



# CAPITAL FINANCIAL SERVICES

Making the most of your assets

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## YOUR HOME FINANCE

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### THIS UNDERRATED CHARACTERISTIC COULD ADD £25K TO YOUR HOME

**Aspiring buyers look for many things when they're searching for a new property. A big garden, more bedrooms or a good location are all factors that could add value to your property. But did you know your street name could too?**

Over 90% of people don't care about the name of the street on which their chosen home is located, but if your street name is happy, then chances are you could be too. Research<sup>1</sup> shows that street names containing 'positive' words could boost the value of your property by nearly £25,000 on average.

#### PRETTY HAPPY?

The research showed that certain positive words are more valuable than others. The word 'chipper' adds the most value to properties, boosting asking prices by £56,571 on average. Next comes 'pretty', adding a cool £44,918.

There are regional differences, too. In Scotland, 'peace' will add an average of £24,147, while you'll be 'happy' to know that this word boosts asking prices by £15,516 on average.

#### AND THE HAPPIEST REGION IS...

... the North West, with 237 cheerful street names. You're also lucky if you live in Yorkshire and the Humber, which boasts 199 positive street names, the South East with 175, and the South West with 157 cheerful names.

<sup>1</sup>Bankrate, 2020

To the industry's relief, the property market was given the green light to reopen in mid-May, causing a renewed surge in buyer demand. Rightmove saw a huge spike in site activity that same day and later had its busiest day ever on 27 May<sup>2</sup>.

Although this renewed activity is starting from exceptionally low levels – just 10% to 20% of levels seen immediately prior to lockdown<sup>3</sup> – it is a welcome sign, according to Savills' latest Housing Market Update. In the longer term, the recovery of the property market will move in line with the state of the wider economy, it concluded.

#### A TEMPORARY BOUNCE BACK?

Renewed buyer interest is positive, but this hasn't yet translated across to increased property transactions, says Zoopla<sup>4</sup>. Furthermore, with many people suffering financially and half of employers still anticipating redundancies when the furlough scheme ends<sup>5</sup>, it's possible that we'll still see a fall in demand later down the line.

It's not all negative, however. Most experts seem to agree that the property market will eventually stabilise – we just need to sit tight and be patient.

#### THE SWITCH TO DIGITAL

Before the pandemic, buying a property was a contact-heavy process, with multiple house viewings and face-to-face meetings. Although the market has now restarted, buyers and sellers are looking at a very different transaction experience for the foreseeable future. Estate agencies have

had to find innovative solutions to common problems, using technology to facilitate property viewings and even valuations using photographs and videos of the property. Regular deep cleans are required to ensure sales go through, but even so, buyers will only be able to physically view a property if they are seriously committed to purchasing it.

#### RELIEF FOR STRUGGLING HOMEOWNERS

By late May, 1.82 million<sup>6</sup> homeowners had applied for a mortgage payment holiday to help them through the coronavirus crisis. As the economic impact of the pandemic has continued to reverberate, the deadline for applying for the scheme, originally set to end in June, has now been extended until October. This means that homeowners still struggling to pay their mortgage could potentially be covered until January.

#### WE'RE HERE TO HELP

The property market is at the very beginning of its recovery, but there's a long way to go. If you're looking to buy or sell a property, get in touch. We can offer clear, up-to-date guidance for a stress-free transaction.

<sup>2</sup>Rightmove, 2020, <sup>3</sup>Savills, 2020, <sup>4</sup>Zoopla, 2020,

<sup>5</sup>People Management, 2020, <sup>6</sup>UK Finance, 2020

## IN THE NEWS...

### EQUITY RELEASE RATES INCREASE FROM ROCK BOTTOM

Lifetime mortgage rates are on the rise after hitting rock bottom; from 4.20% in March 2020, the average equity release rate for fixed and variable rate deals rose to 4.23% in April and 4.34% in May<sup>7</sup>.

Lower rates have been advantageous for lifetime mortgage customers, but those looking for a cheaper deal before rates increase even further should pause for thought first. Equity release isn't right for everyone, so don't rush your decision.

### RURAL PROPERTIES IN HIGH DEMAND AFTER LOCKDOWN

Among prime property hunters, spending more time working at home is translating to new priorities for their ideal home, a survey has revealed<sup>8</sup>.

Among buyers at the top end of the market, the requirement for a dedicated remote working space is fuelling a desire for properties in well-connected rural locations, enabling them to divide their time between home and the office.

