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All

No fault divorce laws come in

Divorce applications soared by almost half a week after the 'no fault' law came in, figures showed. Around 3,000 couples have petitioned to end their marriages since the rules, which do not require couples to apportion blame, began in England and Wales. Lawyers said that this was almost 50% more than in a typical week. The new divorce law - which ends the need for one party to blame the other - was opposed by some Conservative backbenchers who feared it would lead to 'an immediate spike in divorce rates'. But ministers and family lawyers say the changes will help divorcing couples to resolve their issues amicably, rather than exacerbating conflict and harming children's upbringing. Previously, unless adultery, unreasonable behaviour or desertion could be proven, the only way to get divorced without the agreement of a spouse was to live separately for five years. Under the new legislation, one spouse contesting a divorce does not stand in the way of the other filing for divorce. However, there are calls on the government to implement further reforms. Many experts and legal professionals hope that the changes will be a milestone along the road to removing the confrontational aspect of divorce, as there is still too much uncertainty about the financial arrangements that couples need to make when they separate and part.

All

Council tax rebate

Thousands of households will receive the £150 council tax rebate as part of Rishi Sunak's package of measures designed to combat the cost-of-living crisis. The Chancellor announced the rebate in February to help low-income households tackle soaring inflation and rising energy bills. Those living in properties with council tax bands A to D will be entitled to a one-off cash payment. Local councils, who are paying the rebate, will decide when to make the transfer. While some could wait until September, 30,000 residents in Hull have already received the extra cash Immediately. To further ease the burden on household finances, in his Spring Statement Mr Sunak also announced a 5p-a-litre cut in fuel duty as well as offsets to energy bills that are due to be paid back from next year. However, he has faced widespread criticism that the measures do not go far enough in light of the UK's dire economic growth exacerbated by Covid-19 and the Ukraine-Russia crisis. People can find out what council tax band and whether they are entitled to the rebate by using the Government postcode search tool on their website. Charity Age UK warned that a fifth of elderly people who are ineligible for the council tax rebate to offset energy price rises are already living in poverty or hardship.

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Investor / Saver

ESG funds suffer in wake of war outbreak

Russia's invasion of Ukraine has upended geopolitics and, for many in the West, provoked moral righteousness. For investors who prided themselves on trying to do the right thing with their money, it has revealed fundamental flaws in the booming business of environmental, social and governance investing, known by the acronym ESG. ESG is trying to gauge the sensitivity of companies to the public mood, either for moral reasons or because the public matter as customers, suppliers and employees of the companies. But the public mood keeps changing, and what counted as the right thing to do before Russia invaded has suddenly switched. Before the invasion, the focus of most in ESG was on carbon emissions, with many also excluding defense stocks, especially makers of "controversial" weapons such as nuclear and cluster bombs and land mines. Since the invasion, Western governments have put their efforts to cut carbon on hold and become major suppliers of weapons to Ukraine, cheered on by their voters. Nuclear deterrence is a topic of conversation again in the face of Russian threats. Yet, what is the point of refusing to invest in nuclear-weapons suppliers unless you want them to shut down? This about-face has left ESG investors in a bind. At least one fund manager who had excluded weapons manufacturers on moral grounds has added them back in, and plenty of others are considering whether to change. "There are a number of discussions with investors who, in light of events with Russia in the Ukraine, are considering how they approach investment towards defense companies," said Baer Pettit, president and chief operating officer of MSCI, which sells ESG ratings and indexes. European companies with big operations in Russia before it invaded Ukraine had significantly higher overall ESG scores and human-rights scores than those that stayed away, according to analysis by academics Elizabeth Demers, Jurian Hendrikse, Philip Joos and Baruch Lev. The ESG score gave no guide to the company response, either. In the first 12 days of the war—before sanctions forced action—lower-rated companies on Refinitiv's combined ESG score did more to suspend or divest their Russian operations than those with higher ratings. This is not a temporary problem for ESG caused by Russia. The defects the war exposed run through both the main approaches to investing on supposedly "sustainable" grounds.

