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All

UK watchdog to review post-Brexit Visa and Mastercard fees

Britain's payment systems regulator (PSR) will conduct two market reviews of card fees charged by Visa and Mastercard, the U.S. companies that account for 99% of debit and credit card payments in the UK. The PSR's recent announcement follows heavy pressure from lawmakers to launch full market reviews to tackle card fees paid by retailers, which are typically passed on to consumers. "We want to understand whether card payments are working well and to make sure that merchants, and ultimately consumers, get a good deal," said Natalie Timan, the PSR's head of strategy. Mastercard said that Britain is one of the most innovative and competitive payments markets in the world and the company was committed to working with the PSR to increase choice in the interests of everyone who makes and receives payments. Visa said it continues to be one of the most cost-effective and secure ways to pay and be paid, adding that it remains committed to offering consumers and businesses in Britain access to innovative, easy, reliable and secure digital payments. The first PSR review will look at why there was a five-fold post-Brexit increase in the cross-border interchange fee that Mastercard and Visa charged retailers for consumer purchases by phone or online in the European Union, the watchdog said. The PSR had already said that preliminary inquiries had been unable to find an explanation for the increase based on volumes, value or mix of transactions.

All

What next for property prices?

Mortgage payments are on the rise after five successive interest rate hikes from the Bank of England and further increases expected over the coming months. The Bank is seeking to contain inflation which is on course to hit 11% this year - the highest in four decades. Ultra-low interest rates have made mortgage borrowing cheaper, inflating a housing bubble that has made homeownership a distant dream for many renters in some parts of the UK. But, as the era of low rates comes to an end, will the UK's out-of-control property market begin to cool down and could we even be heading for a crash? Official figures out this week show that prices rose 12.4% over the year to April. That was a big jump on the 9.7% increase recorded in March, and it means the average sold price rose by a staggering £31,000 - more than the median UK wage - to £281,00. For now, it seems, buyers are willing to stomach the relatively modest rise in monthly mortgage payments, although the official data does not yet reflect the most recent increases to interest rates. All four nations saw big gains in the cost of a home with average prices increasing in England to £299,000 (11.9%), in Wales to £212,000 (16.2%), in Scotland to £188,000 (16.2%) and in Northern Ireland to £165,000 (10.4%). Growth was slowest in London at 7.9%, although the capital still has the UK's most expensive real estate. More up-to-date figures from the Halifax show that prices were still rising rapidly in May. Despite fears about living costs and big increases to energy bills, house prices rose 1% (about £3,000) compared to April and 10.5% over the year. Halifax said a continued "imbalance between supply and demand" for properties remains the primary reason driving prices to new record levels. A "race for space", which began during the pandemic, is likely to continue as people move out of apartments in cities to larger houses in more rural areas. However, the housing market has begun to show signs of cooling. Activity has started to come down and, coupled with the inflationary pressures currently exerted on household budgets, it is likely activity will start to slow.

All

Landlords must brace for yet another devastating tax blow

Landlords have been forced to deal with waves and waves of tax changes in recent years, and yet another new set of rules will be introduced shortly. "Making Tax Digital" (MTD) for income tax will be imposed for the vast majority of self-employed businesses, including landlords, from April 2024. Although that may sound a long way off, there is evidence that far too many of those affected are either unaware or unprepared for the change. This is evident from a recent Ipsos Mori survey commissioned by HM Revenue & Customs which concluded "awareness of MTD in general, and MTD for income tax specifically, was low in the qualitative interviews". Specifically

- 35% of respondents anticipated difficulty with the software,
- 39% expected difficulty in submitting quarterly returns,
- 42% did not think that quarterly summaries would ease the end of year burden,
- 17% of those surveyed currently use software to keep records.

Two of the leading professional bodies representing taxpayers, the Chartered Institute of Taxation and the Association of Taxation Technicians, are calling on HMRC to increase their publicity on MTD for income tax, noting this lack of preparedness and enthusiasm among many businesspeople. When HMRC asked for volunteers for this in tax year they received 900 applications from businesses to test out the new software. Unfortunately, this was followed by a dramatic fall off in numbers. In response to a Freedom of Information request, accountants Safferey Champness were informed earlier this year that just nine in the pilot study remained. On top of that, there are reservations about the provision and cost of the software that businesses will be required to use.

Investor / Saver

Time to cut your stock market losses or not?

