firsthomefinance

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YOUR WINDOW ON FINANCIAL MATTERS

INSIDE THIS ISSUE



# GETTING A MORTGAGE OVER 55

Whilst the spotlight often falls on the plight of first-time buyers and the problems they face in getting their first home loan, those over the age of 55 can be equally concerned about their chances of finding a suitable mortgage deal.

There has been media coverage over the past few months about lenders rejecting new mortgage applications from borrowers in their 50s. When asked why, many lenders point to the Mortgage Market Review (MMR) which came into effect in April 2014, with the lenders taking over responsibility for affordability.

## THE CREDIT CRUNCH AFTERMATH

Post credit crunch, financial crisis and the introduction of the MMR, mortgage lenders were required by the Financial Conduct Authority (financial services industry regulator), to be fully responsible for the affordability of a mortgage. This means that they are now required to scrutinise borrowers' incomes, outgoings and credit history closely and apply affordability criteria. They must ensure that borrowers can afford their repayments now and in the foreseeable future, which with older borrowers may extend well into their retirement years.

## CRITERIA THAT APPLY

As with any mortgage application, whatever your age, the amount you can borrow will depend on a variety of factors. These include your current financial situation, the amount of deposit you are able to provide, your income, and any outstanding debt you may have.

Any potential lender will need to be confident that you can make repayments not just in the early years, but throughout the mortgage. In the simplest terms, they need to be able to assess the sort of risk they are running by advancing you the money. Naturally, older borrowers could be seen to be posing a higher risk. And, if in future years you were to experience problems repaying your mortgage, lenders are concerned that they might find themselves open to claims that they mis-sold you their mortgage product in the first place.

## PROTECTING OLDER BORROWERS

Pensions minister Ros Altmann has called for better help and protection for older borrowers seeking mortgages. She commented: *"Many older borrowers are facing age discrimination in the mortgage market, with companies refusing to lend purely on the grounds of their age, rather than their income. This is unfair and older borrowers need protection against such discrimination."*

Although lenders are all bound by the same general principles and criteria, there are variations in the way they apply them. So it really pays to work with an adviser. Their knowledge of the market and understanding of the approach adopted by individual lenders means they can help you present your application in a positive light, to the right lender, aiming to save you time and stress.

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

## BUDGET UPDATE

- New 'Lifetime' ISA available from April 2017
- ISA allowance increase to £20,000 from April 2017
- Capital Gains Tax reduced to 20% for higher rate taxpayers and 10% for basic-rate tax payers from 6 April 2016 (exclusions apply)
- Personal allowance to rise from £11,000 in 2016-17 to £11,500 in April 2017
- Higher rate tax threshold to rise from £43,000 (2016-17) to £45,000 from April 2017, except in Scotland (inflation linkage proposed)
- Insurance premium tax increase to 10%
- Class 2 National Insurance contributions to be abolished from April 2018
- Reduction in Corporation Tax to 17% by 2020

# FLOODING – WHAT HOUSEHOLDERS NEED TO KNOW

Ferocious storms have battered Britain in recent months, bringing misery to hundreds and thousands of households. According to the Environment Agency, more than 5.5m homes are at risk of flooding in the UK. You can establish if your property could be affected by looking at their flood maps, which assess the likelihood of flooding from rivers, the sea, reservoirs and surface water.

With a higher incidence of major storms forecast, it's a good idea to have an action plan that can be put into operation in case you are required to leave your property due to flooding, including:

- Checking that drains and gutters are free from obstruction
- Ensuring that your doors and windows are securely locked
- Collecting valuable documents together in a watertight bag
- Putting valuables and electrical items in a safe place away from potential water damage
- Being prepared for power cuts by having torches and blankets to hand
- Agreeing an evacuation plan with family members
- Having important telephone numbers, including your insurer, the council, emergency services and Floodline ready to use
- Making sure that pets are safe.

If your property is flooded, get in touch with your insurer as soon as possible. Depending on the type of cover included in your policy, they may sanction payment for emergency repairs that need to be done to prevent the damage getting worse. You may be entitled to alternative accommodation and they will advise you how to proceed.

If possible, take pictures of the damage to your building and contents, and don't throw damaged possessions away as their value may need to be assessed as part of your claim.

