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**Mortgage & Protection Update
September 2024**



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

- Why there is a record number of rental homes for sale
- The increase in new buyer enquiries
- Why the FCA is to examine commission in the protection market
- How the Mortgage Charter has supported 1.4m borrowers since launch
- Increases in second charge lending
- News of the continued rise in house prices
- The uptake of mortgage guarantees
- How the Renters' Rights Bill may end no-fault evictions and limit rent rises
- Why one in eight women with joint mortgages face 'financial abuse'

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Record Level Of Rental Homes For Sale



Record Level Of Rental Homes For Sale (1 of 3)

- The proportion of former rental properties on sale has reached the highest point on record, research from Rightmove has found
- The research found 18 percent of properties for sale now were previously on the rental market, an increase on 2010 when just 8 percent of properties for sale used to be rented
- The Autumn statement on October 30 was identified as one of the potential drivers of this increase, as it is rumoured to include an increase to Capital Gains Tax, which could affect landlords
- Rightmove Property Expert, Tim Bannister, said: “In recent years it has become more attractive for some landlords to leave the rental sector rather than to continue to invest in it, due to rising costs, taxes, and legislation”
- “A healthy private rented sector needs landlord investment to provide tenants with a good choice of homes”

Record Level Of Rental Homes For Sale

(2 of 3)

- Bannister continued “We’ve seen over the last few years how the supply and demand imbalance can contribute to rising rents, so there is a worry that without encouragement for landlords to stay in rather than leave the rental sector, it is tenants who will pay the price”
- However, the research also pointed out that the previous five-year average for homes moving from the rental to sales market in Great Britain is 14 percent, thereby suggesting that this isn’t a “sudden mass exodus” of landlords
- “We will need to monitor the longer-term impacts of what happens to the rental supply that is put up for sale” Bannister added
- “For example, these homes could provide first-time buyers with more choice”
- “They might also be purchased by other landlords and put back into the rental market, which would signal a changing of the guard rather than a complete exit from landlords”

Record Level Of Rental Homes For Sale (3 of 3)

- Meanwhile, National Residential Landlords Association Policy Director, Chris Norris, described the data as a “serious concern” for those renters struggling to purchase their own home
- “With demand already massively outstripping supply, Rightmove suggests the situation is set to get worse” he added
- “Every rental home that is sold simply exacerbates the imbalance between supply and demand”
- “While some of these properties will inevitably end up on the owner-occupied market, that will be of little comfort to those households struggling to access quality housing”
- Norris therefore called for a housing strategy that recognises the need for more of every type of property, including high quality homes for private rent. “That’s why the budget needs to announce pro-growth tax plans to meet the needs of renters across the country” he concluded

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New Buyer Enquiries 'Most Positive' Since 2021

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New Buyer Enquiries 'Most Positive' Since 2021

(1 of 2)

- There was a “positive shift” in the UK housing market in August as the new buyer enquiries reading was the most positive since October 2021, research from the Royal Institute of Chartered Surveyors has revealed
- The UK Residential Market Survey for August 2024 reported that, at an aggregate level, a net balance of 15 percent of survey participants noted an increase in new buyer enquiries during August
- This represents an increase from the 4 percent of respondents who identified a rise in enquiries in July. However, the institute stressed this pick up is coming from a low base
- RICS Chief Economist, Simon Rubinsohn, said: “The latest RICS survey captures an improvement in sentiment over the past month in the wake of the modest decline in mortgage rates with buyer interest improving, albeit from a relatively low base”
- “However, anecdotal remarks from respondents still demonstrate the need for realistic pricing to get deals done and uncertainty both around the scope for further interest rate cuts and the likely contents of the forthcoming budget keeping mood in check”

New Buyer Enquiries 'Most Positive' Since 2021

(2 of 2)

