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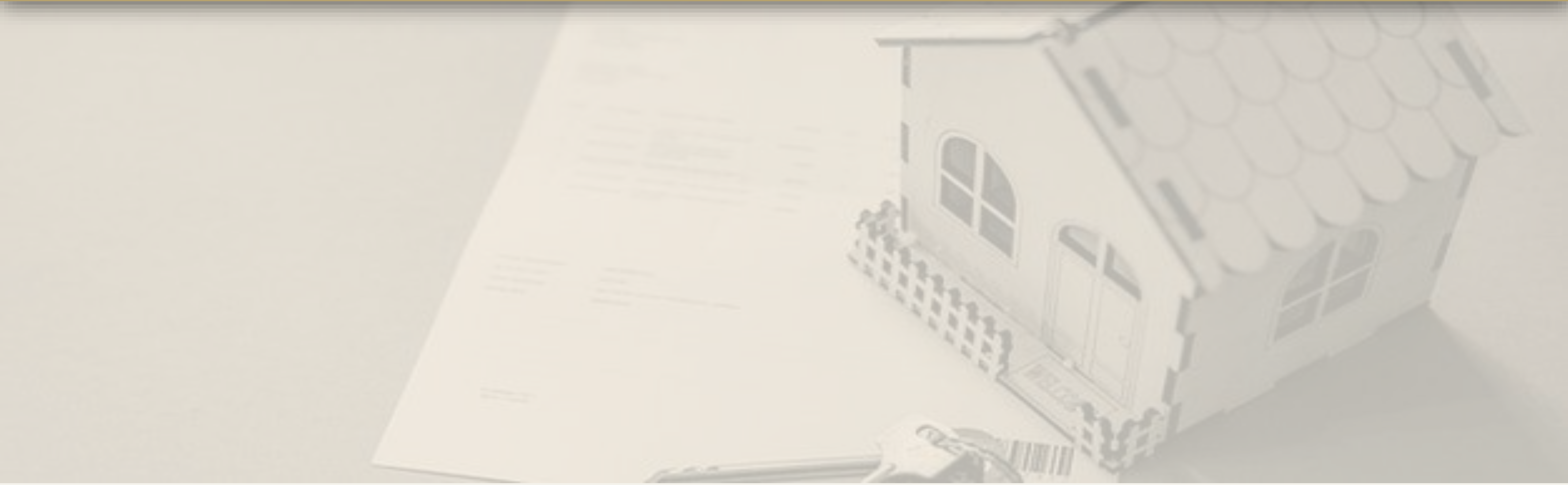
Mortgage & Protection Update
August 2024



By The End Of This Update You Will Be Able To Demonstrate An Understanding Of …

- How much borrowers are relying on the bank of Mum and Dad
- FCA action against an ‘Unauthorised’ broker
- News that Legal & General has updated its adviser protection platform
- Why brokers are calling out developers over conditional selling
- Why landlord insurance guarantees have jumped by a third
- Why the inflation rise does not deter traders betting on two more rate cuts this year
- News that average mortgage rates fall for first time in 5 months
- Why a third of prospective buyers delay property purchases
- Research that shows more than half of renters have no financial protection

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Bank of Mum And Dad Gifts And Loans Hit £9.4bn In 2023: Savills

Bank of Mum And Dad Gifts And Loans Hit £9.4bn In 2023: Savills (1 of 2)

- Gifts and loans from the Bank of Mum and Dad totalled £9.4bn in 2023, has revealed. The latest data found that the total has almost doubled since 2019
- In total, 164,000 first-time buyers (FTBs) had family assistance in buying their first home in 2023, accounting for 57% of all mortgaged FTBs
- While the number of assisted buyers is down from a peak of 198,000 in 2021, this is the highest proportion of FTBs receiving help since 2012, and is 10% up on 2022
- Average quoted mortgage rates for 90% and 95% loan-to-value (LTV) rates were 5.66% and 6.08% in July 2024, respectively, according to the Bank of England
- Although these rates have come down from their respective peaks, Savills explains they have increased significantly in the last two years

