May/June 2020 issue

Baneberry Finance

COVID-19 UPDATE

The newsletter from Baneberry Finance Ltd

The Furlough Scheme has been extended to run until 31 October 2020 - see page 3 for more... (Source: Chancellor's announcement, 12 May 2020)

We are now seeing (initially in England) the gradual easing of lockdown restrictions.

Social distancing (and the wearing of masks and gloves) will still be a major consideration. Whether you're returning to the workplace (if it's safe and ok to do so), or are simply out enjoying greater freedom, and seeing a different family member or friend - from a distance!

Housing market re-opens!

As part of this process, the Housing Secretary announced that (in England) estate agent's offices can re-open; viewings are permitted; show homes can open; and removal firms, along with other essential parts of the sales and letting process, can also re-start.

According to the Housing Secretary, more than **450,000 buyers and renters** have been unable to progress their plans to move since March.

However, activity in this sector can only occur if social distancing and safety rules are properly adhered to. And the government has already produced a document that provides guidance for surveyors, and others, on how to work safely in other people's homes.

Understandably, the marketplace will take time to be fully operational again, and some people may initially be wary of letting others into their homes (or viewing them), plus others might need to reassess their finances. Conversely, though, after many weeks of lockdown, moving to a larger home may be very high on the agenda!

Mortgage Lending

So, as we return to some semblance of normality, perhaps now is a good time to look at both your **mortgage** and **protection** requirements. If that's the case, then rest-assured **we continue to be available** to discuss these issues with you.

In terms of the mortgage deals on offer, if you're just coming off the average 2-year fixed deal, for example, then two years ago the interest rate was 2.51%, now it's 2.09%!* Also, early on in the crisis some higher Loan-to-Value (LTV) mortgage deals were initially pulled by lenders. However, recent research

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

KEY STATS...

At least 1 in 7 mortgage borrowers have taken a COVID-19 Mortgage Payment Holiday
This covers 1.6m mortgages and, on average, amounts to £755 per month of suspended payments.
(Source: UK Finance, 28 April 2020)

Around 7.5 million jobs have now been furloughed†
And, according to the Resolution Foundation, this figure may rise to as many as 8.3 million.††
(Sources: †GOV.UK, 12 May 2020; ††Resolution Foundation, 20 April 2020)

If you find yourself in this position, and want to assess your borrowing needs, then do talk to us. There may be options for you, as flagged elsewhere in this Update.

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- Baneberry Finance Ltd is Authorised and Regulated by the Financial Conduct Authority.
- Our typical fees for arranging a mortgage are £349 on application and £200 on production of an offer. In addition, we retain commission paid by the lender.
- The information is of a general nature, and every care is taken to ensure it's accurate at the time of writing (May 2020). However, all information and figures are subject to change. You should seek professional advice tailored to your needs and circumstances before making any decisions.

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

We'll liaise however you want

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has shown that lenders are coming back to the market, with a return of a number of higher LTV deals, and a relaxation of some criteria.**

*(Sources: *Moneyfacts, 1 May 2020; **Mortgage Brain, 29 April 2020)*

Your borrowing requirements

When you consider that the average 2- and 5-year fixed rates are 2.09%, and 2.35%, respectively*, this means that there are many products at a rate less than that! So maybe now is the time to assess your Mortgage (or Product Transfer) plans to meet the following needs:

- ■ Raising additional funds.
- ■ Seeking funding for a property move, or wanting to buy your first home.
- ■ Looking for a new deal, as you're coming to the end of your current one.
- ■ Keen to look at options, as you're still on your lender's more expensive Standard Variable Rate, at an average rate of 4.55%.*
- ■ Or simply wanting to identify a better mortgage deal than the one you have.

And, with regard to Product Transfers, these are a like-for-like mortgage with the same lender. In which case, they tend to not require a new affordability assessment, meaning existing borrowers who have been furloughed may also be eligible (subject to certain criteria). As can those on a mortgage payment holiday. Ordinarily, the latter would not qualify, but given the current exceptional circumstances, lenders are waiving this rule.

Remortgage elsewhere?

However, as part of the conversation with us, we'll also look at the broader picture. A more suitable route might be to end any payment holiday (if that's in place), and be able to identify a more suitable deal with another lender. Whether or not you then remain with your current lender, it's best to see what's out there in the wider marketplace.

Market developments

As said, the traditional way of purchasing a property may take time to return to normal levels. So some of the initiatives already in place will keep the wheels oiled. For example, an increasing number of lenders have moved to accepting either automated or desktop valuations, and estate agents have increased the number of 'virtual' tours they've created for properties.

