

# Home Finance

news

The bulletin from Amiable Financial Services

Amiable  
Financial Services

Should you be assessing both your borrowing and protection needs?

» As you may know, there are currently some decent mortgage deals on offer. Added to this, there have been various government initiatives designed to help stimulate the property market, such as increased efforts to build more homes, relaxation on some planning laws, further support for the first-time buyer, and changes to Stamp Duty (albeit not for the best for some landlords).

As for property prices, there are still wide regional variations, but prices have been rising, although at a fairly moderate rate, with Halifax (in Dec. 2015) forecasting a 4-6% increase across 2016. Understandably, price rises will not be good for everyone.

The economy too is in slightly better shape, which may deliver some increased confidence. This could be a factor that helped grow mortgage lending across the latter part of 2015.

*(Source: Council of Mortgage Lenders, November 2015 release)*

## Take control of your destiny

So, irrespective of whenever the first Bank Rate interest rise will come, surely it makes sense to be pro-active. This means that you can then make plans at a time that suits

## Time to Make Plans

you, rather than being driven by external influences. For example, you may already be keen to achieve some of the following:

- Undertake much-needed renovations to your current home.
- Decide that now's the time to climb up the property ladder (or perhaps downsize).
- Seek out a better mortgage deal than the one you're currently on.
- Buy your first home, and take advantage of some of the schemes on offer.
- Conversely, you may look to expand your property portfolio, either through becoming a landlord, or simply want that holiday home you've always dreamed of (see page 3 for more about this).

## We're here for you

Whatever you want to achieve, we can endeavour to help. With tighter lending

regulations making it harder to borrow (and more rules are on their way, which have to be implemented by 21 March 2016), it makes even more sense to take advice to gauge what may work for you across the wider marketplace.

In fact, that's possibly why it's no surprise that in a 2015 survey, 78% of mortgages now go through intermediaries (such as us) - a sizeable jump from 56% in 2014.

*(Source: IRESS Mortgage Efficiency survey, October 2015)*

**If you'd like to hear more about how we could assist with your borrowing needs, along with ways to protect you (and your family), then please get in touch.**

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

**The Financial Conduct Authority does not regulate most Buy-to-Let mortgages.**

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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**.

■ Amiable Financial Services is a trading name of Akinniyi Arikawe, who is authorised and regulated by the Financial Services Authority.

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



Did you know that each year, **one million workers** suddenly find themselves unable to work due to serious illness or injury?

(Source: Association of British Insurers, Welfare Reform for the 21st Century, September 2014)

» We insure our cars, homes, mobiles and pets against accident or damage, but do enough of us protect our income, should we be unable to work for any length of time due to an injury or illness?

Surely a lengthy period off work would be a concern for any household? Yet worryingly, more than one in five (23%) Brits with savings, say they wouldn't last longer than a couple of months if they were unable to work, yet less than one in 20 protect their income!

(Source: Scottish Widows, November 2015 release)

Of course, you might find that you're eligible for state benefits, of limited value. Also, your employer may pay you for a period of time, but how long will that last, and will that be enough?

### Works when you can't

So it makes sense to have a back-up plan to help top-up any payments you may receive from elsewhere.

One route is to take out some **Income Protection** insurance. This is designed to pay out a tax-free monthly sum in the event that you are unable to work due to illness or injury. In short, it works when you can't!

It pays out until you can start working again, or, in some cases, until you retire. Each policy will have different conditions, such as not being able to work in 'your own occupation', or 'any occupation', and you would obviously need to disclose any pre-existing medical issues.

Once you've got an idea of what income you may need, you can then decide when

you'd like your plan to kick-in (called the deferred period). The longer you wait, the cheaper the premium will be. And do be sensible about how much you require (up to a maximum amount) until you're able to return to work. Again, the less you need, the lower the premium.

### Over 90% of claims are paid out

In the latest set of statistics, 93% of all 'Individual Income Protection' claims were paid out in 2014. The average payout covered almost a four-year period and amounted to about £39,000.