### OVER-65 PROPERTY WEALTH RISES DESPITE ECONOMIC UNCERTAINTY

The economy may be turbulent right now, but this hasn't stopped pensioners from accumulating an additional £15bn in property wealth since last year – a gain of £3,152 each. This means that over-65s now own £1.13tn of mortgage-free property<sup>9</sup>.

This growth is not just a short-term trend. In the past decade, older homeowners have enjoyed a 45% boost to their property wealth – equivalent to an additional £354bn or £75,000 per homeowner.

<sup>7</sup>Moneyfacts, 2020

<sup>8</sup>Savills, 2020

<sup>9</sup>Key, 2020



## MORTGAGE HOLIDAYS – WHAT YOU NEED TO KNOW

In March, the Chancellor's announcement of a three-month mortgage payment holiday came as a great relief to millions of homeowners suffering from the financial impact of the coronavirus pandemic. In agreement with mortgage lenders, the government stated that any customers 'in difficulty' could apply. As the full impact of the crisis became clear, the scheme was later extended for a further three months until 31 October.

Since the scheme's launch, 1.82 million<sup>10</sup> customers had, by late May, benefited from payment holidays – equivalent to one in six mortgages across the UK.

### WHAT ARE THE RULES?

The scheme works on a self-certification basis; homeowners in financial difficulty can contact their lender and state that their income has been adversely affected. They do not need to prove this by supplying any documentation. Most lenders offer a no-fee, online application process. For those worried about their credit rating, credit agencies have agreed that current credit scores will be protected for as long as the payment holiday lasts.

### CONSIDER YOUR OPTIONS

While payment holidays are proving a temporary lifeline for many, they should not be confused with free money. Taking a payment holiday won't reduce the outstanding capital you owe, nor will it prevent interest from accruing. So, while it is a valuable option to consider, you should be aware that it

will increase the time it takes to clear your debt and, when they resume, your monthly payments will increase.

### BEFORE TAKING THE PLUNGE...

It is crucial to speak to your lender first before stopping payments. If you stop paying your mortgage without applying for the scheme, you will go into arrears and harm your credit rating – which could prevent you from borrowing in the future. If you've only got a few years of repayment left, you'll see your monthly payments surge once the holiday comes to an end.

### THERE'S NO RUSH

You may be worried about your finances, but don't panic and rush into a decision. It's crucial you discuss your individual circumstances with your lender first to see if a payment holiday is suitable for you. There have been reports of borrowers panicking and applying for a payment holiday too early.

<sup>10</sup>UK Finance, 2020

**As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.**

# REMORTGAGING – IS NOW THE TIME?

If you're on a tracker, discounted or variable rate mortgage, it's likely that you'll have seen your monthly payments reduce following base rate cuts back in March. However, if you're coming to the end of your current deal or have moved onto your lender's standard variable rate (SVR), it could be the right time to remortgage.

Remortgaging means taking out a new mortgage on a property you already own. This could be to borrow more money against your home or to get a better deal than your current mortgage. You may wish to remortgage because:

- Your current deal is coming to an end
- You want a better rate
- You want to borrow more
- Your current deal won't allow you to overpay
- Your property has increased in value, meaning you could get a better rate with your new loan-to-value ratio.

## LENDERS RESPOND TO RENEWED OPTIMISM

At the start of the pandemic, lenders reacted by pulling products off the market (particularly for those in the high loan-to-value bracket). The inability to do physical valuations also hampered the progress of mortgage applications. With the reopening of the property market and renewed optimism, however, lenders have been reintroducing products and finding workarounds for operational problems, for example automated 'drive-by' valuations.

## GOOD ADVICE PAYS

Things are changing almost daily in the property market, so if you're thinking about remortgaging, now is the time to give it some serious thought. Remortgaging won't be right for everyone, but we can advise you on whether it's a suitable option for you, explaining the costs and any potential implications along the way. In a complex environment, getting good advice can really pay – so get in touch and we'll guide you through the process.



## YOU'RE SAFE WITH US

**Buying a property is a big commitment, and it's much easier and less stressful when you have as much information as possible – whether you've moved before or are a first-time buyer.**

Mortgage debt accounts for over 80% of total household liabilities in the UK, so finding the best deal is a significant financial decision. At present, there are over 200 different financial institutions offering mortgages in Britain, including building societies, banks and specialised mortgage corporations.

## CONSTANT EVOLUTION

The market is continually adapting to new circumstances and developments, such as intergenerational lending, borrowing into retirement, buy-to-let mortgages and helping first-time buyers onto the property ladder. With the COVID-19 pandemic adding an additional layer of complexity, we're working hard to keep on top of developments.