- The research also revealed the newly agreed sales indicator posted a net balance reading of 6 percent, an increase from the figure of -1 percent in July
- Going forward, contributors anticipate the recent uptick in demand could translate into a more meaningful increase in sales volumes over the next three months
- This was evidenced by the near-term sales expectations measure recording a net balance of 37 percent
- Looking further ahead, a net balance of 45 percent of respondents envisage sales activity strengthening over the next twelve months, extending the recent sequence of firmly positive readings for this indicator
- When it came to terms of fresh listings coming onto the market, the new instructions series produced a net balance of 7 percent in August, compared with 3 percent previously
- This is consistent with a slightly positive trend in the flow of instructions being listed for sale

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FCA To Examine Commission In Review Of Protection Market



FCA To Examine Commission In Review Of Protection Market (1 of 3)

- The Financial Conduct Authority plans to launch a market study into how protection products are sold as well as the use of commission arrangements
- The FCA has “concerns” that the design of commission arrangements may not allow firms to deliver good outcomes to policyholders
- The regulator is also concerned that some products may be providing poor value, for example, if the total premiums paid over a lifetime far exceed the maximum conceivable payout
- Therefore, in order to understand how the market is working, the FCA will explore consumers’ engagement with and understanding of, the products they are buying
- It also intends to examine the competitive constraints on insurers and intermediaries, and potential conflict of interest in the structure of commission

FCA To Examine Commission In Review Of Protection Market (2 of 3)

- To achieve this, the authority will focus primarily on the sale of four specific types of products - term assurance, critical illness cover, income protection insurance, and whole of life insurance including policies for over 50s that offer guaranteed acceptance
- FCA executive director of consumers and competition, Sheldon Mills, said: “Pure protection can offer peace of mind and financial security, often when people are at their most vulnerable”
- “Consumers should be able to buy products which meet their needs and provide fair value”
- “We have seen indications that this may not be the case across the pure protection market and we will act if we find that the market is not working well”
- The FCA is “keen” to hear any feedback on its Terms of Reference and, ahead of launching the market study, will engage with firms, industry groups and others to gather views on the market and any issues

FCA To Examine Commission In Review Of Protection Market (3 of 3)

- The launch of the study follows recent concerns that competition is not working well in the market, which was raised in the FCA's recent review into insurance and protection
- This review found many product manufacturers did not appear to have implemented effective product governance frameworks, meaning they were unable to adequately evidence how and why they believed their products offered fair value