Bank of Mum And Dad Gifts And Loans Hit £9.4bn In 2023: Savills (2 of 2)

- As mortgage rates continue to decrease, Savills has forecast that a smaller proportion of FTBs are likely to need support from the Bank of Mum and Dad. While the actual number of those supported is expected to remain on par with 2023, the proportion of FTB purchases receiving support will decrease from 57% in 2023 to 54% in 2024

- The total contribution towards FTB purchases will remain in line with 2023 levels (£9.3bn). Savills expects a total of almost £30bn to be paid out over the next three years

- Savills Director of Residential Research Frances McDonald says: "While many homebuyers enjoyed record low interest rates during the early part of the decade, more stringent mortgage requirements, which have been in place since the start of the pandemic, have impacted higher LTV lending, most commonly used by first-time buyers"

- "In addition to this, record rental growth and increased mortgage rates (particularly for high LTV products) have acted as a further blow to first-time buyers' home-owning aspirations. As a result, a greater proportion have needed support to get onto the housing ladder, and those who were able to, took advantage of family support to try and secure a deal at a lower mortgage rate"

‘Unauthorised’ Broker Charged With Fraud

‘Unauthorised’ Broker Charged With Fraud (1 of 2)

- A 64 year-old Peckham man has been charged with fraud for allegedly advising on mortgages without being authorised as a broker
- He appeared in Westminster magistrates court on Wednesday accused of arranging mortgages, between January 2018 and December 2023, without the right permissions
- The FCA also alleges a significant number of mortgage applications arranged by him contained false information or used forged documents
- He has been charged by the FCA with three counts of fraud by false representation and one count of carrying on regulated activities without authorisation
- He has pleaded not guilty to all counts
- The case has been sent to Southwark Crown Court for a plea and trial preparation hearing on August 28th

‘Unauthorised’ Broker Charged With Fraud (2 of 2)

- He has been released on conditional bail with conditions of home residence, not to carry on acting as a mortgage adviser while unauthorised
- They must also refrain from contacting any prosecution witnesses directly or indirectly
- In March, a broker was given a suspended sentence in relation to £3m of fraudulent applications following an FCA investigation
- Research suggests that mortgage-related fraud increased by a third in the year to September 2023

Legal & General Updates Adviser Protection Platform

Legal & General Updates Adviser Protection Platform (1 of 3)

- Legal & General has updated its adviser protection platform, OLP Connect, to improve user interface and lead to better customer outcomes
- Following updates made in April and May to the protection dashboard and existing business agent hub elements of the platform, Legal & General launched a new version of the manage application feature from July 28th
- The new feature has now been merged with the application summary tab to create one simple design to improve efficiency
- The updates stem from adviser feedback gathered through research between 2022 and 2023, meaning that the updates “reflect” the way advisers want to work to support customers and develop their businesses
- Legal and General Retail Director of Intermediary, Retail Protection, Julie Godley, said: “It’s fantastic to be launching further updates to our OLP Connect protection adviser dashboard system”

Legal & General Updates Adviser Protection Platform (2 of 3)

- Godley continued "We've taken the time to listen to adviser feedback and look at how we can streamline and improve their experience with our platform"

- "We understand the importance of providing systems that are easy to use, to allow you to protect customers as soon as possible. The key aim of the update is to remove complexity and provide advisers with an intuitive, easy-to-use platform which improves efficiency and with customer applications and policy journeys"

- "Continuing to enhance and streamline our processes and platforms is a core priority for use to aid our intermediary partners with their businesses and to ensure better customer experience and outcomes"

- The manage application tab allows simple navigation of each customer's journey

- Advisers can track each application to completion with a 360 degree view of the underwriting process, ensuring protection is in place as quickly as possible

Legal & General Updates Adviser Protection Platform (3 of 3)

- The updated tool provides simplified navigation to product selection, addresses and customer history

- Advisers can also edit application details "with ease", while providing clear status updates and highlighting outstanding actions

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Brokers Call Out Developers Over Conditional Selling