## HERE TO GUIDE YOU

Whether you're looking to take your second step on the ladder, downsize, purchase a second home or remortgage, we can advise you on the best mortgage for you. Get in touch for sound, up-to-date advice to help you navigate through this ever-changing environment. Our mortgage experts have in-depth knowledge of the market and can advise on a wide range of products. Getting a mortgage is a huge financial decision – we will help you get it right.



## NEW BUILDS ENTICE BUYERS FURTHER AFIELD

**A survey<sup>11</sup> has revealed that new builds entice buyers to move 56% further than those buying second-hand properties.**

Whereas more attractive new builds draw households an average of five miles from their previous place of residence, the average distance is 3.2 miles for buyers of older properties.

The study also showed that how far people are willing to move also depends on age and location. For example, London boroughs such as Newham and Brent drawing buyers from up to 3.5 miles further away, while older buyers are more willing to move further – this is probably influenced by retirees moving away to start a new phase in their lives.

<sup>11</sup>Savills, 2020

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## ARE YOU INSURED TO WORK FROM HOME?

**Do you need to let your insurer know if you, like millions of other UK workers, are currently working from home?**

No, the Association of British Insurers (ABI) has responded. It recently issued guidance stating that, if you are an office-based worker remote working due to government advice, or self-isolating after coming into contact with the disease, this will not affect your home insurance cover. It reiterated: 'You do not need to contact your insurer to update your documents or extend your cover'.

### WHAT ABOUT MY WORK LAPTOP?

If your employer has provided you with equipment to facilitate remote working, such as a mobile phone or laptop, then you will need to get in touch with them to check whether their insurance policy covers these items outside of your usual place of work. A standard contents insurance policy won't usually cover these kinds of items, so it's worth checking your policy wording.

### AM I COVERED FOR ACCIDENTS WHILE REMOTE WORKING?

You are responsible for your safety in your own home, so your employer wouldn't be held responsible unless your accident was directly related to their negligence. In other words, they would be liable if they had failed to take reasonable care for your safety and this is what resulted in your accident.

If you suffer an accident or illness while working at home, you may be able to make a claim if you've taken out an additional protection policy, such as Accident and Sickness or Income Protection.

### IS YOUR COVER ADEQUATE?

If you're unsure about the insurance cover you need, get in touch for guidance on your personal circumstances.



## REMOTE WORKING OPENS NEW POSSIBILITIES

Despite the challenges of home working, including insurance, cybersecurity and internet connectivity, the coronavirus pandemic has caused a profound shift in the way we work. Many businesses have found remote working so effective that some employees could end up working permanently from home even when the pandemic is over. This could give them a much greater choice over where their property is located.

Imagine being able to choose your home entirely based on the best schools and local facilities, rather than having to limit your search to within an hour of the office. Living in a pretty country village or faraway town is no longer an impossible prospect if you only have to commute to the office on a weekly or monthly basis. And when it comes to beautiful locations, you're spoilt for choice here in the UK.

### A LITTLE BIT OF HISTORY

Britain's historic market towns are a popular choice for UK homebuyers – particularly those towns located within commuting distance of major cities. For a less expensive choice, then, more out-of-the-way towns could become a viable option if you're no longer shackled by the

daily commute. The ideal market town home could be within the reach of homeworkers for a much more affordable price.

Of course, you're not obliged to live miles and miles from HQ. 'Garden' cities can offer an attractive mix of urban and rural if you're not quite ready to give up the hustle and bustle. Some are located within 30 miles of major cities such as London, Birmingham, Wolverhampton, Stoke-on-Trent, Hull and Edinburgh. There could soon be more options to choose from; in 2017, the government announced plans for 17 garden towns and villages across England.

### LIVING THE DREAM

For many commuters and city workers, a quaint property in a small village far from the daily grind is a long-held dream. A country pub, church, village hall, Post Office and perhaps even a village green are all widely believed to complete this idyllic picture. And, with the huge increase in home working, good broadband should be added to the list.

So, if you can work from home, the world's your oyster – whether you choose a market town, garden city or country village.

**IF YOU WOULD LIKE ANY ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.**

**As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.**

**It is important to take professional advice before making any decision relating to your personal finances.**

**Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK. We cannot assume legal liability for any errors or omissions it might contain.**

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**Information is based on our understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from taxation are subject to change.**

**A mortgage is a loan secured against your home or property. Your home or property may be repossessed if you do not keep up repayments on your mortgage or any other debt secured on it.**

**Tax treatment is based on individual circumstances and may be subject to change in the future.**