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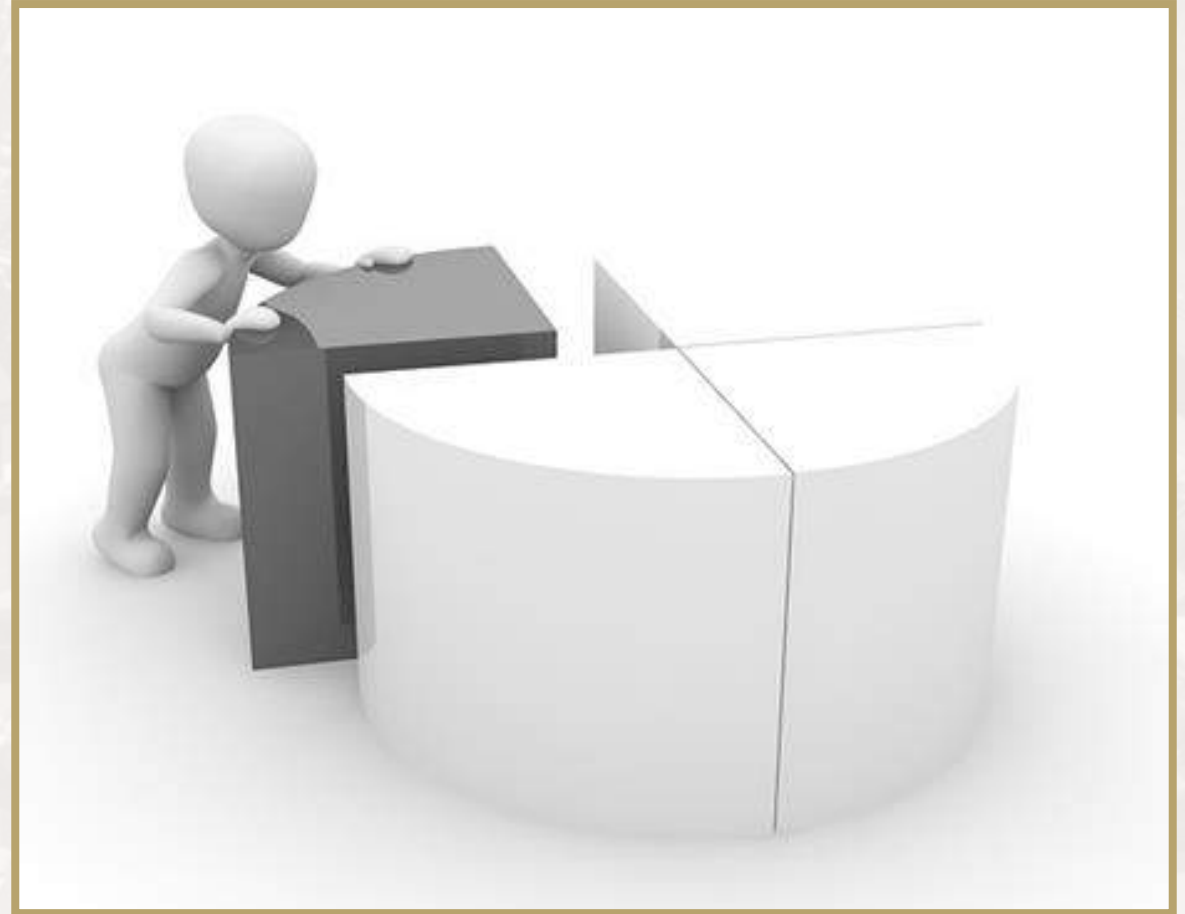
Mortgage Charter Has Supported 1.4m Borrowers Since Launch

Mortgage Charter Has Supported 1.4m Borrowers Since Launch (1 of 2)

- Around 1.4million borrowers have received support through the government's Mortgage Charter, new FCA figures show
- Many of those borrowers were able to lock into a new rate early under the provisions of the Charter, while others were able to bring down monthly costs for a time
- From the Charter's launch in 2023 to July this year, monthly payments on around 188,000 mortgages were reduced either by borrowers temporarily switching to interest-only or extending their mortgage term
- This represents around 2.1% of regulated mortgage contracts
- Of those who extended their mortgage term, 401 went on to reverse this
- The FCA says this suggests borrowers looking for a temporary cut in payments are more likely to opt for a period on interest-only

Mortgage Charter Has Supported 1.4m Borrowers Since Launch (2 of 2)

- The latest figures show that 133 properties were repossessed within 12 months of missing the first payment
- Under the Charter, lenders agreed to provide a number of options to help struggling borrowers to reduce payments for a respite period
- The FCA says that some of these forbearance measures would also have been offered under lenders' normal business policy. It is therefore not possible to completely isolate actions undertaken through the Charter



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Second Charge Business Value Increases 30% In July



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(1 of 2)

- The value of new second charge business increased by 30% in July, compared to the same month the previous year, the latest Finance and Leasing Association (FLA) figures reveal
- The number of new second charge agreements for the 12 months to July grew by 3%, compared to the same period a year earlier, as the growth trajectory of the market continues
- There were 3,364 new agreements undertaken in July 2024, equating to £163m, equating to a 30% increase in value compared to the same month last year. For the three months to July, the total number of new agreements was 9,340, worth £450m and a rise of 18% from the May to July period in 2023
- FLA Director of Consumer and Mortgage Finance and Inclusion Fiona Hoyle says; “The second charge mortgage market returned a strong performance in July as consumers have become more confident in recent months about the economic outlook. This contributed to double-digit growth in new business volumes of 14% in the first seven months of 2024 compared with the same period in 2023”

