CHAMPAIN
FINANCIAL SERVICES

Bawtry
Selsfield Road, Ardingly
Haywards Heath
West Sussex RH17 6TJ

T: 01444 229 520
F: 01444 229 521
info@champain.co.uk
www.champain.co.uk

Technical Update No. 16 21st August 2018

Saver / Investor / Property Owner

Buy-to-let in the doldrums but outlook is positive

Buy-to-let mortgage activity slumped in June, as landlord investors took out nearly one-fifth fewer new home loans under the chilling effects of regulatory and tax changes. In spite of this the majority of intermediary mortgage brokers expect buy to let lending in the UK to stabilise over the next 12 months, according to the latest confidence survey. Overall 65% say the outlook for landlord business is positive and the survey from Paragon also shows that re-mortgaging continues to make up the bulk of buy-to-let mortgage applications. It is the first time that the outlook has been stable since the 2015 Budget when then Chancellor George Osborne announced plans to phase out tax relief on buy-to-let mortgages.

All

Banking satisfaction ratings

From this week, banks are compelled to publish information on how likely people would be to recommend them to friends and relatives. The Competition and Markets Authority (CMA) published the rankings based on customers' online, mobile banking, branch and overdraft experiences. It hopes the move will increase competition among banks and encourage customers to switch. First Direct came top of the personal banking league table with 85% of customers satisfied with the quality of its services. RBS was joint bottom alongside Clydesdale, with fewer than half of customers saying they would recommend the lender.

Bawtry
Selsfield Road, Ardingly
Haywards Heath
West Sussex RH17 6TJ

T: 01444 229 520
F: 01444 229 521
info@champain.co.uk
www.champain.co.uk

All

Greece claws its way out

It took three bailouts, around €290 billion in loans from its European partners and the International Monetary Fund, countless nights of knife-edge negotiations, an avalanche of austerity, a collapse of monumental proportions, and three close brushes with an exit from the euro. But this week Greece's third bailout concludes, and the country will no longer have to rely on its official creditors to finance itself. A closer look at the Greek economy, however, reveals a darker picture. Growth last year was barely half the initial government and European Commission forecasts, and the lowest in the Eurozone. On top of that 55% of new jobs created last year and in the first two months of 2018 were part-time or shift work, as per the Greek Ministry of Labour. On top of that Greece's tax wedge – the tax burden on employment – is significantly above the average. Plenty of work to do!

All

UK inflation reverses the trend

UK inflation climbed in July as had been expected, according to the latest data from the Office for National Statistics (ONS). The ONS reported that the rate of consumer price inflation increased from 2.4% in June to 2.5% in July, reversing a trend of gradually declining inflation over the course of 2018. Transport tickets and fuel, along with often erratic computer game prices, drove up costs for consumers. Inflation in the UK had been subdued for several years prior to the vote to leave the EU in June 2016, but the vote caused a fall in the value of the pound, which pushed up inflation. As the pound has recovered, inflation once again started to fall, dropping from 3% at the end of 2017 to 2.4% last month. It has now risen again, although the ONS suggested this is likely a blip.

Bawtry
Selsfield Road, Ardingly
Haywards Heath
West Sussex RH17 6TJ

T: 01444 229 520
F: 01444 229 521
info@champain.co.uk
www.champain.co.uk

Saver / Investor / Retired

The cost of pensions fraud

The Financial Conduct Authority (FCA), the regulator, estimates that a third of pension holders aged 45 to 65 wouldn't know how to check whether calls they receive about their pensions come from a legitimate adviser or provider. It costs each victim an average of £91,000. The official number of thefts is doubling every year but the true figures are probably far higher. There are eight attempts to steal money every second in the UK. Citizens Advice has calculated that 10.9 million consumers have received unsolicited contact about their pension since those rule changes in 2015, and industry estimates suggest fraudsters could be behind as many as one in every ten pension transfer requests. This week, the FCA and The Pension Regulator (TPR) announced new plans to try to tackle the problem. Their solution? Adverts aimed at retirees and those about to retire, highlighting the effects of losing money to scammers. Industry critics have described it as nothing more than sticking plaster.

Property Owner / Saver / Investor / Parent

Asking prices fall

The housing market continues to show signs of a slowdown as asking prices dropped 2.3% over the past month, according to new figures. The average listed home fell £7,218 between July and August to £301,973, dragged down by sharp declines in London, according to Rightmove. The property portal played down the price fall saying it was 'seasonal', although it is steeper than the 0.9% fall recorded this time last year. Despite the monthly fall, asking prices are still higher than last year, having risen 1.1% and, overall, commentators believe that asking prices are reasonably steady, with the dip likely the outcome of motivated vendors pricing competitively in order to attract a buyer.