With flood insurance claims this winter costing insurers billions of pounds, premiums are under pressure. Insurers are working with the government to devise schemes to provide cover for those in hard-hit areas.

# COMPLAINTS TO ENERGY COMPANIES HAVE INCREASED 500% IN THREE YEARS

Last year, the Energy Ombudsman reported that customer complaints relating to energy companies increased by 23%, to 65,168, the highest number ever recorded in one year and equal to nearly 180 every day.

In the three-year period to December 2015, the number of complaints dramatically increased, by around 500%, from 11,283 incidences reported in 2012.

Most common complaints last year focused on issues surrounding billing, including inaccurate and late bills, accounting for 83% of complaints. Problems involving the switching of tariffs and suppliers represented 9% of grievances, despite this being a very straightforward process to complete.

Much criticism has surrounded the charging for energy over the years, an issue which is particularly pronounced at present with the decreasing price of wholesale energy. Many providers have failed to pass these savings on to their customers.

As pressure mounts on suppliers to reduce bills and improve customer service, an increasing number of consumers are becoming vocal about their dissatisfaction. Lewis Shand Smith Chief Ombudsman commented, *"Energy complaints rose by nearly a quarter over the course of last year as customers continue to be more vocal about their discontent with suppliers. Towards the end of the year, we've seen some suppliers take some encouraging steps, particularly when it comes to improving their billing processes, but there's still more that can be done".*

### Suggestions from the Ombudsman to tackle any problems with your energy bill

- Contact your energy provider as soon as possible
- Follow the complaints procedure available on their website


- Keep a trail of any correspondence you have had with the provider
- Keep paying – ask the company to put the disputed part of the bill on hold
- If the problem is not fixed within eight weeks, commencing from the date you first escalated the problem to the company, or you are unhappy with what the company has done to rectify the issue, contact the Energy Ombudsman.

# GENERATION STUCK – A THIRD OF BRITS AGED 55+ WANT TO MOVE

Many people approaching retirement consider the possibility of downsizing to free up cash from the equity in their home, find a property more suitable for their physical needs and reduce their maintenance costs.

Downsizing in later life has been identified as having a major part to play in remedying the current housing crisis. A comprehensive study carried out by the International Longevity Centre on behalf of retirement home builders, McCarthy & Stone*, suggested a number of solutions.

The report, entitled *"Generation Stuck: Exploring the Reality of Downsizing in Later Life"*, examined the underlying thread that under-occupancy of larger properties by older people is causing a certain amount of social anxiety, at a time when the younger generation is struggling to get a toehold on the housing ladder.

Amongst the key findings identified by the report is that one in three homeowners aged 55+ are considering or expect to consider downsizing, making this an area worthy of greater policy focus. Currently, the emphasis is almost completely directed towards the starter home needs of the first-time buyer.

## HOUSING IN LATER LIFE

Attention to the housing needs of older people is extremely important at a time when 60% of the projected growth in households over the next two decades will be amongst those aged 65 and over.

The UK is woefully undersupplied with specialist homes designed to meet the needs and aspirations of older people. When compared with, say, Australia and New Zealand where 13% of people move into retirement housing, only 1% of those aged 60+ in the UK make this move.

## THE WAY FORWARD

If retirement housing were to be given an enhanced planning status, this could spur

on the construction of new developments designed for the needs of potential downsizers. The process could be made more affordable by the introduction of incentives such as exemptions from stamp duty.

The report concluded that there is a substantial but currently unmet demand for downsizing later in life. Addressing it would help shift the perception that older people are hoarding housing stock, and in turn provide greater choice to enable those who want to move to do so.

*McCarthy and Stone, Generation Stuck – The Downsizing Report, Jan 2016

# JEWELLERY INSURANCE – HAVE YOU GOT IT COVERED?

Beautiful and valuable items such as necklaces, watches and earrings are designed to be worn, seen and admired. Whether they are family heirlooms or treasured gifts, your jewellery can represent sentimental relationships and precious memories. That's why they need to be insured for their true value.

When it comes to insuring jewellery, it is important to know how much your pieces are really worth and invest in the appropriate level of cover. While some jewellery may be irreplaceable, the right insurance cover will mean that you're at least financially compensated in the event of loss, theft or accidental damage at home or away.