Second Charge Business Value Increases 30% In July (2 of 2)

- Hoyle continued “The distribution of new business by purpose of loan in July showed that the proportion of new agreements which were for the consolidation of existing loans was 58.8%; for home improvements and the consolidation of existing loans was 21.6%; and for home improvements only was 12.6%”
- “As always, customers who are concerned about meeting payments should speak to their lender as soon as possible to find a solution”



House Prices Rate Reaches Highest Point In Two Years



House Prices Rate Reaches Highest Point In Two Years (1 of 3)

- House prices have increased to their highest point in two years, research from Halifax has found
- Halifax's House Price Index, found prices have increased by 4.3 percent on a yearly basis and the average house price is now £292,505
- This is the strongest rate since November 2022
- Prices were also found to have increased by 0.3 percent on a monthly basis, following the similar increase of 0.9 percent recorded in August
- Halifax Head of Mortgages, Amanda Bryden, said: "Recent prices rises build on a largely positive summer for the UK housing market"
- "Prospective homebuyers are feeling more confident thanks to easing interest rates"

House Prices Rate Reaches Highest Point In Two Years

(2 of 3)

- Bryden continued “The optimism is reflected in the latest mortgage approval figures, now at their highest level in almost two years”
- Bryden said due to market activity picking up and the possibility of further interest rate reductions to come, she expects house prices to continue their modest growth through the remainder of this year
- Propertymark CEO, Nathan Emerson said: “It is reassuring to witness the market moving forward from what has been a very fluid few years, where household affordability has been at near breaking point for many people”
- “As the benefits of lower inflation and interest rates fully start to bed in, Propertymark is confident there will be further market growth as the year plays out”
- “We are, however, keen to see the UK Government’s housebuilding programme spring into action to help alleviate the ongoing mismatch between supply and demand, as it is essential to keep pace with an ever-growing population”

House Prices Rate Reaches Highest Point In Two Years

(3 of 3)

- The index found Northern Ireland continued to record the strongest property price growth of any nation or region in the UK, rising by 9.8 percent on an annual basis in August. The average price of a property in Northern Ireland is now £201,043
- House prices in Wales also recorded strong growth, an increase of 5.5 percent compared to the previous year, with properties now costing an average of £224,433
- Meanwhile, Scotland saw a more modest rise in house prices, where a typical property now costs £205,144
- This represents a rise of 1.7 percent when compared with the year before
- The North West recorded the strongest house price growth of any region in England yet again, rising by 4 percent over the last year to sit at £232,917. London continued to have the most expensive property prices in the UK, now averaging £536,056, up 1.5 percent compared to last year

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Guarantees Underpin 44k Mortgages But Uptake Has Slowed



Guarantees Underpin 44k Mortgages But Uptake Has Slowed (1 of 3)

- The government's mortgage guarantee scheme has supported 44,383 loans since its launch in 2021, but official figures show the number has been falling each year
- From the scheme's launch in April 2021 to the end of that year, it supported 12,223 mortgages worth a total of £2.2bn
- Then in 2022 – its first full year in operation – it supported 21,374 mortgages worth £4.3bn
- But in 2023 the figure slumped back to 7,487 mortgages totalling £1.7bn
- And in the first three months of this year the scheme supported only 1,618 mortgages
- The latest figures published by the government today only go as far as April 2024 so it remains to be seen whether lending will pick up over the rest of this year

Guarantees Underpin 44k Mortgages But Uptake Has Slowed

(2 of 3)

