

Mortgage & Protection news

The newsletter from Cogent Financial Planning Ltd

These are difficult times, but much is being done to tackle the impact of coronavirus. As part of this process, we can be there for you. We'd help explain some of the developments, and assist those that wish to act with regard to their finances.

Covid-19 - key action taken

On top of the reduction in the **Base Rate to 0.1%**, the recent Budget introduced a number of initiatives, such as the **£30bn** of support to stimulate the economy and help counter the impact of coronavirus.

Following the Budget, the Chancellor announced that he would make available a further initial **£330bn of government-backed loans** to assist firms of all sizes through this period.

Mortgage lenders have agreed to support customers who are experiencing issues with their finances due to Covid-19, including **payment holidays of up to 3 months**. See more on page 2 regarding this.

Elsewhere in the Budget, all of those advised to self-isolate - or caring for those self-isolating - will be entitled (if eligible) to **Statutory Sick Pay (SSP)**. For those who cannot claim SSP (such as the self-employed), there will be alternative comparable support through the welfare system.



Recognising the impact on the economy and how it may affect small and medium-sized businesses, assistance will also be delivered in areas such as reclaiming SSP, business rates help, possible grants, more time to pay tax, and deferring VAT payments.

80% of Salary - Coronavirus Job Retention Scheme

More recently, on 20 March 2020, further initiatives were introduced, with the main one being the Coronavirus Job Retention Scheme. Under this scheme, all UK employers will be able to access support to continue paying part of their employees' salary for those employees that would

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Keen to Act?

Despite the current environment, you may still be keen to set in motion the property and mortgage plans you've possibly been holding back on, whether that's for:

- a **house move**.
- improving the **current property**.
- buying a **first home**.
- purchasing an **additional property**.
- expanding the portfolio as a **landlord**.

Alternatively, you may be coming towards the end of your current 'deal period', have been sitting for far too long on your lender's Standard Variable Rate (SVR), need to raise further funds, or are keen to move to a better deal.

Whatever your plans, there are excellent mortgage deals on offer. The reduction in the Base Rate will hopefully further improve this situation.

Cogent Financial Planning Ltd

Suite 6, Brewers Yard, Ivel Road
Shefford, Bedfordshire SG17 5GY

Tel: 01462 815095

Email: info@cogentfp.co.uk

Web: www.cogentfinancialplanning.co.uk

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**.

■ Cogent Financial Planning 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.



We are there for YOU... (contd)

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otherwise have been laid off.

It would be applicable to those designated as 'furloughed workers' (people absent temporarily from work), and the HMRC will reimburse 80% of furloughed workers wage costs, up to a cap of £2,500 per month. This would run for an initial 3-month period, and possibly longer. HMRC are working urgently to set up a system for reimbursement.

This will hopefully keep a sizeable part of the workforce in their jobs and deliver an income stream for them through this difficult period.

Mortgage payment holiday

Mortgage lenders have agreed to support customers (including buy-to-let borrowers) who are experiencing issues with their finances due to Covid-19, including **payment holidays of up to 3 months.**

Whilst this may deliver much-needed financial help, do give consideration if this is the most suitable route forward for you.

Firstly, it's not waiving the money that's owed, as that's simply added to the overall outstanding amount, so you may be paying more for your mortgage in the long run.

Second, you need to agree this with your mortgage lender, so you can't just stop making payments, as that might also impact on your credit rating.

Finally, there may be other options to consider (if on offer), such as extending the

length of the mortgage term to help reduce the immediate monthly payments (again, this would increase the overall cost of the mortgage). You may be able to pay a lower amount each month, or even switch to just paying the interest for a defined period (where the capital amount that's outstanding would remain the same).

If you do want to proceed, then you may need to be patient, as the lenders have been inundated with calls.

Take control now...

Conversely, you may not require this support and as we said on page 1, you could be keen to take advantage of the excellent mortgage deals currently on offer.

Don't forget Protection cover

In these challenging times - whether you're still living at home, renting, or a homeowner - you'll also recognise the importance of having insurance cover in place to protect your life and/or loss of an income stream.

With so many issues to consider, and ongoing developments, it makes sense to see how we can help.

Further information can be found at www.gov.uk (then search for covid-19)

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

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

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Mortgage Calculator

Monthly payments for a mortgage per £1,000 borrowed over 30 years

Interest rate %	Interest-only* £	Repayment £
0.25	0.21	2.88
0.50	0.42	2.99
1.00	0.83	3.22
1.50	1.25	3.45
2.00	1.67	3.70
2.50	2.08	3.95
3.00	2.50	4.22
3.50	2.92	4.49
4.00	3.33	4.77
4.50	3.75	5.07
5.00	4.17	5.37
5.50	4.58	5.68
6.00	5.00	6.00
6.50	5.42	6.32
7.00	5.83	6.65

Here's how to use the mortgage payments calculator: A £100,000 mortgage over 30 years, charged at a 2% interest rate would cost 100 x £3.70 (for Repayment) = £370 per month.