With the pundits, talking heads, and finance influencers producing a constant stream of stock market "analysis," it can be difficult to keep your cool when the market is nose-diving. Ironically, the decisions you make during periods like this can have some of the biggest implications on your long-term success as an investor. With that in mind, consider these three methods for keeping a level head during a bear market:

1. Don't check prices daily: Not checking prices on a daily basis is a lot easier said than done. But numerous studies have shown, as a species, we respond twice as negatively to losses as we do positively to gains. This loss aversion causes us to make irrational decisions when things are going poorly. By constantly checking the prices of your stocks, you're putting yourself in a greater position to sell for emotional reasons rather than logical ones.

2. Revisit your reasons for owning stocks: If you're investing in individual stocks, when the market turns bearish, it might be a good idea to move that review up and revisit your original reasons for buying the companies in your portfolio. This will do one of two things: a) you'll have renewed conviction in your thesis and realise the decline in prices is likely a buying opportunity; or b) you'll realise your thesis was not perfect or is perhaps broken. If you do own broken companies, it's incredibly important to identify them as early as possible so you can cut your losses. Doing this also makes you a better investor, as it forces you to bolster your research process to come up with stronger theses in the future.

3. Look for opportunities

If you had invested right before the crashes of 2000 or 2008, it would have taken you five and seven years, respectively, to get back to even on your investment. While there's nothing you can do about the cost basis of investments you made right before a crash, you can lower your overall portfolio cost basis by looking for opportunities while the market is in panic mode. In fact, this is potentially the best time to be a buyer, when the market is a flash sale.

Retired

Rise in pension age has led to surge in poverty

One in seven 65-year-olds have been pushed into income poverty as a direct result of the Government's move to raise the state pension age, new research shows. Raising the state pension age for men and women from 65 to 66 means that income poverty rates among 65-year-olds have more than doubled, with nearly 100,000 people pushed into subsistence by the end of 2020, according to the Institute for Fiscal Studies. The rise in the state pension age between 2018 and 2020 has meant 700,000 65-year olds have had to wait another year before they could receive payments worth £142 per week. Across this period, the absolute income poverty rate for people of this age soared from 10% to 24%. The higher state pension age also encouraged nearly one in 10 (9%) 65-year-olds to stay in their jobs and retire later. Those who were less likely to be in work at age 65, and therefore have less private income, were the group hit hardest. These people were more likely to be less well-educated, single, and living in rented accommodation. The Government has raised the state pension age because average life expectancy is increasing. However, Baroness Ros Altmann, a former pensions minister, heavily criticised this move as a policy that hits the most disadvantaged groups hardest.

All

Sky-high tax burden means Britons work a week longer to pay the bill

Workers now toil for a week longer to earn the equivalent of their annual tax bill than they did a year ago. The average taxpayer now works for 159 days until June 7, or 40% of the year, before they have earned enough to pay their bill, according to think tank the Adam Smith Institute. Taxpayers will fork out close to £870bn in income tax and National Insurance, as well as indirect taxes such as VAT, to the Treasury this year – 43% of net national income, the Adam Smith Institute said. This is forecast to rise, after Chancellor Rishi Sunak froze personal tax thresholds for five years "in support of public finances" after the pandemic. The Chancellor has also increased NI rates and dividend tax rates by 1.25%. The tax burden, the amount of tax paid as a proportion of GDP, is already at its highest point for 70 years. It has prompted calls for levies to be cut, as families struggle with the cost-of-living crisis, including from senior Conservatives. Minister for Trade Penny Mordaunt said the Government had a "duty to keep taxes low", saying it was "incumbent" on Boris Johnson to keep spending low and reduce the tax burden.

Property Owner

Lenders raise UK mortgage rates

HSBC recently hit homebuyers with a 0.5 percentage point increase in mortgage rates – double the size of the Bank of England's interest rate rise. The high street bank raised its rates by as much as half a point shortly before the Bank increased the benchmark cost of borrowing by a quarter-point to 1.25%, the highest level since the financial crisis. All of HSBC's fixed-rate deals rose by 0.45 or 0.5 percentage points, the third time in 10 days the bank has altered its rates. It pressed ahead with the chunky increase, its largest in at least a year, despite a consensus – supported by HSBC's own economics team – that the Bank would only raise rates 0.25%. The daily shift was also roughly double its competitors' increases on the same day. An HSBC spokesman said the increase "was not in anticipation of the Bank of England Base Rate decision." Rachel Springall from Moneyfacts said: "HSBC are moving in the same direction as many other large lenders, and that is up." The Bank of England's interest rate decision was broadly in line with expectations, although a six to three split between policymakers over a possible larger hike gave the outcome a hawkish tilt. The pressure on Threadneedle Street had been cranked up a notch after the US Federal Reserve, the world's most powerful central bank, raised interest rates 0.75%.

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