month basis by 0.2%.

(Source: Nationwide, House Price Index, June 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 England & Wales)

scotlis.ros.gov.uk (for Scotland)

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

Inflation

Back in October 2022 annual inflation stood at a recent high of 11.1%. It's now down to 2%, for the second month running.

(Source: Office for National Statistics, CPI, 17 July '24)

2% inflation is the Bank of England's target figure.

Base Rate

One of the primary drivers for a move in the Base Rate, is to help keep control of inflation. Across the 2022/23 period there were 14 consecutive rises in the Bank of England's Base Rate to do just that. Whilst we're yet to see a drop, it's now been held at 5.25% for the last 7 meetings. (Source: Bank of England, 20 June '24)



Be Protected

- in your working lifetime

During this period, it's possible that over a quarter of men (26%) may be off work for 2 months or more, and this increases to over a third of all women (37%).

(Source: *Royal London, based on a 30-year-old non-smoker, with a planned retirement age of 65, released January 2024)

» Figures such as the above will make you think.

Whilst it's important to have **Life Cover** in place, should the unthinkable occur, the chance of dying across the working lifetime is only about 4% for men and 3% for women.*

Low percentages, maybe, but 3 to 4 in every 100 people may not make it to 65.

That said, the possibility of not being able to work for a lengthy period is also a concern. In this respect, there are currently over 2.8m off work due to long-term sickness. And that's why you should also consider an **Income Protection** plan.

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

Funding Protection cover

We recognise that household budgets continue to be under pressure, and that's been exacerbated by higher mortgage borrowing costs.

So, it's understandable that some will feel that the 'Protection Insurance' conversation could be kicked down the road.

But ironically, the pressure exerted by funding those higher mortgage costs, and rising cost-of-living expenses, actually reinforces the importance of having some measure of protection insurance in place now.

For some, it might be viewed as tomorrow's problem, but it could happen today!

Find the extra £s

With a Cost-of-Living crisis, it is quite likely that you've already looked at cost-cutting.

Whilst we don't expect you to give up all of life's little luxuries, cutting out just one unit each week of the items below, for example, could **save around £195 each month!**

Treats	£ Cost/unit (est.)
Soft drink	1.50
Snack	1.00
Magazine	2.25
Coffee (takeaway)	3.50
Pint of beer or lager	4.00
Glass of wine (175ml)	4.25
Taxi	8.00
Cigarettes (pack of 20)	12.50
Takeaway meal	8.00
Total	= £45.00

So, why not take a look at the box item to see where savings could be made, and then utilise some of that money to help fund the cost of a monthly insurance premium.

And for a detailed discussion about your protection needs, please get in touch.

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

BUSY PERIOD FOR REMORTGAGING

Not only are there 1.6m residential borrowers whose fixed rate deals are coming to an end in 2024, but there are also around 240,000 fixed rate deals ending for those in the Buy-to-Let sector. (Source: UK Finance, Aug. 2023 & Feb. 2024)

Here are the **average residential fixed rates. Better deals will be on offer**, such as for those requiring a 60% (or less) loan against the value of their property.

■ **2-year fixed rate deal**

- Average rate, 1 July 2024 = 5.95%

■ **5-year fixed rate deal**

- Average rate, 1 July 2024 = 5.53%

■ **Standard Variable Rate (SVR)**

- Average rate, 1 July 2024 = 8.17%

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

» Whilst there are rate fluctuations amongst Lenders to reflect Swap movements, others may still want to be more competitive in order to build market share. The one thing that is sure, is that for the foreseeable future, the sub 2% deals are a thing of the past.

The options for homeowners

Obviously, it's best to avoid going onto the lenders Standard Variable Rate at the end of the deal period.

Instead, we can discuss identifying an alternative 2, 3, 5 or more years Fixed Rate deal. Which could be with either your existing lender, or elsewhere.

Conversely, do consider Tracker Rate deals (with no tie-ins) should you want flexibility, although some already on Trackers may now be looking to Fix.

Additionally, you may want to alter the amount borrowed. Either because you require additional funds, or wish to reduce the loan amount owed.

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

Life as a LANDLORD

Landlords, as ever, are a pretty resilient group, and that's why the Private Rented Sector remains a sizeable marketplace encompassing almost 20% of the UK housing stock (circa 5.5m properties).

(Source: English Housing Survey, 2022-23, released December 2023 - showing 4.6m PRS properties in England, and then a pro-rata calculation for all of the UK)

» It's understandable though, that landlords enthusiasm for this sector might have waned in light of all that's been thrown at them over recent years - tax changes, increased regulations, and now higher fixed deal rates for those remortgaging this year. Yet whilst some may be leaving this sector, there are still positives to consider.

Demand remains. A positive finding is that more than 8 in 10 landlords (83%) report strong tenant demand.

(Source: Paragon Bank, PRS Trends, Q1 2024, June 2024 release)

Average rental take is still healthy. Across the UK the average monthly rent was £1,299 (up 5.7% on June 2023), with big regional variations. The highest return was Greater London at £2,103 with the rest of the UK averaging £1,102, and the North East delivering the lowest return at £689. *(Source: Homelet Rental Index report, June 2024)*

LIMITED COMPANY STATUS

According to Paragon Bank, three-quarters of landlords (74%) who intend to purchase a new rental property in the next year will do so under a Limited Company structure, as opposed to paying income tax as a private landlord.

Buying as a Limited Company offers a number of tax benefits. It allows landlords to deduct mortgage interest from company income and pay tax at Corporation Tax rates, rather than an individual landlord's personal income tax rate.

The structure can also offer more favourable mortgage financing options. Paragon said that most lenders set interest coverage ratios at 145% for higher-rate taxpayers, whereas Limited Company applications require a ratio of 125%. They can often get higher loan amounts too.

(Source: Paragon Bank, September 2023)

However, it won't be the most suitable route for all, so do speak to your accountant and solicitor regarding the tax issues, and property structures. And we're there to give an overview, and to assist with sourcing suitable deals.

Tax changes announced in the Spring

The Multiple Dwellings Relief (applicable to England and N. Ireland) was abolished from June, and the Furnished Holiday Lettings tax regime will be abolished in April 2025. On a positive note, the higher rate of Capital Gains Tax (CGT) on a property sale was cut from 28% to 24%, in April 2024. Time will tell if this remains as is under the new government. *(Source: HM Treasury, March 2024)*

If your deal rate is ending this year

With around 240,000 fixed rate deals for landlords coming to an end this year, we're here to help you through this process.

(Source: UK Finance, February 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.

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

There may be a fee for arranging a mortgage and the precise amount will depend on your circumstances. This will typically be £495.

■ The contents of this newsletter are believed to be correct at the date of publication (July 2024).

■ Every care is taken that the information in the *Mortgage & Protection News* publication is accurate at the time of going to press. However, all information and figures are subject to change and you should always make enquiries and check details and, where necessary, seek legal advice before entering into any transaction.

■ The information in this newsletter is of a general nature. You should seek professional advice tailored to your needs and circumstances before making any decisions.

■ We do hope that the newsletter is of interest to you, however, please inform us if you no longer wish to receive it.