(Source: Association of British Insurers, August 2015 release)

The payout statistics show that whilst policyholders might need funds for a considerable period of time, they are generally not opting for life-changing amounts, but simply enough to see them through until they're able to work again.

So, although you may still think: *'it'll never happen to me'*, do remember that life's unpredictable, and surely it's better: *'to have something and not need it, than to need something and not have it'*!

**Please get in touch if you'd like to find out more.**

**If you take out an income protection policy and stop paying premiums you won't get any money back and you'll no longer be covered.**

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

## Helping the First-Time

The Help-to-Buy schemes have now enabled 130,000 people to buy their own home, with 94% of all completions taking place outside of London, and 80% of the take-up coming from first-time buyers.

(Source: gov.uk, Help-to-Buy, December 2015)

In the Autumn Statement, the Chancellor said that: *"people buying a home to let should not be squeezing out families who can't afford a home to buy"*, and put in place further initiatives, such as:

■ Doubling the housing budget to £2bn a year, in order to build 400,000 affordable homes by the end of the decade.

■ Included within this would be payments to developers to build starter homes for first-time buyers, who will get a 20% discount on property worth up to £450,000 in London, and up to £250,000 elsewhere.

■ In England, the current restrictions on who can buy a home through the Help-to-Buy shared ownership scheme will be removed from April 2016.

■ The parameters of the Help-to-Buy Equity Loan scheme will be enhanced for Greater London increasing the upper limit of the government's loan from 20% to 40%. (Source: gov.uk, November 2015)

## Buyer



These are just some of the proposals that will come in from 2016 and, of course, various terms and conditions will apply. However, it demonstrates that improved options do exist for the first-time buyer (across the whole country), and as part of that process we can help identify the most suitable mortgage loan for your needs.

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

# REMORTGAGE off SVR

There are currently 1.9m mortgage borrowers sitting on their lenders' Standard Variable Rate (SVR), paying above 3% interest, and representing more than one in six of all mortgage borrowers!

» According to the same research, homeowners on an SVR could be paying an average of almost £4,000 a year (£329 a month) more than if they fixed their mortgage now. For example, the average SVR is 4.82%, whilst a two-year fixed rate mortgage could be over 2% lower. (Source: HSBC, November 2015)

Therefore, and possibly irrespective of whenever the Bank Rate may start to rise, it could make sense for SVR borrowers to establish if they can take advantage of the deals currently on offer.

Why not give us a call if you find yourself in this situation.

## But, not too sure if you could remortgage?

We are also aware that, perhaps due to the financial crisis and the tougher lending criteria that now exists, a sizeable number of those on SVRs may be *Mortgage Prisoners*. In short, these are people who might feel they're unable to move house or remortgage.

If you think that you fall into this camp, it makes sense to take professional advice, as we may be able to identify a viable remortgaging option, or consider alternative ways to raise the funds. Do remember, just because you may have been turned down by one lender, doesn't mean that you may not enjoy success elsewhere. Additionally, the lenders themselves will also



be continually amending their own interpretation of the rules, which may also work in your favour.

## Issues that have created Mortgage Prisoners

**Personal circumstances** - these may have changed for the worse since the borrower initially took out the loan, such as lower earnings or divorce.

**Lender requirements** - the lender that happily provided a mortgage loan a few years back, is likely to have now tightened its lending criteria due to recent regulatory changes, with more being introduced from 21 March 2016.

**Mortgages that extend (or need to extend) into retirement** - a current lack of desire exists with some lenders to lend into a borrower's supposed retirement years. However, moves are afoot (particularly from the Building Societies) to address this issue, recognising that many borrowers will now continue working into their 'expected' retirement years, or may have access to a decent pension pot to assist mortgage payments.

**Self-cert and Interest-only** - whilst these borrowing options would have been readily available a few years back - it's not the case today - resulting in possible difficulties for some, or the need to revert from interest-only to a repayment mortgage (see the chart to calculate the possible impact).

