CHAMPAIN
FINANCIAL SERVICES

Bawtry
Selsfield Road, Ardingly
Haywards Heath
West Sussex RH17 6TJ

T: 01444 229 520
F: 01444 229 521
info@champain.co.uk
www.champain.co.uk

Technical Update No. 58 22nd June 2020

Estate Planner

Probate – things you should know

With the coronavirus causing long delays to the process, here are the key points to remember:

1. Find the will

Once somebody's death has been registered and their funeral arranged, the first thing to do is locate the person's will (or confirm they did not make one). If you cannot find one in their home, contact the person's solicitor, accountant or bank to see if any of them holds it.

2. Contact banks and other financial providers

The executors named in the will, or the people who will inherit if there is no will (called intestacy), should start assembling the financial information. You should notify banks, building societies, mortgage lenders, credit card providers and insurance companies. Your first step should be the deathnotificationservice.co.uk, which allows you to notify several banks and building societies of a person's death at the same time. Then go to the Tell Us Once service, which lets you report a death to most government organisations in one go.

3. Estimate and report the estate's value

The executor needs to assess the amount in savings accounts, pensions, shares and Isas, and whether the dead person's employer owed them wages. Debts such as credit cards must be paid off. If the mortgage lender requires interest payments to continue while you are applying for probate, the executor can pay these bills and reclaim the money from the estate once they have obtained probate.

4. Begin the formal probate process

The executor should apply for a grant of probate, which is the legal document that enables you to access funds, sort finances and share out assets the deceased accumulated. The government website gov.uk/applying-for-probate sets out the process and whether you actually have to go through it.

5. Decide whether to use a solicitor, probate brokerage or do it yourself

You are under no obligation to use a solicitor but if you do, don't automatically sign up with the family firm, or the bank, as the charges can be high. Most firms operate hourly rates or percentage charging systems.

Champain Financial Services Ltd. is a member of Best Practice IFA Group Limited, which is authorised and regulated by the Financial Conduct Authority.
Champain Financial Services Ltd. Registered in England No. 6800575. Registered Office: Palmerston House, 814 Brighton Road, Purley, Surrey, CR8 2BR.
Best Practice IFA Group Ltd. Registered in England No. 4490633. Registered Office: Broadlands Business Campus, Langhurstwood Road, Horsham, West Sussex, RH12 4QP

Investor / Saver / Property Owner

Buy-to-let challenges

Brexit uncertainty impacts on house prices, COVID-19 global recession, new changes on HMO licensing—it's a tricky time to be a landlord. The buy-to-rent market has become increasingly tough for landlords over the past few years but 2020 has exacerbated things—with a raft of new rules and regulations being implemented to rebalance the property market. Industry experts have warned that the new changes could push things harder for landlords, to the point of making some leave the sector. But what impact will these changes have on the buy-to-let landlords?

1. COVID-19 and House Prices

Britons have become accustomed to expect rising prices. After all, house prices have increased five folds since 1950, faster than any other OECD country. But things are set to change. In 2020, the COVID-19 pandemic will elicit a short term stasis; buying and selling will all but stop. As a matter of fact, it has indeed stopped—in April alone, Zoopla reported a 40% drop in inquiries. The product choice for borrowers will plummet resulting in rising interest rates which will be a blow to landlords considering investing in rental property.

2. Changes to Private Residence Relief

A revision of the property residence rules and regulations will introduce a high capital gain tax that will hit landlords hard when they sell their property. Before April 2020, you were entitled to up to £40,000 in capital gains tax relief if you let a property that you've been living in. But this rule has now been scrapped and landlords will need to be living in the property in shared occupancy with the tenant to qualify for this relief.

3. Stamp Duty

Since 2016, landlords have had to pay a 3% stamp duty on every buy-to-let property they invest in. The government is looking to extend the tax to cover a wider scope of the property market.

4. Energy Efficiency Rules

Since April 2018, landlords have been required to achieve a min. rating of E on the Energy Performance Certificate (EPC) for all new tenancies and tenancy renewals. Starting April 2020, these laws have been revised to include all existing tenancies. This means all rented properties will need to meet a minimum energy efficiency rating of E.