Brokers Call Out Developers Over Conditional Selling (1 of 8)

- Brokers have called out both L&Q and Persimmon over conditional selling practices with one borrower advised to use a recommended broker and another not allowed to use a broker who charges fees
- The first case against L&Q was identified by Beechwood Mortgages Managing Director, Adrian Collins, who posted on LinkedIn about his experience
- In the post, Collins stated that one of his advisers lost a client that was “keen to use us” but decided against this in fear of losing money
- Collins recalled that the client had said: "I'm sorry, but L&Q advised us that if we use a different broker from their recommended ones, we would lose the purchase incentives given at the reservation"
- He described this as “frustrating” and stated this was indicative of developers “piling on the stress” by pressuring buyers to use certain mortgage broker

Brokers Call Out Developers Over Conditional Selling (2 of 8)

- Repossession Rescue Network Founder, Patricia McGirr, described the case as “nothing short of blackmail”
- “Client choice and impartiality are key to ensuring borrowers are protected and properly advised” she explained
- “This is particularly important when it comes to making such a huge financial commitment that home ownership entails. Forcing borrowers to use a specific broker flies in the face of good customer care”
- Collins said this was not an isolated incident as “a few estate agents have been doing this for years and, unfortunately, they still do. Buyers should never feel pushed into decisions that may not be in their best interest. They deserve the freedom to choose without any undue influence”
- A similar sentiment was expressed by The Mortgage Stop Director, Rohit Kohil, who pointed out this represented part of a growing trend for brokers as “we continue to see more examples of this”

Brokers Call Out Developers Over Conditional Selling (3 of 8)

- Kohil argued that, to combat this, developers should be "under the same obligations as estate agents", if not even more so given they have direct control over the price they charge
- "The consumer never wins when conditional sales are made" he added
- "These are exploitative and unfair in their nature and make a mockery of the principle of ensuring good customer outcomes"
- In response, L&Q Executive Group Director for Development and Sales, Vicky Savage, said: "We encourage anyone thinking of buying a home to seek independent advice to ensure they are making a purchase which is right for them"
- "We do not place restrictions on buyers instructing a solicitor or mortgage broker of their choice in the vast majority of transactions. The only exception to this is that we sometimes run time-limited offers with financial incentives"

Brokers Call Out Developers Over Conditional Selling (4 of 8)

- Savage continued “When we do this, we require that buyers choose a solicitor and mortgage broker from a panel of approved members”
- “We trust these firms to represent customers' interests and handle the deadlines linked to these offers”
- “This is because they have proven expertise in navigating our processes, procedures and contracts, and knowledge of our developments”
- “All of these businesses are independent of L&Q and adhere to strict consumer codes, and buyers are not directed to any specific firm. We keep this panel under regular review, based on customer feedback and member performance”
- Another case was reported against housebuilding company Persimmon, which was recently accused of not allowing a buyer to use a broker who charges fees. It involved a fee-charging broker who had been overseeing a client’s purchase of a shared ownership property from a Persimmon site in the East Midlands

Brokers Call Out Developers Over Conditional Selling (5 of 8)

- The broker had completed the free affordability check via Homes England but was then told by a sales adviser for Persimmon that Homes England "would not allow buyers to use a broker who charges fees"

- "As the scheme is funded by New Homes England, one of their stipulations on the terms and conditions is that all buyers cannot pay a fee for their mortgage broker" the sales adviser stated in an email to the broker

- Persimmon therefore suggested that the broker should waive the fee or the application could be taken over by a different mortgage broker

- However, in response, the broker argued that providers "must not require" that an applicant takes out their mortgage through a particular adviser, "irrespective of whether they undertook the financial assessment to ascertain a suitable mortgage level or products"

- As a result of this disagreement, the client was left in a state of uncertainty, having already paid for advice and valuation but not being able to proceed unless the broker waived their fee

Brokers Call Out Developers Over Conditional Selling (6 of 8)