- Since its inception, the loans supported by the scheme make up 1.5% of all residential mortgage completions over the period. Guarantees under the scheme represent a total of £1.2bn, while the total value of mortgages it has supported is £8.5bn
- Under the scheme, the government offers lenders the option to purchase a guarantee on mortgage loans where the borrower has a deposit of less than 10%
- The scheme can be used for mortgages on both new build and older homes, whether they are for first-time buyers, home movers or borrowers who are remortgaging
- The scheme is not available on buy-to-let mortgages or second homes and the property value must be £600,000 or less
- The guarantee compensates participating mortgage lenders for a portion of net losses suffered in the event of repossession

Guarantees Underpin 44k Mortgages But Uptake Has Slowed (3 of 3)

- The guarantee applies down to 80% of the purchase value of the guaranteed property covering 95% of these net losses
- The lender retains a 5% risk in the portion of losses covered by the guarantee
- The government says: “This ensures that the lender retains some risk in every mortgage originated”



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Renters' Rights Bill To End No-fault Evictions And Limit Rent Rises



Renters' Rights Bill To End No-fault Evictions And Limit Rent Rises

(1 of 6)

- The government has introduced its Renters' Rights Bill to parliament, which seeks to ban Section 21 no-fault evictions and limit rent increases to once a year
- Last year, nearly 26,000 households faced homelessness as a result of a Section 21 eviction and had to go to their council for support, according to the Ministry of Housing, Communities and Local Government
- The wide-ranging legislation also plans to extend Awaab's law, from social to private sector landlords. This will require property investors, or their agents, to carry out key repairs within a specified timeframe, with the exact period likely to be decided after a consultation
- It will apply the Decent Homes Standard to the private rented sector for the first time. Currently, 21% of privately rented homes are considered non-decent and more than 500,000 contain the most serious of hazards, official figures say
- Landlords who fail to address serious hazards can be fined up to £7,000 by local councils and may face prosecution for non-compliance

Renters' Rights Bill To End No-fault Evictions And Limit Rent Rises

(2 of 6)

- The legislation will ban “in-tenancy rent increases,” and will mean that landlords will only be allowed to raise the rent once a year, and to the market rate
- It also plans to crack down on rental bidding wars
- The government says: “Landlords and letting agents will be legally required to publish an asking rent for their property
- “They will also be banned from asking for, encouraging, or accepting any bids above this price”
- The proposed law will end blanket bans by landlords for renters on benefits or with children
- The government says the Bill is “a crucial step” towards ending Britain’s housing crisis, along with its commitment to build 1.5 million homes over the next five years

Renters' Rights Bill To End No-fault Evictions And Limit Rent Rises

(3 of 6)

- The previous Conservative administration had steered a similar Renter's Reform Bill through the House of Commons, but was opposed by backbench Tory MPs who were concerned about the ability of landlords to remove anti-social renters and tenants in debt from their properties through the courts
- The Bill ran out of time when the last parliament was dissolved at the end of May
- During the summer general election campaign, Labour said it would ban 'no fault' evictions immediately if it won power
- Conservatives first promised to ban no-fault evictions in its 2019 manifesto
- Deputy Prime Minister Angela Rayner says: "There can be no more dither and delay. We must overhaul renting and rebalance the relationship between tenant and landlord"
- "This Bill will do just that and tenants can be reassured this government will protect them"

Renters' Rights Bill To End No-fault Evictions And Limit Rent Rises

(4 of 6)

- But National Residential Landlords Association Chief Executive Ben Beadle points out: “The end of Section 21, ‘no explanation’ repossessions represents the biggest change to the sector for over 30 years”
- “Once the Bill is passed, it is vital that sufficient time is provided to enable the sector to properly prepare”
- Beadle adds: “Over 4.5 million households will need tenancy agreements updating, letting agent staff and landlords will need to undertake training and insurance and mortgage providers will need to adjust policies and rates”
- “None of this will happen overnight and the government needs to publish guidance”
- British Property Federation Director of Policy, Real Estate, Ian Fletcher, adds: “Our primary concern remains the ability of the courts to deal with the increased workload that will come their way with Section 21, which is why we had taken a hard line with the previous government to secure court improvements ahead of the legislation being passed”

