

Stonebridge Articles April 2023



Landlords prepare

Following three years of pandemic disorder in the buy-to-let (BTL) sector, 2023 is shaping up to be another eventful year for landlords. With several major legislative reforms due to come into force this year, what can landlords do to prepare?

So, what's changing?

The Renters' Reform Bill, which is set to be voted on before May 2023, includes many significant changes. If passed in full, the act will:

- Scrap section 21 'no fault' evictions
- Create a register of landlords
- Introduce a private rented ombudsman to help enforce renters' rights
- Make it illegal for landlords and agents to refuse to rent properties to people who receive benefits
- Give local authorities more power to enforce and protect renters' rights.

From 'E' to 'C'

Another significant change that is fast approaching is an update to the rules on Minimum Energy Efficiency Standard (MEES) for privately rented homes in England and Wales.

Currently, the MEES is an Energy Performance Certificate (EPC) rating of 'E'. From 2025, though, the bar is due to be raised to a minimum of a 'C', with new tenancies affected immediately and the rules applying to all tenancies from 2028.

Landlord licensing

Before now, landlord licensing has mostly only applied to Houses in Multiple Occupation (HMOs). More recently, some local authorities have been broadening their rules to include standard, single-tenancy buy-to-lets. It could be a good time to check whether you need a licence now or may do in the future.

What do landlords think?

Despite the impact it could have on their portfolios, more than two in five BTL landlords are not aware of the proposed Renters' Reform Bill, a new study¹ has claimed.

The survey also found that close to half of landlords are 'Strongly Concerned' or 'Concerned' about not being able to refuse to rent properties to people who receive benefits. Similarly, landlords are worried about changes to section 21 evictions (45.45%), property registration (42.65%) and the right to request a pet in their house (41.45%).

Capital Gains Tax

Increased requirements to remain compliant will add to the pressures placed on landlords and could lead to some selling up, the study suggests. For those seeking to escape the new legislation, Capital Gains Tax (CGT) is something else to think about.

Generally, you need to pay CGT if you sell a rental property for more than you paid for it. From April 2023, the annual CGT allowance is £6,000 and is set to fall to £3,000 from April 2024.

Talk to us

With so much happening (and scheduled to happen) in the BTL sector, it can be difficult to know the best course of action to take. Whatever your plans, we're here to help you make sense of it all and ensure your BTL portfolio is well prepared for everything that is to come.

¹ Finbri, 2023

Spring Budget update

On 15 March, Chancellor Jeremy Hunt delivered his "*Budget for Growth*," kicking off with the latest economic projections from the Office for Budget Responsibility (OBR).

Expectations are for the UK to avoid a technical recession this year – however the economy is set to contract by 0.2% in 2023, with growth then predicted to reach 1.8% in 2024 and 2.5% in 2025. Inflation is predicted to fall from an average rate of 10.7% in Q4 2022 to 2.9% by the end of this year. This decline can be partly attributed to the three-month extension to the household Energy Price Guarantee (EPG), confirmed by the government earlier in the day on 15 March.

Four Pillars

The Chancellor's growth strategy focuses on four pillars 'Everywhere, Enterprise, Employment and Education.'

Everywhere – Levelling Up

The government has announced 'trailblazer' deals giving new and deeper devolution powers to local leaders in the Greater Manchester and West Midlands Combined Authorities.

For the first time outside of London, local leaders will now be able to set the strategic direction over the Affordable Housing Programme (AHP) in their areas. These two combined authorities will receive powers in a two-staged approach, initially having partial powers which will ensure the current 2021-26 AHP, which is overseen by Homes England, can be delivered.

After 2026, for any new AHP funding, these combined authorities will gain more powers, including directing Homes England to identify and bring forward sites for housing and to partner with providers.

Enterprise

For businesses to have the right conditions to succeed, the government introduced a new policy of "*full expensing*", among other measures.

Employment

The Chancellor introduced new measures to "*remove the barriers that stop people who want to from working*". This includes targeting mature workers with:

- The expansion of the DWP's 'midlife' MOT scheme,
- A new 'Returnerships' scheme to make existing skills programmes more accessible to older workers and help them upskill and retrain
- A pension tax relief overhaul.

Education

Mr Hunt plans to reform the childcare system, currently "*one of the most expensive systems in the world.*"

His proposal offers 30 free hours of childcare each week to pre-school-age children aged nine months or above in English households where both parents work. It will be phased in on the following timeline:

- April 2024 – eligible two-year-olds will receive 15 hours of free childcare per week
- September 2024 - qualifying children aged nine months to two years will receive 15 hours
- September 2025 - eligible children aged nine months to three years will receive 30 hours.