* Excludes any payments to a separate savings scheme, to help pay off the capital amount borrowed.
This calculator only provides a guide to monthly payments and does not guarantee eligibility for a mortgage. The actual amounts that you may have to pay may be more or less than the figures shown. Please contact us for a personalised illustration.

Credit Rating - check yours

Quite apart from not being able to vote, if you're not on the Electoral Register it may result in a lower personal credit rating score.

» The role of a credit score is to try to predict your future behaviour, which means that people who have a poor score may suffer, as can those who have no credit history at all!

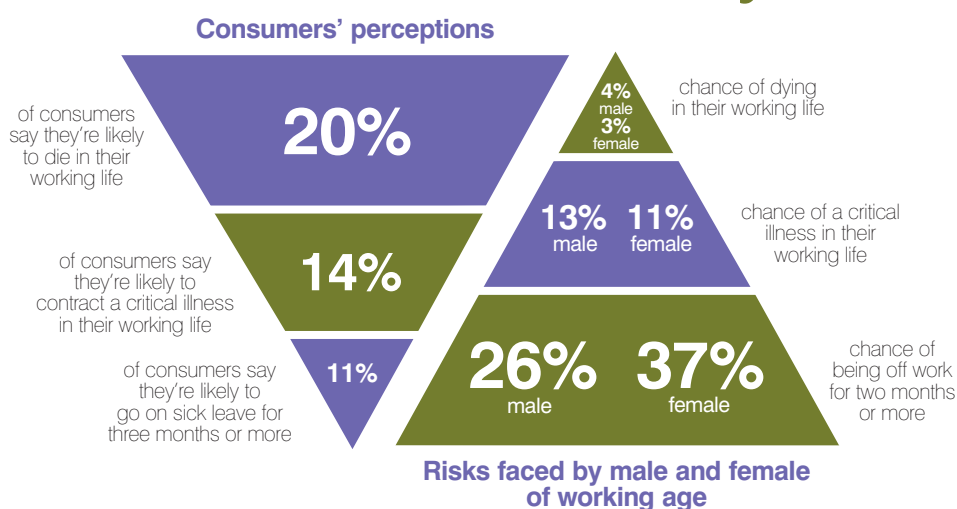
So do check your rating at one (or some) of the following:

- Checkmyfile** - Tel: 0800 086 9360
www.checkmyfile.com
- Experian** - Tel: 0800 013 88 88
www.experian.co.uk

- Equifax** - Tel: 0800 014 2955
www.equifax.co.uk
- TransUnion** - Tel: 0330 024 7574
www.transunion.co.uk

As every lender has its own 'perfect customer' profile, a rejection from one isn't necessarily a rejection from all. By talking to us we'll have a better feel for items which may score you down and where you might get a more favourable response for credit.

Protection myths



(Source: Royal London, State of the Protection Nation, June 2019, referencing Pacific Life Re research)

We largely view 'death' as the most likely 'bad' health event that could affect us across our working lives. Yet, from the right hand chart above, you'll see that, in reality, you're far more likely to survive, and face a serious illness, or be off work for a lengthy period.

» That said, this doesn't mean that you should disregard taking out life cover, as research shows that, on average in 2018, around 272 UK adults, aged 18-65 died each day.

(Source: Office for National Statistics, 2018 data, Jan. 2020)

But possibly of greater importance is to consider further protection that's designed to lessen any loss of income should you face a serious illness, or be off work for a lengthy period.

There are two product offerings that can help protect you in these circumstances:

- **Critical Illness Cover** - pays out a lump sum when you have a specified critical illness.
- **Income Protection** - pays you a percentage of your monthly income when you can't work due to illness or injury.

Do they pay out?

Many assume that the plans don't pay up, yet a massive 97.6% of all claims were paid out in 2018, equating to £14.5m a day! (Source: Association of British Insurers, 2018 data, May 2019 release)

Do I even need it?

This is a possible further misconception, particularly as you may feel that it's difficult

to contemplate needing a protection policy, until **you really need it!**

Additionally, some will think that their employer will provide all of the support needed. This may be true, but do check your contract to establish the level of financial help you'd get, and (if it's not for death in service) for how long. Balance this with the care you receive from the NHS, and the limited financial support from benefits such as Statutory Sick Pay and Universal Credit.

