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All

Travel insurance clarity

From July 4, some holiday destinations were exempted from the Foreign Office's current advice against all but essential foreign travel amid the coronavirus pandemic. But holidaymakers have been warned that anyone who decides to travel should make sure they have the appropriate travel insurance. Those with existing travel insurance policies are being urged to check what cover it provides for coronavirus-related events, such as medical issues and travel disruption. Anyone who needs a new policy for future travel is advised to check how coronavirus-related issues will be covered. The advice states that: "If you do not have appropriate insurance before you travel, you could be liable for emergency costs including medical treatment. Travel insurance policies are designed to provide cover in many circumstances, including medical expenses, a trip being cut short or cancelled, and loss or theft of possessions. Holidaymakers should choose a policy that will meet their own individual needs. The Foreign Office recommends taking out an insurance policy as soon as possible after booking your trip, to make sure you're covered in the event of any changes before you depart. When you travel, you should take details of your insurance policy with you, including your policy number and the emergency assistance telephone number provided by your insurer. The Foreign Office also advises shopping around for a policy in order to find a good deal - but do not choose one based on price alone. "The cheapest policy may not cover all of your needs," the advice states: "Check that any policy you buy provides comprehensive cover for your pre-existing medical conditions and any activities or sports you're planning to do." Factors to consider when choosing a policy include:

- How often you travel
- The length of your trip
- The country you are going to
- The activities you will be doing
- The possessions you will be taking
- The size of the group you are travelling in
- The cost of cancellation.

Parent

The bank of mum and dad is booming

Lenders have been pulling high loan-to-value (LTV) mortgages because of the coronavirus pandemic, but the Bank of Mum and Dad could step in to help out first-time buyers. Mortgage broker Private Finance says that it expects a surge in capital-raising for first-time buyers as the Bank of Mum and Dad fills the void left by the banks. Many lenders stopped offering loans to first-time buyers after lockdown measures were introduced in March, effectively freezing the market. Those who want to buy their first home are now forced to find larger deposits and apply for lower LTV loans, which are still available. Mortgage lenders are worried about the impact of the coronavirus pandemic and weakening job market on the homeowners that owe them money. Many have reacted by pulling out of what they would see as riskier areas of lending, chiefly to first-time buyers, who are at greater risk of default. Lots of lenders are also having staffing issues as a result of the pandemic and have delays with processing mortgages. Banks and building societies have also had to shift resources because of the volume of calls from borrowers looking to take out a mortgage holiday. The re-opening of the housing market in May has released a lot of pent up demand, leading to a surge in mortgage applications. So in order to deal their existing workload, lenders are having to temporarily withdraw products. However, parents who are gifting money to help their family onto the housing ladder could end up facing an uncertain retirement. Many are using their pensions and savings to help out and this could leave them facing poverty when they retire.

All

Labour calls for wealth tax

The shadow chancellor suggested those with 'the broadest shoulders' should share more of the burden to help the economy recover from Covid-19. The shadow chancellor, Anneliese Dodds, said those with 'the broadest shoulders' should share more of the burden of rebuilding the economy, warning against hitting those on low or middle incomes. Speaking on the BBC's Andrew Marr Show ahead of Rishi Sunak's mini-Budget this week, Dodds said: 'The best way to deal with the cost of this crisis is to ensure that our economy grows. 'If we do that, that will erode the value of the debt for as long as interest rates stay low. I think it is really important we recognise that because that will provide the context for any decisions around taxation.' A recent YouGov poll found 61% of the population supported a tax on those with assets in excess of £750,000, excluding pensions and the value of their residential property. Last week the former head of the civil service said a tax on the wealthy is a real possibility following the carnage caused by Covid-19. According to research by the Institute of Fiscal Studies (IFS), the tax could be levied on assets such as property, pensions, securities or works of art. Recent data released by the Office for National Statistics showed that the UK's debt is currently larger than the economy for the first time since 1963. The nation borrowed a record £55bn in May, lifting the total figure over the last year by £173bn to an overall £1.95tn. This equates to 100.9% of GDP. A UK wealth tax could raise as much as £174bn, according to London City University's tax reform advocate Richard Murphy.

All

Divorce changes

New laws to spare divorcing couples having to apportion blame for the breakdown of their marriage took a step closer this week, as a Bill seeking to reduce family conflict gained Royal Assent. Currently, one spouse has to make accusations about the other's conduct, such as 'unreasonable behaviour' or adultery, or otherwise face years of separation before a divorce can be granted – regardless of whether a couple has made a mutual decision to separate. The new laws will instead allow a spouse, or a couple, to apply for divorce by making a statement of irretrievable breakdown. This aims to end the needless "blame game" between couples and parents. Crucially, a new and extended minimum timeframe of six months from the initial application stage to the granting of a divorce will also be created. This will offer couples the time to reflect and turn back, or where reconciliation is not possible agree important arrangements for the future – such as how best to look after their children. The changes will not come into effect until later next year to allow careful implementation of the necessary changes to court, online and paper processes.