5. HMO Licensing & Planning

Any landlord looking to buy a property with the sole intention of creating a house in Multiple Occupation (HMO) will need to abide by the new HMO directives. Under the previous rules, landlords could turn a home into a small HMO with up to six occupants with no additional licensing.

Investor / Saver

Avoid mini bond scams

The City watchdog has permanently banned marketing of mini-bonds after thousands of savers lost hundreds of millions of pounds in a string of scandals. Marketing of the speculative investments, which allow unregulated companies to raise money directly from ordinary investors was temporarily banned in January, almost a year after mini-bond firm London Capital & Finance collapsed with £237m of savers' money. That ban will now become permanent, the Financial Conduct Authority announced on Thursday, but campaigners warned holes in the law and weak enforcement by regulators meant consumers were still at high risk of being targeted by fraudsters. There is no legal definition of what a mini-bond is in the UK. Most companies that have offered them, including London Capital & Finance, borrow money from ordinary savers, promising them a fixed return well above the rate available on most standard saving products. The mini-bond firm is then largely free to do what it wants with the money. Many have lent investors' cash to third party companies (which sometimes has the same directors), bought other risky investments such as race horses or wine, or funded property construction. A number of companies that raised money in this way have collapsed with millions of pounds of savers' money unaccounted for. The FCA claims that mini-bonds are not within its remit, while criminal investigations for fraud are rare and prosecutions even rarer. As a result, investors generally have no protection if things go wrong, and fraudsters can operate with little fear that they will be punished.

All

Credit payment holidays extended

Hard-up credit card and personal loan borrowers will be able to put their repayments on ice for another three months, the Financial Conduct Authority has confirmed. However, the city watchdog said that those who could afford to make reduced payments should do so. Borrowers who have yet to take a payment freeze, along with those who had not yet applied for a £500 interest-free overdraft with their bank, have until the end of October to ask for one. The announcement is in line with moves made to extend mortgage holidays for another three months, announced at the end of May. The FCA previously brought in the rules for overdraft, credit card and personal loan borrowers in April, with three-month payment holidays taken by more than 1.65million people by the end of last month. There was reportedly debate over providing another blanket three-month payment holiday to unsecured borrowers hit hard by the coronavirus crisis, due to the cost of rolling up interest, especially on credit cards. This is Money previously worked out that taking a three-month payment holiday on a credit card with an APR of 29.9 per cent and a £4,000 balance would see £270 interest added during the break. In its announcement the FCA made it clear that it wanted borrowers to make reduced payments where they could rather than simply put their payments on hold for a further three months.

Property Owner

New mortgage crunch

The UK's second biggest mortgage lender Nationwide has dramatically increased the deposit required by homebuyers to secure a loan, in a move one academic said could lead to an overall reduction in home ownership. The building society said it was reducing its maximum "loan-to-value" ratio from 95% to 85% of the value of the house being bought, meaning new buyers will have to find 15% of the value of the house up front in order to get a loan. It said it had taken the measure in the light of growing uncertainty over house prices, meaning it had to reduce the loan-to-value ratio to ensure borrowers didn't fall into negative equity. It said in a statement the action had been taken "due to these unprecedented times and an uncertain mortgage market" in order that the firm could "continue lending responsibly." Those with existing mortgages at higher loan-to-value ratios will continue to be able to borrow, it said, at the same time as saying it was reducing lending rates further for those with the highest deposits. The news comes after Housing Today last month reported a 90% drop in the provision of 95% loan-to-value mortgages since the onset of lockdown. Since then, some housebuilders have claimed that lenders were beginning to relax from this view, but the Nationwide's announcement appears to contradict that position.

