Spring 2025

Mortgage & Protection news

The newsletter from HSPC Mortgage Services

mortgage services hspc

Your Future Plans...

Over the last year or so, **Mortgage Rates** have broadly improved. And, the **Base Rate** was reduced to **4.5%,** at the Bank of England's February 2025 meeting.

Elsewhere, other factors have come together to help create a more encouraging environment, despite the heightened economic uncertainty in the world.

Whilst annual **inflation** has recently risen to 3%, it's much lower than the sizeable 11.1% back in October 2022. The Bank of England expects it to increase to 3.7% by Q3 2025 (partly due to energy prices), before reducing again.

Also, **house prices** in Scotland continue to increase (up annually by 4.4%).

(Sources: Office for National Statistics, CPI, 19 February 2025; Nationwide, House Price Index, Q4 2024)

Base Rate reduction of 0.25%

Those on Tracker deals are likely to see an immediate benefit in their monthly payments.

Those on Fixed Rate deals will not see any change to what they pay, until they come to the end of their deal period. But the rate drop might impact future deals on offer.

Those seeking a mortgage, or looking to remortgage onto a new deal may benefit from lenders responding to the lower rate.

Lender Rates

In recent times, we've had yo-yo periods with regard to rates on offer.

Whilst the 'average' fixed rates for a 2-, or 5-year deal currently start with a '5', better rates that begin with a low (or sub) '4' may be on offer. This is generally applicable to loans of 60%, or less, than the property's value.

Predictions for 2025

Base Rate - in December 2024, the governor of the Bank of England indicated that, contingent upon economic conditions, they may reduce interest rates by around one percentage point over the course of 2025.

This might possibly be via four quarter-point reductions. We've just had the first!

Uplift in mortgage lending - according to UK Finance, there may be an 11% annual growth in gross mortgage lending in 2025, echoing the improving climate.

UK house prices - Nationwide is predicting a 2-4% annual growth in 2025, with Halifax expecting a 0-3% rise.

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MARKET FACTS

INFLATION

Back in October 2022 annual inflation stood at a recent high of 11.1%.
The latest annual CPI inflation figure to January 2025 is **3%** - and at its highest level in 10 months. It is partly influenced by the increase in transport, food, and non-alcoholic beverage costs.
Core CPI (which excludes energy, food, alcohol and tobacco), stands at an annual 3.7%, up from the 3.2% yearly increase in December. This metric tends to have a greater influence on the Bank of England's Base Rate decision-making.
(Source: Office for National Statistics, CPI, 19 February 2025)

PROPERTY PRICES

In the Q4 2024 data, the average annual **property price in Scotland rose by 4.4%** (to around £187,000).
(Source: Nationwide, House Price Index, Q4 2024)

And if you want to get a feel for house price sales in an area, you can check out the following:
scotlis.ros.gov.uk (for Scotland)
gov.uk/search-house-prices (for Eng. & Wales)
finance-ni.gov.uk (for Northern Ireland)

MORTGAGE RATES

Residential:

- **2-year fixed rate deal**
- Average rate, 1 February 2025 = **5.52%**
- **5-year fixed rate deal**
- Average rate, 1 February 2025 = **5.32%**
- **Standard Variable Rate (SVR)**
- Average rate, 1 February 2025 = **7.78%**

Buy-to-Let:

- **2-year fixed rate deal**
- Average rate, 1 February 2025 = **5.40%**
- **5-year fixed rate deal**
- Average rate, 1 February 2025 = **5.56%**

(Source: moneyfactscompare.co.uk, February 2025)

Your Future Plans... (contd)

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Of course, the UK is not immune to geopolitical events throughout the world, and these could, ultimately, result in a knock-on effect to mortgage rates.

And let's not forget the impact of the UK Budget...