Also, schools and local authorities will be funded to increase availability of wraparound care, between 8am and 6pm.

Financial advice key for clear thinking

Choosing mortgages and protection are not decisions to be taken lightly. In today's complex economic landscape, financial advice is more important than ever.

'Advice gap'

A new study from the Financial Services Compensation Scheme (FSCS)¹ raises fears over a worrying financial 'advice gap.' Almost two-thirds of UK adults with savings, investments or a mortgage have not sought regulated financial advice in the last five years.

Not just for the wealthy

Additionally, more than half of all adults who hold a financial product believe professional advice is only for the wealthy. This is a common misconception – the reality is that everyone can benefit from expert help, not just wealthy individuals with complicated assets.

Tailored plan

Taking the time to construct a clear and tailored plan that meets each client's unique set of needs is the key to sound financial decisions. A strong and enduring relationship, developed through regular reviews, builds in the flexibility for plans to be adapted when life events inevitably dictate change.

Think about it

We're always here to help bring clarity to your financial decision making. Get in touch today!

As with all insurance policies, conditions and exclusions will apply. Your home may be repossessed if you do not keep up repayments on your mortgage.

¹FSCS, 2023

Leave protection to the professionals

Social media allows people to share their views and opinions more widely than ever before. Taking financial advice from online influencers, however, can be risky business.

#PaidAd

In 2022, the Financial Conduct Authority (FCA) warned investment firms about how they use influencers to promote their products on social media. With an abundance of adverts offering financial advice (sometimes without revealing it is a paid ad), it is more important than ever to be vigilant.

Your protection

Professional advice will consider your personal circumstances, offer a range of options and give you the necessary time and support to make the best decision for your unique long-term needs.

In contrast, online adverts generally rely on the popularity and personality of the influencer. The result is consumers not being offered the most suitable product and lacking support throughout the whole process.

Here for you

Your finances are one of the most personal parts of your life. When seeking advice, listen to financial advice professionals – not social media experts. We are here to help you choose based on your unique situation – get in touch today.

As with all insurance policies, conditions and exclusions will apply. Your home may be repossessed if you do not keep up repayments on your mortgage.

Don't cancel contents cover in haste

According to new research¹, one in five 18 to 24-year-olds plan to cancel their home contents insurance at renewal to save money,

A risky game to play

It's wise to investigate any areas you could cut back on during the current cost-of-living crisis, but this statistic reveals a worrying picture for young people planning to abandon their contents cover.

Protecting your contents avoids the worst-case scenario of having to replace costly contents, maybe all at once.

Cost effective

With policies starting from just over £1 a week, it's a low expense in proportion to peace of mind. Indeed, the average price paid for home insurance has fallen to its lowest levels in a decade, according to the Association of British Insurers (ABI)².

As with all insurance policies, conditions and exclusions will apply

¹GoCompare, 2023. ²ABI, 2023

Income protection. A safety net and more

It's sensible to review your protection cover each year and to discuss it with those close to you to make sure it still meets your needs.

How would you cope if you became ill? Would you have to rely on your partner, or struggle on trying to work? Almost one in five (19%) working adults say they would have to rely on their partner's income or savings if they were unable to work.

It makes sense to review your situation carefully if you're self-employed too. Only 6% of self-employed workers have an income protection policy and millions of self-employed people consider they would have to carry on working if they suffered an illness or injury. Some 11% would resort to taking on debt such as a loan, overdraft, or credit cards⁷.

As with all insurance policies, conditions and exclusions will apply

²LV=, 2023

Sources:

A costly mistake

A Place in the Sun's, Jonnie Irwin, has spoken out about the devastating mistake he made prior to his terminal cancer diagnosis and has urged others not to make the same short-sighted error.

The presenter says he was forced to continue working despite having terminal cancer because he failed to take out critical illness cover in addition to life cover. Irwin's life policy will not pay out until he has died, meaning that he has had to carry on working, despite being so ill, as it was the only way to continue providing an income for his family.

Critical illness cover typically provides policyholders with a lump sum on diagnosis of cancer or other illnesses such as a heart attack, stroke, and paralysis.

As with all insurance policies, conditions and exclusions will apply

Decrease in mortgage approvals

Around 39,600 mortgages were approved for house purchase in January, down from 40,500 in December, marking the fifth month in a row of declines, according to Bank of England (BoE) figures.

When excluding the pandemic months and the immediate period thereafter, this was the lowest level of approvals since January 2009 when the recorded figure stood at 32,400.

The January BoE figures also show that the 'effective' interest rate – the actual interest rate paid – on newly-drawn mortgages increased by 21 basis points, to 3.88%.

Remember, we're here to help you get onto or move up the housing ladder with the right mortgage. Get in touch today to see how we can help.

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