Mental Health issues

In recent years there has been a far greater understanding of the need to deliver real and financial support to those insured who may suffer a mental health issue. Also, those that have previously faced this might feel that they would then be excluded from taking out future cover, such as Income Protection. However, some insurers may now take a more considered approach, rather than the standard 'accept' or 'decline' decision-making.

Added-value benefits

The insurance industry recognises that a payout upon claiming may be the initial driver in setting up a policy. But it's also aware that there is a real benefit - for both

parties - if a relationship is maintained throughout the policy term, as reflected by the following examples:

- Incentives to keep healthy.
- Specialist support - such as GP/nurse helplines, telephone counselling, carer support services, consumer rights, early intervention and rehabilitation services.

With such a wide range of options on offer, do talk to us, and you may also be pleasantly surprised at how little a plan might cost.

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

Standard Variable Rate

There are at least 1.4m mortgage borrowers on their lender's Standard Variable Rate (SVR).*

This is a sizeable chunk of all mortgage borrowers and with the average SVR sitting at 4.90%, this group would be on an interest rate that's around twice the average 2-year fixed deal cost.** Using the chart on page 2, those on an SVR (if it's a £100,000 mortgage, for example) might be able to remortgage and pay around £1,700 a year less (circa 5% rate vs. circa 2.5%).

(Sources: *UK Finance, June 2019 data;

**Moneyfacts, December 2019)

Circumstances have changed

Some may feel they can't remortgage because they won't meet the stricter affordability and evidencing of income criteria. This might be true, but why not have a chat, as there may be a solution.

Mortgage Prisoners

This broadly amounts to 150,000 borrowers, most of whom are stuck with a lender that no longer lends. However, the Financial Conduct Authority (FCA) has introduced new guidelines, which may overcome this problem, so do talk to us to hear more. (Source: FCA, Nov. 2019)

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.**



The positives for Landlords

Landlords have been under pressure in recent years due to the massive array of regulatory and tax changes, however, there remain many positives about this sector...

Enthusiasm from Lenders

Lenders are demonstrating a willingness to support the buy-to-let market with excellent mortgage deals on offer and increased innovation to help meet the varying needs of landlords.

With regard to rates, they continued to drop in the final quarter of 2019, with the greatest reduction on longer-term fixed rate mortgages. For example, a 70% Loan-to-Value, 5-year fixed rate mortgage was 4.4% lower than 12 months ago.* This may have assisted the growth in popularity of 5-year deals vs. 2-year ones.**
*(Source: *Mortgage Brain, December 2019, **UK Finance, December 2019 report)*

Tenant demand

Renting can provide greater flexibility than home ownership. Of those already renting, research shows that 75% were content with their situation, with 33% happy to rent forever. And of those who aim to buy a property into the future, they're prepared to wait 4.1 years, on average.***

Tenant demand could increase further, as 34% of landlords have indicated that they intend to reduce their investment in the market, with only 12% saying they're looking to expand the number of homes they rent out - possibly impacting on the supply of available properties to rent.****

*(Sources: ***Landbay, October 2019; ****Residential Landlords Association, December 2019)*

Record asking rents across the UK

According to Rightmove, the shortage of new stock to choose from, coupled with strong demand from tenants, has led to record asking rents in all but two regions (Scotland and the North East) in Q3 2019. *(Source: Rightmove, Rental Price Tracker, October 2019)*

Option of Limited Company status

Due to the tax changes, 63% of landlords say that they intend to purchase their next buy-to-let property within a **Limited Company**

structure. This means that they shouldn't be affected by the tax relief changes, and lenders may apply a less stringent rental calculation as a result. *(Source: Foundation Home Loans, October 2019)*

This route won't be right for everyone, particularly those with just one or two properties. Also, interest rates may be higher, and there might be implications for both capital gains tax and stamp duty. That's why it's vital that you obtain tax advice from your accountant.

Where we can assist You

We can't avoid the fact that the private rented sector is affected by the political and economic climate, along with the tax and regulatory controls. So it's important for landlords to continue to seek specialist advice from us to ensure you make the most of the borrowing rates, rental demand and innovative products out there.

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.**

We are independent and for arranging a mortgage we charge a fee of £95 for any research undertaken and £300 payable to cover our advice and the administration of your mortgage application. We will also be paid commission from the lender.

■ The contents of this newsletter are believed to be correct at the date of publication (March 2020).

■ 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.

■ **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: 01462 815095 Email: info@coagentfp.co.uk Web: www.coagentfinancialplanning.co.uk**