Renters' Rights Bill To End No-fault Evictions And Limit Rent Rises

(5 of 6)

- Fletcher continued “We can see why the new government wants to inject new pace into reform, and it has made some reassuring commitments to continue to improve the courts”
- “Without court reform and improvement, the new system won’t work well and deliver fair access to justice”
- Goodlord Managing Director of Insurance Oli Sherlock points out one of the biggest differences between the Conservative and Labour Bills revolves around no-fault evictions
- Sherlock says: “The biggest change between the previous Renters Reform Bill and the new Renters Rights Bill will be around Section 21. “The Conservative Government offered the industry something of a fudge around the scrapping of no-fault evictions, with vague promises to introduce it once the courts were ready”
- “While we agreed with the sentiment of this, there was no timeline or action plan announced alongside. In contrast, it looks like the Labour Government will scrap Section 21 outright and the courts will need to find a way to cope”

Renters' Rights Bill To End No-fault Evictions And Limit Rent Rises (6 of 6)

- Vouch Head of Customer Success Lauren Hughes highlights other differences between the Conservative and Labour parties around this “seismic piece of legislation”
- Hughes says: “Labour has already indicated that they will go further around rent increases – including ending bidding wars and challenging unfair rent increases”
- “However, in a way that has become familiar over the years, we have thus far been given little detail about how they will achieve this”
- “Likewise, the government has decided to take the standard of private housing further by integrating the Decent Homes Standards and Awaab’s Law”

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One In Eight Women With Joint Mortgages Face 'Financial Abuse'



One In Eight Women With Joint Mortgages Face 'Financial Abuse'

(1 of 3)

- One in eight women who held a joint mortgage in the last two years experienced “joint mortgage economic abuse” from a current or former partner, according to a report by charity Surviving Economic Abuse
- This figure equates to 750,000 women, who suffer from partners refusing to pay their agreed share of the mortgage, agree to new terms, or sell up
- This mortgage-based abuse traps victim-survivors with dangerous abusers, while those who flee are forced into housing insecurity and debt because of ongoing economic abuse
- The report, ‘Locked into a mortgage, locked out of my home’, is funded by the Joseph Rowntree Charitable Trust and the abrdn Financial Fairness Trust
- It urges the government to set up a cross-government task force on economic abuse with financial services, legal, and domestic abuse experts “to strengthen protections for victim-survivors and stop perpetrators from using joint mortgages to abuse”

One In Eight Women With Joint Mortgages Face 'Financial Abuse'

(2 of 3)

- The study contains a poll which asked women who have or had a joint mortgage in the last two years whether they had experienced mortgage-related abuse from a current or ex-partner
- Of those who had it found:
 - 78% felt unable to leave their partner or an unsafe living arrangement due to abuse through the joint mortgage
 - 89% experienced negative mental health impacts because of the abuse, such as anxiety, depression, panic attacks, or suicidal thoughts
 - 49% had to cut back on utilities or go without essentials, such as food, clothing, or toiletries, to cover monthly mortgage repayments
- The study says: “Under current laws, both mortgage holders are jointly and separately responsible for the whole mortgage debt, and any changes to the terms, such as switching interest rates or removing one party from the mortgage, require both parties’ consent”

One In Eight Women With Joint Mortgages Face 'Financial Abuse'

(3 of 3)

- The study continued “This stands even in domestic abuse cases”
- Surviving Economic Abuse Interim Chief Executive Sam Smethers adds: “Being forced to foot the full mortgage bill makes it near-impossible for survivors to flee to safety”
- “For those who do escape, they remain tied to the abuser who can plunge them into mountains of debt”
- “We urge the government to set up an economic abuse task force to prevent abusers from weaponising joint mortgages”
- Surviving Economic Abuse commissioned data firm Opinium to survey 1,178 nationally representative women who currently, or in the past two year, have held a joint mortgage between 11 and 22 July

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