Lenders are also mindful of the delays to the property purchase process, and many borrowers would have already benefited from an agreement to extend the mortgage offer by an extra three months for those that have already exchanged.

For those who've just started the property buying process, or have been considering it, then do to talk to us. We can discuss the various borrowing options and endeavour to get the ball rolling. This will, hopefully, enable you to be in the strongest possible position once you're ready to proceed.

Do get in touch to hear more.

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.

PROTECTION INSURANCE for YOU

It's often difficult to contemplate needing a Protection policy until... ***'YOU REALLY NEED IT'!***

Meeting your needs

However, the current challenging times may well have focused your thoughts on having some protection cover in place.

This could be, for example, a policy that's designed to deliver a lump sum to your family, if the insured person dies.

Or it could be a lump sum payout if you suffered a critical illness.

Or, a plan that delivers a regular income should you be off work long-term through illness or injury.

In terms of what's most suitable for your needs, this is something we can discuss with you.

Have cover in place

If you already have one, or more protection insurance policies in place, then you're in a better position.

However, even here it's worth having a conversation (if it's not a policy that we've recently set up for you), as there's been so much innovation over the last few years with the products offered by insurers.

Alternatively, in light of the current crisis, you might be thinking about saving money and cancelling a policy (which could prove to be more expensive, with more caveats and an age weighting, should you return to start a new one with the same insurer). The insurers are mindful of this and some will allow you to stop paying premiums for an agreed period, with certain rules.

Also, don't forget that your policy may have value-added benefits, such as medical and fitness support to tap into, which may deliver vital help, information or inspiration to see you through the COVID-19 crisis.

Do talk to us, as you may be surprised by both the cost and value offered. As with all insurance policies, terms, conditions and exclusions will apply.

Financial Support:
a recap of what's on offer

» Whilst delivering protection to the NHS is the government's primary focus, there is also a whole raft of multi-billion pound packages to help support the economy, and people's income stream and job security, such as:

80% of Salary - Coronavirus Job Retention Scheme

Under this scheme, all UK employers are able to access support to continue paying part of their employees' salary for those employees that would otherwise have been laid off.

It's applicable to those designated as 'furloughed workers' (these are 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 scheme has now been further extended to run until the **end of October.** The government will ask employers to start sharing part of the cost from August, and at the same time, employers will then be able to bring back furloughed employees to work part-time.

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 a payment holiday may deliver much-needed financial help, do consider if it's the most suitable route forward for you.

First, it's not so much a 'holiday', but more about a mortgage 'deferment'. This is because the money owed is not being waived, as it'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).

Statutory Sick Pay

All of those advised to self-isolate - or caring for those self-isolating - are 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. Additionally, the normal welfare options are in place, if unemployed.

Business support

If you run, or are responsible for, a small or medium-sized business, you will be aware of the wide range of initiatives to deliver assistance in areas such as reclaiming SSP, business rates help, possible grants, more time to pay tax, and deferring VAT payments.

Loans are on offer too. Initially, one of the main schemes here was the Coronavirus Business Interruption Loan Scheme, where the government is underwriting 80% of the risk. However, some businesses were complaining about the difficulty to secure loans, and in response to this the **Bounce Back Loans scheme** has additionally been launched, where the government will now underwrite 100% of loans between £2,000-£50,000, with less hoops to jump through. Application is available via a short and simple online form. If successful, the cash will arrive in days. You will not be required to make any repayments across the first 12 months, and this period will also be interest-free, with a 2.5% interest rate, thereafter, agreed between the government and lenders.

Further information about the various initiatives can generally be found at www.gov.uk (then search for covid-19).

SELF-EMPLOYMENT INCOME SUPPORT SCHEME

- This scheme delivers a taxable cash grant of 80% of a self-employed workers' profits, up to £2,500 per month. It's initially paid out in a single instalment, covering 3 months and amounting to a maximum of £7,500.
- Those eligible are able to both claim and continue to work.
- The scheme is open to those with a trading profit of less than £50,000 in 2018-19, or an average trading profit of less than £50,000 from the previous three financial years (2016-17, 2017-18 and 2018-19).
- Another qualification is that more than half of the income in these periods must come from self-employment.
- As self-employed status can be open to interpretation, do contact HMRC to see if you are eligible, or simply use the online eligibility checker.
- Those who pay themselves a salary and dividends through their own company may not be covered by the scheme, but might be covered for their salary (up to the eligible amount) via the Coronavirus Job Retention Scheme.
- The scheme covers a minimum period of 3 months, and may possibly be extended beyond that. The specific claims service is available from mid-May, and for those eligible, payments will be made from end of May onwards.