April 2025 will see the introduction of most of the Budget initiatives, which were designed to help deliver an **extra £70bn of annual spending.**

To meet the extra spending plans, **£36bn will come via higher taxes,** with the following being the main areas targeted:

■ National Insurance (for employers)

Around £25bn is expected to come from an increase in Employer NI contributions, applicable from April 2025.

■ Stamp Duty

For those buying an additional home in England or Northern Ireland (such as landlords), the 3% surcharge they already faced was lifted to 5%, with immediate effect.
Stamp Duty is applicable to England and Northern Ireland.

■ Capital Gains Tax (CGT)

The sale of shares and assets will now face the same higher CGT bands as those applicable to additional homes. On 30 October 2024 they increased from 10% to 18% for basic rate taxpayers, and 20% to 24% for those on a higher rate.

■ Inheritance Tax

The current thresholds will remain as is, but will be frozen at that level for a further two years, until 2030, drawing more into the net.
(Sources: HM Treasury, October 2024; Office for Budget Responsibility, Economic & Fiscal outlook, October 2024)

Scottish Budget

This occurred in December 2024, and the Scottish government had its tax and spending plans ratified in February.

One noticeable development, akin to increased tax costs for additional home purchases in England and Northern Ireland, was that the **Additional Dwelling Supplement was increased** on 5 December 2024 from 6% to 8%.

Whatever your situation, we'd fully assess the suitability of the options on offer. And you can take comfort from the fact that we operate in this sector day-in day-out, plus have the qualifications and expertise to deliver advice that meets your needs.

The Financial Conduct Authority does not regulate taxation advice.

Revenue Scotland and HM Revenue & Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

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

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

Turn to us for ADVICE

This year, **1,800,000 fixed-rate mortgage deals** will come to an end. *(Source: UK Finance, Household Finance Review, Q2 2024, released September 2024)*

That 1.8m figure equates to over 20% of all outstanding residential mortgages; so, 2025 is likely to be quite busy. *(Source: UK Finance, June 2024 data)*

Additionally, there are about **242,500 buy-to-let loans** that will also come to the end of their deal period in 2025.

Furthermore, there are still many that would love to make that jump from renting to taking their first step on the property-owning ladder.

Where we can help

With over 6,500 different mortgage products out there, offering a range of options, and criteria to meet; it's no wonder that in 2025, almost 90% of residential borrowers are expected to turn to mortgage advisers, such as us. *(Sources: moneyfactscompare.co.uk, February 2025; IMLA report, December 2024)*

Existing mortgage-borrowing clients:
We would be in touch, ahead of your deal rate coming to an end, to discuss your future borrowing requirements, and would then set out the options for you.

Conversely, if you're looking to purchase a new property, then do get in touch to see how that plays out with regard to your current borrowing arrangement.

New clients, and first-time buyers:
Again, we would run through your needs, consider your affordability situation, and how creditworthy you might be. From here we would identify the most suitable routes.

Credit Rating

A credit score is designed to try to predict your future behaviour. You can check your rating at agencies such as Experian, Equifax, and TransUnion. Or take a look at Checkmyfile, which generally brings together your results across most rating agencies:

Tel: 0800 086 9360
www.checkmyfile.com

Securing a deal:
A further benefit of dealing with us, rather than going direct to a bank, for example, is that once you take up a deal rate (generally 4-6 months ahead of the existing one coming to an end), we can still switch it to a better rate (on a comparable plan) from the chosen lender. This option is there up until near the commencement of your new mortgage deal, which means you can lock-in a deal early, and benefit should rates improve. If you went direct to the lender, then it is unlikely they'd tell you that a better deal could be had.

Doing the legwork for you:
And, we can hold your hand throughout the application process, and liaise with others - such as the lender, estate agents, solicitors, and surveyors.

Please do get in touch if you'd like to have a chat about your borrowing requirements.