All

Time for a retirement income re-think

Managing your retirement income at a time of great crisis is not an ideal solution but it is the stark reality facing many people. In the first three months of this year, the average annuity income fell by 6% - its lowest level on record, while those saving for retirement saw their pension funds severely hit, according to data from Moneyfacts. The impact of the coronavirus pandemic on the global stocks markets has resulted in the average pension fund value falling by 15.2% during this period, its worst quarterly performance on record. The hope is that these will prove to be short-term shocks, but for those planning for retirement now and looking for a retirement income immediately, they present unenviable challenges. So where now for those who are thinking about their retirement? A recent study by Aegon found that as a result of the crisis, 18% of the general population now plan to delay retirement. One in eight (12%) of those aged 55 and over who prior to the coronavirus crisis had not accessed their pension funds have now done so and a further 8% have considered dipping in. And despite being decades away from retirement age, one in five (21%) of those aged 18-34 expect to delay the age of retirement, while 11% of those aged 35-55 said that they plan to delay retirement. For those in drawdown, an assessment of the sustainability of income should be undertaken, using a cashflow modelling tool, based upon current values and income levels. Depending on the result it may be necessary to reconsider the income level being taken, which may or may not be straightforward. If the client is fully invested and needs that level of income then options may be limited. It's important to remember that income needs could also be affected by the current situation as people may be spending less for a little while and that could help to ease the pressure on income requirements.

All

COVID hurts women more financially

Lockdown is easing. The shops are open, the football is on. More employees are expected to return to work. There are, however, still no longer plans for all pupils to return to school before September. For some observers, these are separate facts. For working parents, they are an intertwined nightmare. And as history has repeatedly shown, what affects working parents usually disproportionately impacts working mothers. The chore gap is one of those unfashionable, stubbornly persistent issues that we like to brush under the carpet in our supposedly enlightened age. But the coronavirus crisis and lockdown has shone a light on the gulf which exists in many British households; research has shown that mothers are doing 31 hours more housework each week than before the crisis. And although the study into working parents found fathers are also doing more chores, there was a huge gender gap, with mothers doing 12 hours more on average than fathers. With school closures for many children now set to continue for the next three months and potentially far longer, commentators fear that the unacknowledged inequality could have a catastrophic impact on women's careers, finances and families. The full picture of the negative impact lockdown has had on women's lives across all ages and sectors is now emerging and cannot be underestimated. The effect is far reaching. A report by CityBank has found that of the 44 million expected redundancies worldwide, 31 million are women. That is more than double the 13 million men. Women are also more likely to be caring for an elderly relative, according to Carers UK, with older women probably ending up shouldering even more care duties as a result of Covid-19. Research by The Institute for Fiscal Studies (IFS) and University College London (UCL) revealed that women are more likely to bear the brunt of childcare responsibilities and home schooling during lockdown, even in couples where both parents are working. They found that mums were only able to do one hour of uninterrupted work for every three hours done by dads. With more hours lost to childcare and more frequent interruptions, women's careers are taking a much greater hit as well. Mothers are almost 50% more likely than fathers to have either lost their job or quit since the lockdown began, research by the IFS has shown. That no coherent official plan has been put in place to deal with the problem is extraordinary, given the number of people likely to be affected. The Fawcett Society has warned that a gender blind approach to coronavirus policy and spending, risks "turning the clock back on gender equality".

Retired

Warnings on equity release advice

The Financial Conduct Authority has sounded alarm bells over unsuitable equity release advice after a review found some mortgage advisers were falling short in the market. The warning comes as the regulator said it would be carrying out a more detailed follow-up review of advice in the lifetime mortgage market as part of its ongoing supervision of mortgage intermediaries. In a review published on June 17 the FCA said its work in the equity release market had uncovered mixed results, with some cases where lifetime mortgages were working well and unlocking equity for consumers who could not afford traditional mortgages. But the watchdog also warned of "three significant areas of concern" where advice was not in the best interests of the consumer, including instances where advisers did not always take into account the personal circumstances of their clients. The FCA also found the reasons behind consumers looking at equity release were not always challenged by firms and advisers were not always able to evidence their recommendations were suitable. The review was undertaken by the regulator as part of its exploratory work on later life lending, considering the borrowing opportunities available to consumers aged 55 and over - some of whom may be more vulnerable. Figures from the Equity Release Council found that homeowners accessed £1.06bn of property wealth through equity release in Q1 2020.

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.

The content of this newsletter is for information only. It does not represent personal advice or a personal recommendation and should not be interpreted as such. Please do not act upon any part of it without first having consulted an Independent Financial Adviser.

For information about our services please contact Champain or view online.

END.