All

Union threatens to sue over Uber's failure to offer 'sharia compliant' pension plan

The gig economy workers' union has threatened to take Uber to court over its failure to offer a "sharia compliant" pension plan for its Muslim majority workforce. The App Drivers & Couriers Union (ADCU) has threatened to sue Uber for failing to provide a pension offering that complies with the tenets of Islamic beliefs, after claiming that the firm's failure to do so breaches UK equality laws. The ADCU called on Uber to take action within the next 14 days to offer an Islamic pension plan, as it argued Muslim Uber drivers are now effectively being forced out of participation in Uber's pension scheme, as the firm does not offer a sharia compliant pension provision. In a statement, the union noted that up to three-quarters of Uber drivers working in the UK are Muslims, as it called on Uber to set up a pension scheme that avoids investing in businesses that sell haram products or services such as alcohol, weapons, or pork. In explaining its case, the ACDU pointed to the Pension Act of 1998, which states that all workers have a statutory right to participate in their workplace's pension scheme and it claimed Uber's failure to provide a sharia compliant plan puts the firm in opposition to the Equality Act 2010. The call comes after Uber launched its pension programme in September 2021, after the Supreme Court ruled that drivers are not simply self-employed contractors, but they should instead be classified as workers.

Property Owner

Five-year fixed mortgages can be found cheaper than two-year fixes

Five and 10-year fixed mortgages are being offered at cheaper rates than two-year fixes at one major lender, as people seek to lock in monthly payments for as long as possible due to the cost-of-living crisis. One mortgage lender has launched a two-year fixed rate of 2.54% with a £995 fee, for those with deposits of 40% or more. But the comparable five and ten-year fixed rates are cheaper at 2.48% – marking a potential turning point in the mortgage market. The fee-free options have an even wider rate gap, priced at 2.94% for a two-year fix and 2.82% for a five-year. In terms of monthly payments, a customer purchasing a £300,000 home with a £120,000 deposit - or 40% - would pay £848 per month on a two-year fix and £806 on the five-year. For those with lower deposits, the rates on two-year fixes are also more expensive – but only just. Someone buying the same £300,000 home with a lower deposit of £75,000 could get a 2.59% rate on a two-year fix with a £995 fee, paying £1,020 per month, as opposed to a 2.58% rate on a five-year paying £1,018. Customers traditionally pay a premium for longer terms, as they get the benefit of securing their rate at the same level for longer. And until recently two-year fixes were much more popular, meaning that banks could charge cheaper rates on them to attract customers. But the rising cost of living crisis has seen borrowers flock to five-year fixes as they seek the certainty of locking in their monthly payments for five years - meaning banks can potentially attract customers by pricing these competitively. Experts say lenders are also worried about the impact of the cost-of-living crisis on their customers' ability to pay their mortgages - meaning that they are keen on fixing rates for longer, too.

Investor / Saver

Biggest Netflix share price fall

Shares of Netflix lost more than 35% of their value in New York recently, after the streaming giant announced it had lost more than 200,000 subscribers in the first three months of the year and said it and expects to lose 2 million more over the next quarter. The sharp drop wiped $50bn off Netflix's value and comes as subscribers rethink their commitment to streaming services that grew their numbers sharply during the homebound months of peak lockdown. Netflix had anticipated it would add 2.5 million customers in the first quarter. Why is Netflix losing so many subscribers and what can it do about it? A number of rival services, including Disney, Warner Bros Discovery and Paramount, often with deeper content libraries to draw on, have also entered the market. Netflix stock, which was already down 40% for the year, has now dropped from $700 in November to $244 when the market opened, a fall approaching two-thirds. The company said on Tuesday that it had experienced "revenue growth headwinds". It recently raised subscription prices despite signs that consumer growth was slowing, with a basic monthly package now costing US customers $15.49. In terms of capitalization, Netflix is now worth $1009bn, a figure that will make it more difficult for its Los Gatos, California-based management to raise money to fund the investment for content production upon which subscriber growth has been dependent. The confluence of negative forces, from the lifting of the pandemic, the loss of 700,000 subscribers in Russia, high consumer inflation in many leading markets forcing households to rethink their budgets, have hit the service. Elon Musk, the Tesla CEO currently making a hostile takeover bid for Twitter, claimed "woke mind virus" is behind Netflix's stock plunge – not competition, password crackdowns or an inflation squeeze. "The woke mind virus is making Netflix unwatchable," Musk tweeted. The crash comes after a period of spectacular growth for the company coupled with investors demand for the stock. Netflix, like Peloton and GameStop, was a beneficiary of cash that flushed through economies during the pandemic, feeding demand for stocks.