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Protection Insurance payouts

Whilst obtaining a mortgage loan may be your primary reason for talking to us, it's equally important to consider the various types of Protection Insurance that are on offer. Some are designed to ensure your income stream can be maintained in the event of an **illness or injury,** and others may deliver a payout for your family, **should the unthinkable occur.**

Of course, with numerous calls for the money in your pocket, we fully understand that some of you may view protection cover as something:

- that's simply ***'not for me'.***
- that's ***'too expensive'.***
- where ***'I don't believe the insurer will pay out in the event of a claim'.***

We'd be keen to discuss the first two points, as you may be pleasantly surprised at the costs, and how protection cover could bring 'peace of mind'. With regard to the last point, as the box item shows, **almost 98% of claims are actually paid out.**

97.4% of all claims were paid out in 2023, equating to a record £20.1m per day!

Life Cover
- 99.4% of all Life claims were paid out.
- Average payout of £80,403 (term), £5,760 (whole of life).

Critical Illness
- 90.5% of all claims were paid out.
- Average payout of £68,354.

Income Protection
- 81.3% of all claims were paid out.
- Average payout of £22,270.

(Source: Association of British Insurers, 2023 data, September 2024 release)

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

For the UK government to achieve its spending objectives, the **Budget** aimed to raise an extra £70bn, annually. Over half of this amount will be generated by increased taxation, with most measures being applicable from April 2025.

The Autumn BUDGET

Main elements of the extra £36bn tax hit

Employers NI contribution	= + £24.5bn
Capital Taxes, such as CGT, & IHT	= + £5.6bn
HMRC compliance activity	= + £4.0bn
VAT charges on private school fees	= + £1.6bn

(Source: Office for Budget Responsibility, Economic & Fiscal outlook, October 2024)

Employers National Insurance contribution

This is, undoubtedly, the biggest area for the additional tax raising. The NI contribution for employers will increase to 15% on salaries above £5,000, against the current 13.8% for salaries above £9,100. On average, this equates to an annual extra £800 per employee, according to the OBR.

Although, for smaller businesses this may be countered by the rise in the Employment Allowance from £5,000 to £10,500 (where the £100,000 threshold for eligibility has been removed).

Capital Gains Tax (CGT)

The possibility of increasing taxes on the capital growth of an additional property, when sold, didn't materialise. But, the CGT on selling shares/assets immediately rose to the same level as an additional property sale. That's a shift from 10% to 18% for basic rate taxpayers, and up from 20% to 24% for those on the higher rate.

Inheritance Tax (IHT)

These thresholds have also been frozen over time (with the chancellor extending this from 2028 to 2030). A measure that will bring more estates into paying the 40% tax above the threshold amount. For the individual, the nil tax threshold remains at £325,000. And could rise to £500,000 if the property is also passed on to family. And, if married, or in a civil partnership, then these thresholds could be doubled to £1m, before any tax is claimed.

Although, the chancellor did also announce that from 2027, inherited pensions will also be brought into the IHT calculation.

Fuel Duty

The 5p cut in fuel duty for petrol and diesel, brought in by the Conservatives (due to end in April 2025), will be kept for another year.

VAT on Private School fees

This was already out there, and was confirmed by the chancellor, with it coming into effect from January 2025.

Non-Dom regime to be scrapped

From April 2025 this will be replaced with a new residence-based scheme. Time will tell if this has an impact on the property-buying activity of the Non-Doms.

Stamp Duty

Landlords, and those buying an additional home in England or Northern Ireland, were already facing a 3% tax surcharge on their Stamp Duty bill. This has now risen, with immediate effect, to 5%. *(Sources: HM Treasury, October 2024)*

Scottish Budget

This occurred in December 2024, where further tax-raising and spending measures (devolved to the Scottish government) were announced.

The Scottish government had their Budget approved by the Scottish parliament in February.

And, one noticeable development, akin to increased tax costs for additional home purchases in England and Northern Ireland, was that the Additional Dwelling Supplement was increased on 5 December 2024 from 6% to 8%.