Property owner

Unlocking the UK economy

There is no great surge of consumer confidence waiting to sweep us back into economic growth. The British government believes that it has sufficiently reduced the spread of infections that it can focus instead on tackling the economic cost of the lockdown. But there's a threefold challenge. The first is that the United Kingdom may not have successfully flattened the spread of new cases, that the reopening will trigger a second spike in infections, and that the country lacks the competent leadership and/or state capacity necessary to control a second wave through testing, tracing and isolating new cases. This challenge is a known unknown. The second challenge is that large numbers of British people may not believe that the UK has successfully flattened the spread of new cases, and therefore "reopening" merely triggers wave after wave of bankruptcies and closures. The government's operational competence may never be tested because people opt not to take advantage of the reopening. Don't forget that large numbers of people were reducing their social contacts before the government formally locked down – and there is no evidence that they are going to take their cues from the government about when to emerge from lockdown either. The United Kingdom locked down "from below" and will unlock the same way. The third challenge is that, due to the continuing closures elsewhere, the economy may revive, but merely in a way that changes the trajectory of large parts of it from "immediate bankruptcy" to "imminent bankruptcy".

The announcement that close to 2,000 people will be made redundant by the Casual Dining Group – owner of Bella Italia, Café Rouge, Las Iguanas and various airport restaurants – is a case in point. These restaurants live off passing trade and casual drop-ins in shopping centres, cinema multiplexes, around theatres and concert halls, and business districts: all places that won't reopen any time soon.

All

Shock in store for the UK labour market

A huge shock is unfolding in the UK labour market. Official figures published on Tuesday show that almost three million people are claiming unemployment benefits; while more than 600,000 have dropped out of payroll employment and more than 100,000 out of self-employment since the start of the lockdown. Pay has fallen in real terms and hiring has collapsed, with vacancy numbers at an all-time low in May. Yet the Office for National Statistics' headline measure of unemployment remains unchanged, averaging just 3.9% over the three months to April — much better than expected and clearly at odds with the scale of the slump in economic activity. Here are the main conclusions that can be drawn from the data:

- The job retention scheme has been crucial - The job retention programme is the main reason employment has not fallen much more sharply as a result of the crisis.
- Employers have already cut jobs - The number of people claiming out of work benefits climbed to 2.8m in May - a jump of more than 1.5m since March - suggesting that unemployment is already approaching levels last seen in the 1980s recession.
- Unemployment looks likely to worsen - The collapse in hiring — with vacancies down by a record 60 per cent between March and May — is one of the most worrying signs in the data, even if the ONS's more timely tracking of online job adverts suggest that hiring has started to pick up slightly since the start of June.
- No clear north-south divide in pattern of job losses - Clusters of unemployment are now emerging in more prosperous areas of southern England, especially in areas that could be exposed to a long term structural decline in sectors such as aviation and car making.

Property owner

What next for the UK property market

Property values in June were 0.1% lower than in May, Halifax said. The last time house prices fell for four months straight was in 2010 during the financial crisis. The decline in June followed month-on-month price falls of 0.2% in May, 0.6% in April and 0.3% in March. Though only a small decrease, it is notable as the first time since 2010 – when the housing market was struggling to gain traction following the shock of the global financial crisis – that prices have fallen for four months in a row. Activity levels bounced back strongly in June, which is typically the busiest month for mortgage activity in the UK. New mortgage inquiries were up by 100% compared to May, and with prospective buyers also revisiting purchases previously put on hold, transaction volumes rose sharply compared to previous months. However, whilst encouraging, it remains too early to say if this level of activity will be sustained. Of course, come the autumn, the macroeconomic landscape in the UK should be clearer and the scale of the impact of the pandemic on the labour market more apparent. Commentators do expect greater downward pressure on prices in the medium term, the extent of which will depend on the success of Government support measures and the speed at which the economy can recover. In short, the UK housing market is on a knife edge. Pent up demand, particularly at the mid and top end of the market, and a favourable borrowing policy is going head to head with dire economic data. All eyes will now be on the Chancellor's stamp duty threshold announcement this week in what could be one of the most significant policy interventions for years, as it would help boost activity and unlock sales.

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