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. 19 8th October 2018

Saver / Retired / investor / Property Owner / Parent

General Insurance and why it may not pay to be loyal

The glare has been on asset managers' fees to date but the FCA has now announced it will investigate the pricing practices of general insurance firms. The news was released on the same day that Citizens Advice lodged a 'super-complaint' with the Competition and Markets Authority (CMA) over dual pricing. The charity claims that loyal customers across five market sectors, including home insurance, are losing out on £4.1bn a year to what it calls a loyalty penalty. Specifically, research found that 8 in 10 people are paying a significantly higher price, in at least one of the mobile, broadband, home insurance, mortgage and savings markets for remaining with their existing supplier. In response the FCA said it has long been concerned about dual pricing and in its 2018/19 business plan would be looking at the pricing practices of general insurance firms.

Retired

Annuity prisoners (of political war)

In 2015 the Government made it easier to access pension's cash after the age of 55 which, in turn, had a significantly negative impact on annuity sales. One of George Osborne's promises was to let pensioners who are stuck with poor annuities sell them in exchange for cash, but the plans were shelved a year later (ironically due to fears that consumers would not get a good deal). This left millions with sub-optimal policies – either because they were sold contracts that failed to take into consideration wider health conditions that would have boosted payments or because they failed to shop around and were left with policies paying as little as a few pounds a week. Many of these retirees, backed by Your Pension, are now calling on Chancellor Philip Hammond to revisit the proposals.

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

Cashless Britain – who benefits?

The claim that Britain is turning into a cashless society has always seemed a bit overblown. As in most rich countries, the amount of cash floating around has in fact grown in recent years. At more than £80bn ($104bn), the value of notes and coins in circulation is in real terms one-third higher than in 2007, when Britain got its first contactless payment cards. Yet lately something has changed. The value of currency in circulation has dropped, year on year, for seven consecutive months, for the first time since records began in the 1960s. If you add to this the 3,000 bank branch closures across the UK since 2015 and ATMs disappearing at a rate of 500 a month in the first half of this year there's clear evidence that things have fundamentally changed. The official line from banks and regulators is that customers are driving the digitalisation of money. But there's another, more sinister explanation. Our spending habits are monopolised by two US monoliths, Visa and Mastercard. It is forecast that between them they will control 90% of the total UK electronic payments sector by 2026. Both companies receive a cut from every card transaction. Interesting.

Saver / Investor

Ethical investing – demands for clarity

Almost half of all investors globally recognise sustainable investing metrics as a driver of long-term financial returns, according to an increasing number of surveys. But despite the widespread recognition that ESG metrics have an impact on performance, fewer investors are certain that they hold dedicated ESG investment funds. And, of those investors who don't currently hold dedicated funds, the biggest barrier cited is a lack of consistency in definitions. ESG, climate finance, impact investing et al are all moving to the mainstream, but the seemingly interchangeable nature of a plethora of new-fangled marketing tags runs the risk of diluting their meaning to investors unless there is greater scrutiny, clarity and consistency.

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

Prepare for the worst

The current odds are about even for a Corbyn-and-McDonnell-led Labour party to win the highest number of seats in the next election (whenever that is). There are mooted plans to:

- extend Stamp Duty Reserve Tax
- increase corporation tax from 20%
- abolish higher rate tax relief on pension contributions
- reduce the annual amount that is investable into a pension (and eligible for relief)
- reduce ISA allowances
- increase capital gains tax

With so much uncertainty as to what the next three months looks like – let alone next year – there are a few potential defensive moves to think about should any of the above happen.

If you are a higher rate tax payer and have any spare cash, it may not be a terrible idea to divert it towards a pension now. Similarly, it makes sense to maximise ISA contributions while limits remain generous. Anyone sitting on sizeable capital gains may want to talk to their adviser about crystallising some profits while the tax rates are so favourable. It's also imperative (in any environment) to ensure that any family savings and investments are set up tax efficiently.

Saver / Investor / Property Owner

Bigger house price dip than expected

House prices fell at the fastest pace since April last month, figures from mortgage lender Halifax showed on Friday, though other data pointed to a smaller slowdown, six months before Britain is due to leave the European Union. House prices dropped 1.4% on the month in September after a 0.2% fall in August, a bigger drop than forecast by most commentators and economists. On the plus side, a low supply of new homes and existing properties for sale, combined with low mortgage rates and high employment, may continue to prop up house prices. Despite the data (and it is worth contrasting with Nationwide's data that showed the market had picked up in August) commentators, in the main, do not think that the Bank of England's rate increase in August has, in any way, pushed the housing market over the edge.

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 / Employer / Employee / Retired

Pensions transfer fee ban 'kicked into the long grass'

An expected ban on lucrative "no transfer, no fee" incentives paid to pensions advisers will not happen until next year at the earliest after the financial regulator said it needed more time before making a ruling. Currently, anyone looking to transfer a defined benefit fund to a personal pension must seek advice from a regulated adviser if their fund is valued at more than £30,000. The adviser either levies an upfront fee or enables the client to pay from their pension fund if they choose to go ahead with the transfer. This year The FCA said that contingent charging, in which advisers are paid only when they persuade savers to move out of final-salary company schemes, was potentially harmful to customers. On Thursday it said that it had sought views and because of comments needed to carry out more work. Any proposals to change the rules will be consulted on "in the first half of 2019".

Parent

Taxman goes after parents

Thousands of parents in receipt of benefits designed to support working families have been slapped with a bill for "over-claiming" – in some cases dating as far back as 2013. Repaying the child benefit requires the parents affected to submit a self-assessment tax return. However, thousands of parents have failed to do so and are now being contacted by HMRC. HMRC has revealed it's issued 36,000 letters to families while 5,000 more are set to be sent shortly. A further 60,000 bills are also being sent to parents who could owe money for the 2017/18 tax year. The problem began with a change in child benefit rules in 2013, which saw anyone earning more than £50,000 having to pay some of it back. This charge increases by 1% for every £100 earned over £50,000 and once you earn £60,000 you have to hand the whole amount back.

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

Estate Planner / Saver / Investor

The window shuts on the Requirement to Correct (RTC)

By now HMRC may have received your company and trust information from more than 40 territories in line with the Common Reporting Standards. The information will include details of things like overseas bank accounts, insurance products and other investments including offshore companies and trusts. The information will include your name, address, date of birth, and balance on the account/payments into the account. There was a small window to correct your tax history before the 'failure to correct' date came into force on 1st October. HMRC obviously thinks that this information will be a 'game changer' and in anticipation of receiving this windfall of information they and the government have been busy legislating in anticipation to increase its powers to take action. But, the fact remains that it is not in the national interest of the late adopter nations to comply with an incoming request for information in a timely manner, mostly because it is expensive, time-consuming and resource intensive to comply with a request to provide evidence. As such HMRC still has some way to go to streamline its more aggressive approach.

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

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