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In the past, **First-Time Buyer** mortgage loans generally equated to three to four times your salary. Nowadays, we're seeing deals where the **loan to income** amount has risen to **5.5,** or even **6 times!**

» This is one of many examples where there is a **desire by the lenders to help First-Time Buyers.**

Elsewhere, the **government's enthusiasm to help them out,** covers schemes like 'Freedom to Buy', and also, they are committed to building more homes to meet the demand (1.5m over the next 5 years).

Additionally, the government's desire to view Landlords as a Budget revenue source, may result in more properties coming onto the market, as some within that sector depart.

Finally, let's factor in **possible financial help via parents (and grandparents).** Or, consider the pragmatic approach taken by some first-time buyers, where two (or more) people are clubbing together to obtain their first home.

Providing a deposit

This is one of the biggest stumbling blocks. In 2024, the **average deposit in Scotland was £43,537,** equating to around 22% of the purchase price. *(Source: Halifax, First-Time Buyer report, February 2025)*

This percentage deposit will obviously open up the buyer to better rates than those who are looking at deals at around a 5% deposit (or less). Although, for some, the lower deposit option may be more appealing, as it'll get them onto the property ladder sooner.

Bank of Mum & Dad
(and other family members & friends)

We recognise that for a sizeable number it's not going to be an option, but for those who can help, this is what the latest UK figures in 2024 show:

- 335,000 property purchases were supported by the Bank of Mum & Dad.
- The average gift (or loan) was over £27,400, equating to £9.2bn of support, in total.
- And it resulted in almost half of under 35s - who recently bought a home - receiving some financial help.

(Source: L&G, 2024 Bank of Mum and Dad research, October 2024 release)

The lower Stamp Duty cost is going...

For clients that are looking to become First-Time Buyers in England and Northern Ireland, they would currently benefit from lower Stamp Duty charges. However, the better tax rates currently in place will end on 31 March 2025.

From 1 April 2025 it will revert back to the previous higher charges. This would, for example, mean a £425,000 First-Time Buyer purchase will generate **no Stamp Duty tax up to 31 March 2025, thereafter, it would be £6,250.**

(Source: gov.uk, Stamp Duty calculator)

Whilst there were no changes to the First-Time Buyer element of the **Land and Buildings Transaction Tax,** the Scottish equivalent of Stamp Duty, in December 2024's Scottish Budget, the First-Time Buyer relief continues to be available. It has the effect of increasing the nil-rate band from £145,000 to £175,000.

Talk to us

41% of First-Time Buyers, who bought in the last two years, struggled to understand the range of mortgage options available to them. *(Source: Moneybox, Voice of FTBs survey, September 2024)*

And that's where we come in. We can assist with your application, factor in any financial support from the family, and assess where you stand on meeting the lender's affordability criteria - which varies across the board.

We'd also consider the various schemes on offer from the government, and balance that against the alternatives out there in the general marketplace.

If this route is of interest for you (or a family member), then please get in touch to find out more.

Revenue Scotland and 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.

It's happened again!

It's hard to identify the positives for **Landlords,** as they're hit again in the **Budget,** and elsewhere. But, as before, they have proved to be an extremely resilient group of individuals.

» In recent years, this sector has faced tax rises, increased regulations, and higher mortgage rates. And now we've had the Autumn Budget, along with other recent initiatives.

However, the rental take is still sizeable

Across the UK the average monthly rent was £1,271 (up 0.9% annually). For Scotland, the average monthly rent was £911 (up 0.6% annually).

(Source: Homelet Rental Index report, January 2025)

EPC targets by 2030

The government also expects landlords to improve the Energy Performance Certificate (EPC) ratings of their rental properties to a C rating, or above, by 2030. Whilst Portfolio landlords are more likely to have made the improvements, there are still about 2.9m properties that would need to be upgraded, at an average cost of £8,074 each. *(Source: Rightmove October 2024)*

Renters' Rights Bill

Whilst this mostly applies to England, some aspects of this Bill may also apply to Scotland (& Wales).

It's currently going through parliament, with representation from those concerned about the implications of the Bill.