- However, Persimmon Homes later went on to clarify that this case represented a misrepresentation of Homes England guidance by the sales adviser
- Speaking on this, Albion Financial Advice Director, Dariusz Karpowicz, said: “Misinterpreting and giving false information, as seen with Persimmon, just to secure a commission, is exactly what shouldn’t be happening in a regulated industry”
- “This isn’t about integrity; it’s about bending the truth to make a living, and it needs to be investigated, scrutinised, and stopped”
- “Unfortunately, this kind of behaviour isn’t rare in our industry, and it’s shocking that not enough is being done to address it”
- Meanwhile, Model Financial Solutions Director, Hannah Bashford, said: “I'd like to give Persimmon the benefit of the doubt and hope that they have simply misinterpreted the rules instead of this being another example of underhand tactics”

Brokers Call Out Developers Over Conditional Selling (7 of 8)

- Bashford continued “That being said, this type of practice is still out there as the email shows and it is very worrying as it confuses and worries clients, and can leave them upset about their options"
- She added that, to address this issue, kickbacks and incentives paid to salespeople from a “recommended” adviser on a new build site that uses a government scheme “should be banned”
- “That would mean these tactics are stopped and clients are then using who they want and getting the best outcome for them” she explained
- Additionally, Whenthebanksaysno.co.uk, Managing Director, Emma Jones, said: “To pressure buyers into using a broker firm that sits within, or is tied to the house builder, just doesn’t sit right under the consumer duty rules the FCA has been banging the drum about”
- “Many buyers, especially first-time buyers, don’t know who is being honest and who is unfortunately prioritising their pocket over the right thing for the borrower”

Brokers Call Out Developers Over Conditional Selling (8 of 8)

- "This practice of conditional selling needs to stop. It may be that now is the time for builders to lose control of choosing preferred broker firms as the go-to for their sites"
- Responding to this, a spokesperson for Persimmon Homes said: "We apologise for any misunderstanding in the information conveyed by our sales adviser"
- "To be clear, all customers are able to engage a mortgage adviser of their choosing to purchase homes privately or in connection with Homes England products"
- "There are Homes England rules that govern which services an adviser may charge for although none of our panel of advisers charge fees connected with affordability checks or advice. We are unable to comment on fees charged by third party advisers that customers may wish to use"
- "Naturally, fees can be charged in the usual way whereupon a broker has been engaged by a client to submit a mortgage application, irrespective of whether this is a private purchase or Homes England product"

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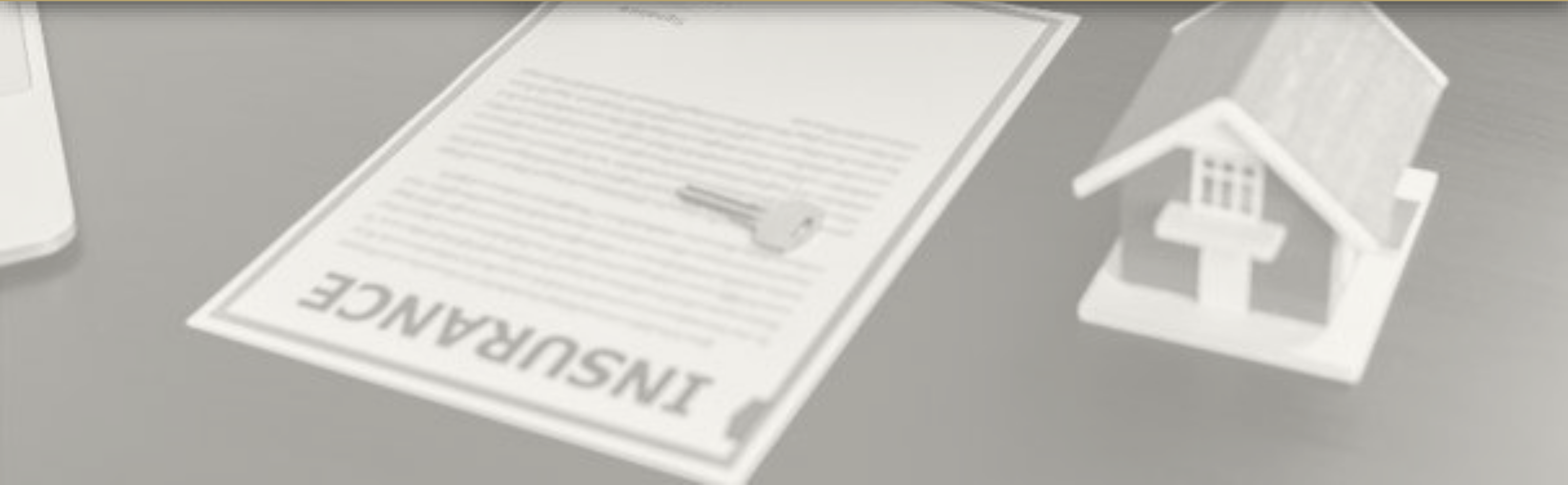
Landlord Insurance Guarantees Jump By A Third To £424,000: Purbeck



