Viewpoint

CANNELL ASSOCIATES
PROFESSIONAL FINANCIAL SOLUTIONS

Interest Rate Rise
We assess the impact on borrowers and savers.

Valuations vs Surveys
Which should you choose when buying a new home?

Let Property Campaign
Have you declared your rental income?

Interest Rate Rise

In 2007 Bulgaria and Romania joined the European Union, Lewis Hamilton got his first drive in Formula 1 partnering with Fernando Alonso at McLaren, the final book in the Harry Potter series was published and England played their first match at the new Wembley Stadium.

Whether you're a saver or a borrower, we'd love to help you make more of your money. Get in touch to find out how.

It was also the year in which the Bank of England last raised interest rates, when they went up by 0.25%.

That all changed on 2 November 2017 when The Bank of England voted to raise UK interest rates for the first time in over a decade, to 0.5%.

So how could an interest rate rise of 0.25% affect you?

In the short term, both borrowers and savers could see a modest effect on finances. Savers are likely to be pleased with the welcome boost even if the increase is small. Borrowers however will be less pleased as they could see their mortgage repayments rise.

Impact on borrowers

Higher interest will mean that those on Standard Variable Rates (SVR) or Trackers Rates will see their mortgage repayments rise. On a mortgage of £125,000 an increase of 0.25% would result in payments increasing by £15 a month (£185 a year).

Those with larger mortgages will in turn see a larger payment increase. Those with a mortgage balance of £250,000 will see their monthly payments increased by £31 (£369 a year). However, the 57% of borrowers on a fixed rate deal will be unaffected during their fixed term.

These figures might not seem much in isolation, but borrowers should also be aware that higher interest rates could impact other borrowing, like credit cards, car credit or unsecured loans.

There's also the prospect that rates could continue to rise over the long-term. If we hit 1%, the monthly repayments on a £125,000 mortgage would go up by £78.48, and £161.69 if the rate doubled to 2%.

If you're concerned about the impact of higher interest rates on your mortgage repayments you may want to consider a fixed-rate deal, especially if you're currently on SVR. Remember, if you're already on a fixed-rate deal you may face higher repayments when the term ends. Make sure you diarise when that's due to happen and get in touch so that we can discuss whether the best option is to remortgage.

Impact on savers

According to research there's no standard savings account on the market that can outpace inflation, in fact the average easy-access savings account is currently paying 0.35% interest.

If the Bank of England increases the base rate savers may be able to find better returns to keep up with rising inflation. However, as with mortgages, those already on a fixed rate will not see higher rates until the term ends.

Your home may be repossessed if you do not keep up repayments on your mortgage.

OW1167 Exp. 20/12/18

Valuations vs Surveys

Buying a house… is a valuation sufficient, or should you opt for a full structural survey?

Buying a house is probably the biggest financial purchase you'll make in your lifetime and at a time when you're already spending a lot of money, a survey can sometimes seem like a big expense. However, knowledge is power and it's better to be informed of any potential issues before proceeding with the purchase otherwise it may end up costing you further down the line.

When you're at the exciting stage of buying a new property it's easy to get seduced by the appearance of your potential new home, and risk ignoring any hidden problems which could cost you later on.

That's where a survey can give you peace of mind to purchase your new home with confidence. But with a number of options available, which is the best type of survey for the property you're buying?

A summary of surveys

The type of survey you should go for depends a lot on the age and location of the property. For example, if you're buying an older property it's sensible to select for a more detailed report than perhaps someone who's buying a new-build. The latter usually come with a National House Building Council (NHBC) 10-year guarantee for any big faults or defects in construction or materials.

We've summarised the different types of surveys available to help you make an informed decision:

Basic mortgage valuation	The sole aim of the basic mortgage valuation is to satisfy the lender that your chosen property is worth the price you're paying before they approve your mortgage. It doesn't go into any detail on the state of the property. It's important to remember that this survey is for the benefit of your mortgage lender and doesn't provide you with any guarantees about the state of the property.
Homebuyers report	This is a detailed report for 'standard' properties which are in reasonably good condition. It provides a more in-depth inspection that will help you find out if there are any structural problems, such as subsidence or damp, as well as any other hidden issues - inside and outside the property. It will also give advice on any defects that may affect the value of the property, along with recommendations for repairs and ongoing maintenance. A homebuyers report excludes the cost of estimates for repairs.
Full structural survey	Now known as a Building Survey, this is a comprehensive report providing a full breakdown of the fabric and condition of the property, with diagnosis of defects and repairs and maintenance advice. Typically these types of surveys are more suitable for properties that are listed, have an unusual construction, or require significant renovation.

OW1171 Exp. 20/12/18

Let Property Campaign

If you let out a residential property but haven't declared the rental income, you might be interested in a new campaign from HM Revenue & Customs (HMRC).

If you'd like financial advice on your property portfolio, please get in touch.

HMRC estimates landlords fail to pay £550m every year and their 'Let Property Campaign' aims to reclaim the lost income tax on undisclosed rental income.

The campaign targets residential landlords and alerts those who owe tax to get up to date with their tax affairs. It provides an opportunity for those individuals who have let out a property and have not disclosed income to bring their tax affairs up to date and get the best possible terms on the tax they may owe.

It's aimed at those who have let a property either in the UK or abroad and includes individuals who are:

- renting out a single property
- renting out multiple properties
- a specialist landlord eg. student or workforce rentals
- renting out a room in their main home for more than the Rent a Room Scheme threshold (£7,500 per year)
- living abroad and renting out a property in the UK
- living in the UK and renting a property abroad
- renting out a holiday home even if they also use it

Landlords who report previously undisclosed taxes on rental income to HMRC under the Let Property Campaign will be given 90 days to calculate and pay what they owe and get the best possible terms.

The campaign doesn't apply to a company or a trust renting out a property or those who are renting out commercial property.

For further information, or to find out if this campaign applies to you, please contact a tax specialist or visit the dedicated site https://letproperty.campaign.gov.uk/

HM Revenue and Customs and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen

Your property may be repossessed if you do not keep up repayments on your mortgage.

Cannell Associates
Bridge Farm
Main Street
Broomfleet
East Yorkshire
HU15 1RJ

07801 143403
ca@openwork.uk.com
www.cannellassociates.co.uk

CANNELL ASSOCIATES
PROFESSIONAL FINANCIAL SOLUTIONS

OW1166 Exp. 20/12/18