And, it encompasses elements such as ending Section 21 'no fault' evictions, and allowing tenants to keep pets, provided they have insurance to cover potential damages.

Elsewhere, there's Awaab's Law to, understandably, tackle damp and mould in rental properties.

We're here to help...

So, if you're coming off a fixed rate deal, or simply want to have a chat about future financing options, then please do get in touch.

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.
Revenue Scotland and HM Revenue & Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

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

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THE UK BUDGET

Yet again, Landlords are viewed as a relatively easy target, and one where little allowance is made.

■ Not only was no extension put in place for the existing set of Stamp Duty rates (they end on 31 March 2025), but the 3% surcharge faced by those purchasing an additional home (that isn't their primary residence), was replaced by a 5% one. This is applicable to those Landlords who may be purchasing properties in either England or Northern Ireland.
This measure was implemented immediately, and not from April 2025.

For Scotland, the Land and Buildings Transaction Tax applies instead. And December's Scottish Budget also applied a change in this area (effective from 5 December 2024), where the Additional Dwelling Supplement increased from 6% to 8%.

■ On the upside, the feared increase in Capital Gains Tax for the sale of an additional home didn't materialise, and the rate remains at 18% for normal rate taxpayers, and 24% for higher rate. *(Source: HM Treasury, October 2024)*

There can be numerous benefits from being one of the **4m+ workers** out there that are **Self-Employed.** If things are going well, you will generally see immediate financial returns. However, historically, there was often an issue **when applying for a mortgage.**

Working for YOURSELF

On the positive side, **a number of lenders appear to be more accepting these days of the variable income streams of a self-employed worker,** and also those salaried employees for whom a sizeable part of their income stream is made up of bonuses, commission, or overtime.

Unfortunately, this more supportive approach by lenders is not as understood as it could be by many amongst the 4.4m self-employed - who broadly equate to a sizeable 1 in 8 of all those in employment.

(Source: Office for National Statistics, Labour market overview, January 2025)

And this is even more pronounced if we look at those who are not yet on the property buying ladder. First-Time Buyers, who are self-employed are still twice as likely to have been rejected for a mortgage (39% compared with the national average of 20%). It's then no surprise that four out of 10 First-Time Buyers opted to give up being self-employed in order to secure a mortgage.

(Source: Aldermore Bank, October 2024 research)

Talk to us...

However, this route does not always need to be the case, and that's why it makes sense to **take professional advice.** We know the hoops the self-employed need to jump through, and how to best present their situation (whether a first-time buyer, or not). And, can hopefully obtain the most suitable outcome for them.

Each lender will have different criteria for assessing and approving a mortgage. Some will base it on the latest year's income, while others may opt for seeing the last two or three years.

Also, lenders may (if you're a limited company) use salary and dividends, or perhaps salary and a share of net profits, or maybe a share of gross profits.

Put simply, it's a minefield, and one where a self-employed worker really should obtain advice. By taking this approach for their mortgage needs, they can hopefully avoid exiting the self-employed sector, and continue to fully focus on what they do best - delivering on their own business offering.

Please get in touch if you'd like to hear more.

Income Protection

- This type of insurance cover is designed to pay out a monthly income, if you are unable to work due to an accident or illness. Yet many self-employed workers mistakenly believe that they'll never qualify for this - which is generally not the case.
- And, of course, the self-employed worker is likely to be more financially exposed should they not be earning, and won't have a traditional safety net, such as sick pay.
- Also, if you operate through a limited company, then the option exists for the company to pay the monthly premiums.
- There are a multitude of options to consider, if taking out this type of policy - such as: long-term vs. short-term plans; or when the payments kick in after claiming for an accident or illness. All the numerous options will impact on both what you pay out each month, and the amount you could be claiming, if successful.

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

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

For our advice services, we will typically charge a fee of £195.

■ 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: 01463 231232 Email: nfell@hspcmortgages.co.uk