Landlord Insurance Guarantees Jump By A Third To £424,000: Purbeck (1 of 2)

- For applications made under limited company structures, the average personal guarantee demand from mortgage lenders has jumped 32% to £424,140 in 2024, Purbeck Insurance Services reveals. The latest figure has increased from £320,298 in 2023
- With house price values increasing and recent interest rate cuts to buy-to-let (BTL) mortgages, Purbeck Insurance Services says professional landlords searching for a new mortgage deal are reminded of the personal guarantee risks
- Purbeck Insurance Services Managing Director Todd Davidson says: “Limited company BTL mortgages have their advantages but can also pose a serious financial risk. A level of risk that would not be covered by rent guarantee insurance”
- “Timing is everything in the mortgage market and further reductions to the base rate could be off the agenda given the recent rise in inflation. If landlords are looking to remortgage to take advantage of the fall in rates or plan to expand their portfolio as the property market recovers, they should know that they will, in most cases, be asked to sign a personal guarantee as a condition of the mortgage”

Landlord Insurance Guarantees Jump By A Third To £424,000: Purbeck (2 of 2)

- “The mortgage lender is then provided with direct recourse to the professional landlord’s personal estate should the landlord fall into arrears and there is a shortfall following property repossession by the bank”
- Earlier this month, HM Revenue & Customs data revealed that purchases of BTL properties and second homes have fallen to their lowest levels since 2016
- The number of BTL and second home purchases fell by 14% from 224,700 in 2022/23 to 193,700 in the year to June 2024
- Purchases reached a peak of 287,200 in the year to June 2021

Inflation Rise Does Not Deter Traders Betting On Two More Rate Cuts This Year

Inflation Rise Does Not Deter Traders Betting On Two More Rate Cuts This Year (1 of 4)

- Money market traders are betting there is a 45% chance that the base rate will be cut by 0.25% next month, following the first rise in inflation this year
- Overall, general prices rose by 2.2% in the year to July, slightly above the Bank of England's target of 2% where the rate had been since May
- However, an increase had been taken into account by most models as the prices of gas and electricity were expected to fall by less than they did a year before
- The data also saw closely-watched services inflation fall more sharply than forecast from 5.7% to a two-year low of 5.2%
- This has left traders arranging positions around a slightly less than even chance that the Bank of England will cut rates at its September meeting to 4.75% from its current level of 5%, after the first rate cut by the central bank in four years earlier this month

Inflation Rise Does Not Deter Traders Betting On Two More Rate Cuts This Year (2 of 4)

- This leaves a 55% chance that borrowing costs will be unchanged next month. Before this morning's inflation data, a September rate cut was only a 36% probability, according to City pricing
- However, markets are strongly pricing in two cuts over the Bank's next three meetings this year, betting on an 82% chance of such an outcome before the latest inflation figures were published this morning
- Capital Economics forecasts that fading services inflation will mean rates fall to 4.5% by the end of this year and 3% next year
- L&C Mortgages Associate Director David Hollingworth adds: "Mortgage borrowers have been buoyed by the base rate cut at the beginning of August"
- "Mortgage rates had already been edging down but the Bank's cut came earlier than many had expected and has helped to drive down costs for lenders"