## VALUATIONS MATTER

Many people wrongly assume that their valuable jewellery will all be automatically covered on a standard home contents policy. However, some insurers restrict the cover for high value items, meaning that in the event of a claim, the maximum the insurance company would pay out for these items could be far less than their value.

As the market price of gold, silver and other precious metals can fluctuate, it's important to check that you aren't underinsured. If you don't regularly check that you have the appropriate level of cover in place, and your jewellery has appreciated in value, the amount you might receive as a result of making a claim may only equal the original amount of the cover, despite the items now being worth more.

This is why it makes sense to have your jewellery revalued on a regular basis. Although this may mean incurring a cost, it may be outweighed by the amount you could stand to lose if you're underinsured. If you inherit or are gifted jewellery you need to get it valued and added to your policy.

## PROTECTING PRECIOUS PIECES

As well as getting the right cover in place, it pays to keep as much information as possible about your jewellery. Taking pictures, and keeping valuations and any other descriptive material connected to the pieces in a secure place, will all help in the event that you need to make a claim.

# DIVORCES AND MORTGAGES – HOW TO PUT A ROOF OVER YOUR HEAD AFTER DIVORCE

With around 42%* of marriages destined to end in divorce, many separating couples are understandably worried about the implications of divorce on their ability to keep a roof over their heads. With houses often being the major asset in contention in divorce, it's important to understand what your options are.

On divorce, there are no hard and fast rules governing how assets should be divided, although there is a broad starting point of 50:50. If the divorcing couple are unable to come to an agreement on the division of their financial assets, the court will decide how these should be apportioned between them based on factors such as their age, their property, earnings ability, savings and investments, and role in the relationship (e.g. breadwinner or primary carer). The needs of any children of the marriage are always considered paramount, and providing them with a home is a major priority.

## THE MARITAL HOME

If you have a joint mortgage, in the eyes of the law you are both equally liable for the debt and the repayments, even if you aren't both living in the property. So for some couples, the preferred solution is to sell the house so that both parties can become mortgage free and start again.

If there are children, a parent will often want to remain there with them. In which case, any existing mortgage arrangements will need to be reviewed, especially as the other partner may wish to buy their own property. Lenders are becoming more sympathetic to divorce cases and may sometimes allow a temporary 'payment holiday' to enable you to sort out your financial affairs.

## STAYING WITH THE SAME LENDER

If you, or your partner, intend to live on in the marital home after the divorce, you may have to transfer the mortgage into one name; this will involve one partner buying the other's share of the property, including their share of any equity involved.

The partner who takes on the property and the mortgage will need to be able to show that they can afford the mortgage on their own. The lender is under no obligation to remove a spouse's name from the mortgage deed unless the spouse who tends to carry on the mortgage can demonstrate that they can afford the repayments both now and in the future. Here it's worth noting that not all lenders will take payments like maintenance into consideration when judging the applicant's ability to repay the debt.

You will then need to buy out your ex-partner's share in the property before you can become the sole mortgage holder. This may mean getting a valuation done on the property and could entail the need to borrow more money to pay your partner their share.

## OTHER MEASURES

An alternative strategy would be to remortgage with an alternative lender and arrange to transfer any equity to the other partner at the same time. You could also consider a guarantor mortgage. This would mean finding somebody, a parent or sibling for instance, to guarantee that you will be able to meet the mortgage repayments.

It's definitely worth exploring all the options with a mortgage adviser, especially if both parties intend to purchase a property after the divorce.

*Office for National Statistics, 2015

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## NEWS IN BRIEF

**New European Directive set to benefit UK consumers**

Historically, not all mortgages offered in the UK have been directly regulated by the Financial Conduct Authority (FCA). However from 21 March 2016 this has changed under the European Commission Directive on Mortgage Credit. This new legislation mainly affects second-charge mortgages, some forms of buy-to-let mortgages and foreign currency mortgages.

Most of the provisions included in this Directive are concerned with setting minimum regulatory requirements, higher standards of fairness and professionalism, and improved administrative procedures with the aim to provide more protection for consumers taking out residential mortgages secured against the borrower's home in any European member state.

As an example of the greater transparency the regulations seek to achieve, when clients receive mortgage recommendations, they can now request to see details of the commission rates offered by lenders to brokers and advisers.

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