CHAMPAIN
FINANCIAL SERVICES

Bawtry
Selsfield Road, Ardingly
Haywards Heath
West Sussex RH17 6TJ

T: 01444 229 520
F: 01444 229 521
info@champain.co.uk
www.champain.co.uk

Saver / Investor / Property Owner

Budget attack on Buy-To-Let

The Treasury is set to record its biggest July budget surplus in 17 years – City economists forecast a surplus of £1.1bn when the Office for National Statistics releases data on the public finances for last month. Despite the surplus, Philip Hamond is thought to still be considering hiking levies on buy-to-let properties. However ex cabinet ministers have warned the move could result in lower revenues for the Treasury. The alternative presented is for the Treasury to instead cut stamp duty and raise more money. The surcharge, which is currently 3% of the property's value, was introduced in April 2016 under George Osborne. John Redwood called it a "tax attack" on second home owners, and warned that fewer transactions would take place after an increase, slowing down the property market. The Treasury said that it does not comment on Budget speculation.

All

Rise of the RIO mortgage

An increasing number of lenders have been lining up to release a new wave of home loans that let older borrowers take out interest-only mortgages. Retired borrowers can now re-mortgage their interest-only loan when it comes to an end – using the sale of their property as a means of repaying the debt. This can be used to boost finances, pass money on to kids or grandchildren, or re-mortgage existing debt that cannot be repaid. Crucially, retirement interest-only mortgages, or RIOs, can offer a lifeline to the thousands of older borrowers stuck in existing interest-only mortgages that are coming to the end of their terms. One of the main concerns around retirement interest-only is that not all of the brokers selling it can advise on equity release. Advisers for lifetime mortgages need specialist equity release qualifications, while retirement interest-only mortgages don't. Without an equity release qualification, an adviser can point the borrower in the direction of other products, but can't advise on them. Many are worried that this may lead to some later life borrowers taking an unsuitable product when there could be better options available.

Bawtry
Selsfield Road, Ardingly
Haywards Heath
West Sussex RH17 6TJ

T: 01444 229 520
F: 01444 229 521
info@champain.co.uk
www.champain.co.uk

All

Business confidence remains fragile

Business leaders' confidence in the economy has dipped to a year's low as fears grow about the impact of a chaotic Brexit, according to the Institute of Directors tracker, which found 16% more business leaders had a pessimistic view of the UK's economic prospects, compared to an optimistic outlook. Uncertainty around trading with the EU was the second biggest concern cited by businesses (44%), after the UK's general economic conditions (47%). This is more noteworthy as Brexit had dropped out of the top three concerns cited by firms earlier in the year. Commentators have cited the Bank of England's decision to raise interest rates to 0.75% – which many believe was premature – as a key reason for the returning pessimism.

Saver / Investor / Estate Planner / Retired

Care ISA in the offing?

A new 'Care ISA' that allows people to ringfence some of their savings from inheritance tax is reportedly being considered by the Government. ISAs are ordinarily taxed when the holder dies, but under the plans any money left over in new savings plans to help meet care costs in later life would be passed to heirs free of 'death tax'. However, only an estimated 5-10% of people leave estates sufficiently large to make their beneficiaries liable for inheritance tax, sparking criticism that a Care ISA would only help the wealthy.

All

Artificial intelligence threatens employment

The chief economist of the Bank of England has warned that the UK will need a skills revolution to avoid large swathes of people becoming technologically unemployed as artificial intelligence makes many jobs obsolete. What is being called the Fourth Industrial Revolution could be on a much greater scale than anything felt during the First Industrial Revolution of the Victorian era.

Economists warn that there could be a widespread hollowing out of the jobs market, rising inequality, social tension and many people struggling to make a living. While previous waves of technological change led to new jobs replacing old ones, some question whether this time the UK could instead see mass long-term technological unemployment.

The content of this newsletter is for information only. It does not represent personal advice or a personal recommendation, and should not be interpreted as such. Please do not act upon any part of it without first having consulted an Independent Financial Adviser.

If you have any questions related to this update or indeed anything else then please contact your adviser at Champain.

Champain Financial Services

Bawtry, Selsfield Road, Ardingly

Haywards Heath, West Sussex

RH17 6TJ

T: +44 (0) 1444 229 520

F: +44 (0) 1444 229 521

E: info@champain.co.uk

www.champain.co.uk