Inflation Rise Does Not Deter Traders Betting On Two More Rate Cuts This Year (3 of 4)

- Hollingworth continued "In a cutthroat market, rates have already tumbled further with a clutch of big lenders now offering five-year fixed rates below 4%, levels not seen since much earlier in the year"
- "That direction of travel is unlikely to be disturbed by reaction to today's news and the market will have been well prepared for an increase"
- "Instead, we're likely to see continued and frequent movements in mortgage rates, as lenders continue to adjust and improve where they can"
- John Charcol Mortgage Technical Manager Nicholas Mendes adds: "Inflation remained relatively subdued in July, despite a modest rise, as weaker core and food price inflation largely offset the diminishing impact of earlier declines in energy prices"
- "This provides some comfort to the Monetary Policy Committee, as the Bank of England's forecasts earlier this month had predicted a sharper increase"

Inflation Rise Does Not Deter Traders Betting On Two More Rate Cuts This Year (4 of 4)

- Mendes continued "Markets are now anticipating that the MPC will make a further 50 basis point reduction by the end of 2024"

- "With this revised outlook, we could see 5-year fixed mortgage rates drop to 3.5% sooner than expected"

- "Banks have continued to push forward with downward repricing on their purchase deals to help reinvigorate the market, with some even relaxing their criteria, such as income types of acceptance and higher loan-to-value ratios on sub-4% deals"

Average Mortgage Rates Fall For First Time In 5 Months

Average Mortgage Rates Fall For First Time In 5 Months (1 of 3)

- Average two and five-year mortgage rates fell over July, halting five months of consecutive rises, analysis from Moneyfacts has revealed
- Moneyfacts UK Mortgage Trends Treasury Report found the average two-year fixed mortgage rate fell to 5.77% on August 1st
- This represented a fall on the 5.95% that was recorded in July and the 6.58% that was recorded a year prior in August 2023
- Similarly, the average five-year fixed rate also experienced a drop, falling to 5.38% in August from 5.53 % in July. It also saw a decrease on a yearly basis from 6.37%
- Moneyfacts Finance Expert, Rachel Springall, said: "Borrowers will be pleased to see that fixed mortgage rates fell month-on-month and the average two- and five-year fixed mortgage rates are now at their lowest point since August"

Average Mortgage Rates Fall For First Time In 5 Months (2 of 3)

- Springall added there is an expectation for these rates to fall further in the weeks ahead, citing the recent 0.25% base rate cut as a motivating factor

- The research additionally suggested that volatility within the mortgage market is "evident" due to the fluctuations in product shelf life

- The research reported that in August the average shelf-life had dropped to just 17 days. This was a substantial fall from the 30-day shelf-life that had been recorded just the previous month

- "Lenders re-priced their deals with vigour during July to falling swap rates, and the volatility within the mortgage market was made clear by the notable drop in average shelf-life of a mortgage" Springall stated

- She also discussed the amount of product choice available to mortgage borrowers over August, pointing out that it had slowly risen

Average Mortgage Rates Fall For First Time In 5 Months (3 of 3)

- The rise and fall of product choice was "significant" during July with the total count peaking at 6,949 on July 19 before falling to 6,621 just four days later
- However, this slowed in the coming days to sit at 6,657 on August 1st, just one shy of July's entire product count
- This was not uniform as Springall pointed out that some LTV brackets saw decreases in the product choice with the 80% LTV bracket experiencing a drop of 53 products
- While she acknowledged this may come as disappointing news to borrowers with a limited deposit or equity, Springall pointed out that the choice could well "bounce back" in the coming months as lenders reassess their approach to lending

Third Of Prospective Buyers Delay Property Purchases

Third Of Prospective Buyers Delay Property Purchases (1 of 3)