## Don't despair - positive house price growth?

The average UK house price has risen by almost 20% (around £32,000) over the last three years to about £196,000, which may work to your advantage, and give you some wriggle room against the deal you previously took out. (Source: Nationwide, House Prices, Q3 2015 vs. Q3 2012)

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

# Mortgage Calculator

Here's how to use the mortgage payments calculator:  
A £100,000 mortgage over 25 years, charged at a 2.5% interest rate  
would cost 100 x £4.49 (for Repayment) = £449 per month.

## Monthly payments for a mortgage per £1,000 borrowed over 25 years

Interest rate %	Interest-only* £	Repayment £
1.00	0.83	3.77
1.50	1.25	4.00
2.00	1.67	4.24
2.50	2.08	4.49
3.00	2.50	4.74
3.50	2.92	5.01
4.00	3.33	5.28
4.50	3.75	5.56
5.00	4.17	5.85
5.50	4.58	6.14
6.00	5.00	6.44
6.50	5.42	6.75
7.00	5.83	7.07

\* 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.



There are almost 5.4m SMEs in the UK (small and medium sized enterprises). These are businesses with less than 250 employees, although the vast majority have less than 10 staff. But is each business doing enough to protect itself?

(Source: House of Commons, Briefing Paper, November 2015)

# BUSINESS Protection

» According to a recent survey, awareness of business protection varies widely, with many preferring to protect their stock and equipment (44%), but not factoring in cover for their personnel, with only 21% taking out Key Person Insurance, 16% opting for Shareholder/Partner Protection, and just 8% have Business Loan cover in place. Yet with the economic climate slowly improving, surely it makes sense for a business to fully protect itself and the personnel who have helped build up the company over recent years. (Source: Royal London, SME Business Protection survey, August 2015)

So let's set out some of the key areas where some form of business protection may benefit the business, the shareholders, and its employees.

## Key Person Insurance

This is designed to provide the business with the funds needed to cope with the financial impact of the loss of a key person in the company.

Understandably, the death or serious illness of a key person can cause considerable disruption. This could include loss of sales, loss of customer confidence, the withdrawal of credit facilities and the cost of hiring or training a new recruit.

## Shareholder/Partner Protection

This helps the owners to keep control of the company, if one of them dies, or is diagnosed with a critical illness covered by the policy.

This plan will pay out a lump sum, which will help to provide funds to buy company shares. The payout will then help his or her family, as the share in the partnership might have been their main financial asset, other than their home. For the remaining partners, it enables the smooth continuation of the business.

## Business Loan Protection

If the business has outstanding loans, it may be prudent to take out some form of loan protection to cover the cost of the ongoing payments or to pay off the loan in full, in the event that the bank calls in the loan prematurely.

The latter could be triggered by a fall in sales, a breach of the loan covenant, loss of credit insurance or the serious illness or death of a key person.



If the finance has come from a director's loan account, and the director were to die, then their estate might demand repayment of the outstanding loan. A business loan protection policy should apply in such circumstances and hopefully provide the business with a cash sum to help repay the loan.

## Relevant Life Cover

This policy allows companies to offer a 'death-in-service' benefit to its employees (including salaried directors). It's set up by the company and pays out a tax-free lump sum on death (or possibly on diagnosis of a terminal illness) of the person insured. In this instance, the proceeds go directly to the employee's family or financial dependants.

This plan may be appropriate for businesses that are too small for a group life scheme. Or for high-earning employees who might exceed their personal pension lifetime allowance, as unlike group schemes, relevant life cover is paid outside of the pension fund.

## Talk to us...

These are just four brief examples of the protection policies on offer for businesses, with each meeting a different need. If this is relevant for you, then we can discuss, in greater detail, the key concerns for your own business, and identify a suitable way forward.

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

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

**There may be a fee for arranging a mortgage for you. This would typically be 1% of the loan. However, we will discuss your payment options with you and confirm the actual amount payable before we begin to provide our services.**

■ The contents of this newsletter are believed to be correct at the date of publication (December 2015).

■ Every care is taken that the information in the *Home Finance 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 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: 0783 2352407 Email: [akin.arikawe@amiablefs.com](mailto:akin.arikawe@amiablefs.com) Web: [www.amiablefs.com](http://www.amiablefs.com)**