Property Owner

UK house prices set to fall?

A major estate agent has predicted the UK property boom is about to end, with prices set to stagnate following years of sustained rises. Knight Frank is predicting that house prices will return to single-digit growth this year, before rising by just 1% in 2023. It said the UK would see an unwinding of the rampant growth seen over the past two years as the cost-of-living bites, mortgage rates rise, and a greater supply of homes hits the market. The housing market has experienced an unexpected boom since the pandemic began. House prices have rocketed 14.3% over the past year according to Nationwide Building Society, with property inflation hitting its highest level since 2004. That means the typical UK home is now worth a record £265,312. Some experts believe the UK property market has defied gravity over the course of the pandemic. Tight supply, low interest rates, accumulated household wealth and a desire for more space and greenery have conspired to produce double-digit house price growth over the last year. However, Knight Frank's view is that that is all about to change, with house prices growing by 5% this year, and just 1% in 2023. It is predicting that over the course of the next five years, average UK house prices will rise by just 13.6% – less than they did in the last year alone. There are several factors that will act as drag on future house price growth, according to the estate agency group. First, it believes mortgage rates will continue to increase alongside further predicted base rate rises by the Bank of England. The base rate determines the interest rate the Bank of England pays to banks that hold money with it and influences the rates those banks charge people to borrow money. Mortgage rates have already been rising over the past few months. Knight Frank also expects the effects of the cost-of-living squeeze to begin curtailing home buying appetite. Inflation reached a 30-year high of 7% as of March this year, and it is expected to soar even higher in coming months.

Investor / Saver / Retired

Beware the pension trap

Most workers across the country only really start thinking about retirement when they are nearing it, largely due to the fact that making the decision to stop working can be daunting. Understanding retirement can sometimes be the difference between having a secure financial future or taking a risk which can lead to financial repercussions. For many people with a private or workplace pension, knowing they can start to access their hard-earned savings from the age of 55, while still in employment, is a temptation hard to resist. However, some may not be aware that by doing so, they could affect how much they get when they do eventually retire. Accessing your pension before retirement could trigger the Money Purchase Annual Allowance (MPAA), potentially reducing how much you can tax-efficiently save into a pension over the rest of your career. For most people, their pension becomes available at the age of 55, rising to 57 by 2028, even if they plan to work past this point. It means you can access your pension while still working, providing flexibility, however, thousands may be doing so unaware that it could affect their pension contributions in the future. Retirement planning means pulling together a lot of different information and understanding regulations. When you access your pension for the first time, it’s important to have a plan in place. The decisions you make when deciding to access your pension could affect your income for the rest of your life, so a long-term outlook is essential. You also need to consider things like how you’ll access your pension, tax liability, and if you have multiple pensions, which ones to use first. If you’re planning to access your pension before retirement, there’s a risk that you may be caught out by the Money Purchase Annual Allowance. Doing so unwittingly could limit how much you’re able to contribute to pensions in the future and reduce tax efficiency. In most cases, you can contribute 100% of your annual earnings up to a maximum of £40,000 to your pension each tax year. You receive tax relief on these contributions at the highest level of Income Tax you pay - as a result, your pension receives an instant boost and makes saving for retirement efficient. If your ‘adjusted income’ - your annual income before tax plus the value of your own and any employer pension contributions - is more than £240,000 per tax year, your pension Annual Allowance may be reduced by £1 for every £2 that your adjusted income exceeds £240,000 under the Tapered Annual Allowance rules. The MPAA reduces the amount you can tax-efficiently save into your pension each year. If triggered, your annual allowance would reduce to just £4,000. The rules around the MPAA are complex but the main situations where it will be triggered include, withdrawing your entire pension, putting your pension money into a Flexi-Access Drawdown scheme and starting to take a flexible income, or purchasing an Annuity. You can usually take a 25% tax-free lump sum from your pension without triggering the MPAA, depending on the rules of the pension scheme. However, it is still important to fully understand the impact of this decision. Taking a large lump sum early in retirement, or even before you retire, can have a significant impact on the income your pension will deliver. Independent advice is always recommended.

Past performance is not a guarantee to future performance. You may get back less than invested.

Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts and reliefs from taxation are subject to change. The FCA does not regulate tax advice.

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