- Nearly a third (32%) of prospective buyers are delaying their property purchases, research from the Mortgage Advice Bureau has found
- The research, which surveyed over 1,000 prospective buyers, found increased housing prices, higher interest rates making monthly repayments unaffordable, and the cost-of-living crisis were the key factors impacting buying plans
- The challenge of higher interest rates was also found to be "significant" as 25% of prospective buyers and 26% of first-time buyers find it harder to get their mortgage approved due to increased costs
- MAB Deputy CEO, Ben Thompson, said: "As we navigate the complexities of the current housing market, the impact of higher rates cannot be overstated"
- "However, with innovations in the market and light starting to appear on the horizon, there is still a possibility that 2024 can be the year to get on the property ladder"

Third Of Prospective Buyers Delay Property Purchases (2 of 3)

- Thompson continued “Though it isn’t suitable for all applicants, mortgage products that take rent into account can be very helpful for buyers struggling with the cost-of-living and the ability to save for a deposit”
- “Likewise, extending a mortgage term to lower your repayments doesn’t need to stay that way. In a few years’ time, you always remortgage, and shorten your mortgage term”
- Other contributing factors, according to the research, included the cost-of-living crisis impacting credit scores, affecting 21% of prospective buyers and 25% of first-time buyers, and concerns over job security, affecting 12 and 13%
- Rent increases are also exacerbating the situation, making it difficult for 23% of buyers overall, and a significant 36% of first-time buyers, to save for a deposit
- Only a small fraction of prospective buyers, 9%, and first time-buyers, 5%, report that nothing has impacted their homebuying plans

Third Of Prospective Buyers Delay Property Purchases (3 of 3)

- To help manage these financial pressures, the bureau's research found that 20% of prospective buyers have taken on more than one job to cope with the financial strain
- Additionally, one in six first-time buyers have had to arrange longer mortgage terms than initially planned
- The same number have also found it necessary to borrow more to afford their homes

More Than Half Of Renters Have No Financial Protection

More Than Half Of Renters Have No Financial Protection (1 of 3)

- More than half (56%) of private renters have no form of financial protection in place despite a third needing to take extended time off work, research from Scottish Widows has revealed
- The research, which surveyed more than 4,000 UK adults, showed that the average period that people have taken off due to serious illness or injury is almost five months
- This is despite separate research from Scottish Widows finding 9% of people could last just one month in financially supporting themselves and their households if they were not able to work for an extended period
- Scottish Widows Protection Director, Rose St Louis, said: “Millions of renters are financially vulnerable, and this shouldn’t be ignored”
- “Rising rents are taking up a higher proportion of people’s income, the cost of living squeeze hasn’t gone away and, for many, financial pressures aren’t easing”

More Than Half Of Renters Have No Financial Protection (2 of 3)

- St Louis continued “Buying an insurance policy against serious illness or loss of income isn’t just for those who have children or have opted to buy a home and take out a mortgage. It’s for everyone to help ensure financial security, meet outgoings, and keep a roof over their heads at any stage of life”

- Scottish Widows also warned the impact of unexpected periods of time off work can be “easily underestimated”

- Figures from the Financial Conduct Authority showed a third of renters have seen rent payments increase in the short-term

- Absence due to injury or illness can lead to a loss of earnings, thereby hitting renters’ ability to make payments, as well as their wider financial security

- The research also found, when looking at why the levels of financial protection are low amongst UK renters, there is a clear awareness gap

More Than Half Of Renters Have No Financial Protection (3 of 3)

- Almost a third (32%) have never thought about it before and 20% believe they have no reason to have protection in place
- Another barrier identified by Scottish Widows was cost, with 16% of respondents assuming protection would be out of their budget
- Protection insurance is most typically taken out when buying a property, but the insurer cautioned that, with the average age of a first-time buyer rising and currently standing at 34, people are opting to rent for longer and it's "vital" to do more to support this cohort
- Additionally, among the 44% of renters across the UK who do have protection insurance in place, a fifth said they took it out because they have children
- Meanwhile, 15% explained they were prompted to take out insurance because someone close to them needed it, and they saw the benefit

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