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Business Owner

Loan charges under review?

Parliamentary pressure is mounting on the Chancellor Rishi Sunak to adopt a new approach to ease the plight of people on modest incomes who are facing life-changing tax bills. Liberal Democrat MP Munira Wilson claims the loan charge has left some of her constituents facing bankruptcy at a time when the country is suffering the economic impact of COVID-19. Ms Wilson is calling on Mr Sunak to make the "punitive loan charge" fairer for her constituents who have been hit with significant retrospective charges. Ms Wilson said that, in spite of the changes introduced following the review into the loan charge conducted last year by Sir Amyas Morse, it is clear the current terms for settlement "are not fit for purpose and only serve to make settlement impossible for the vast majority affected by the charge". Ms Wilson is a member of the APPG, which is concerned about the loan charge's impact on vulnerable people. She called on Mr Sunak to adopt the APPG's proposals without delay. She believes that Not only will this provide certainty for those facing the charge, enabling them to pay an Income Tax rate of 10% on loan balances in full and final settlement, it will also increase HMRC's chances of concluding settlements and bringing in disputed tax revenue. She also urges the Government to move the Loan Charge declaration date from 30 September 2020 to 31 January 2021 to provide sufficient time for settlements to be agreed.

Saver / Investor

FCA aims to improve the consumer investment market

The Financial Conduct Authority or its call for input (CFI) this week looked into how we might improve the consumer investment market. The FCA's questions on the subject all sound valid and important. How can it "help the market" offer a range of products for straightforward investment needs and to be more competitive? How can it allow those who are up to the risk to take on high-risk investments without letting those who don't understand those investments in on the game? How can it regulate promotions, compensate those who lose money and protect people from scams? Yes, we should crack down on silly jargon and acronyms (why does the FCA's online survey have to be a "CFI"?). We should increase levels of financial education in schools, particularly given that, as Myron Jobson of Interactive Investor points out, 32% of those who told the Great British Retirement Survey 2020 that they had been scammed had suffered investment fraud. We should increase transparency and comparability. We should charge financial firms bigger levies to cover the losses made by unlucky investors. And so on. But some commentators point out that before we regulate to do any of these things, we should ask ourselves if the market as it stands is working for most people — and the extent to which further regulatory intervention would make that experience better or worse. There is a school of thought that we should hold the financial industry to a higher standard than others. That's partly because of its charging model (only fund managers and the government get to extract their charges from us at source, direct from our salary or investment pot); partly because of its role as stewards of our corporate sector; and partly because in managing our money it is also defining our futures. The more the sector messes it up, the worse our retirements.

Saver / Investor / Retired

Premium bond cuts

There are fears that a recent recovery in savings rates could be thrown into reverse after National Savings & Investments today took a wrecking ball to its accounts, with 'absolutely savage' cuts to come into force in November. The Treasury-backed bank this morning announced that from December the odds of winning anything in the Premium Bonds draw will go from 24,500 to one to 34,500 to one, and the estimated number of total prizes won reduced by 1million. NS&I will also take the knife to its other market-leading accounts from 24 November, with its Income Bonds to go from paying 1.15 monthly interest to just 0.01%, the same pitiful rate paid by Britain's biggest banks. It comes after billions of pounds have poured into NS&I during the pandemic. Its Direct Saver will pay just 0.15%, down from 1% now, and its Direct Isa 0.1%, down from 0.9%. Its fixed-rate accounts will be also be cut further, as those cuts did go ahead as planned in May, but this will not affect savers until their terms come to an end. Savings analysts have long kept one eye on NS&I's next move, with the bank, which helps to fund the Government's spending, having to balance the rate paid to savers with the cost to the Treasury. Its decision in mid-April to reverse cuts to many of its accounts which it planned to implement in May to support savers amid the coronavirus pandemic, helped to stabilise savings rates and provide a safe haven for billions of pounds of lockdown savings. But the cuts announced today are far more brutal than originally planned. The previous move, which was followed three months later by the decision to massively increase the amount it needed to raise from savers, from £6billion to £35billion, laid the foundation for a recovery in the savings market over the last two months. Smaller banks have launched best buy fixed-rate bonds and Isas, having needed to leapfrog NS&I's best buy rates to attract savers, while in the last week two building societies have launched easy-access accounts, albeit ones with withdrawal restrictions or bonus rates, paying more than its Income Bonds for the first time since mid-May. But analysts have speculated for weeks as to whether the Treasury-backed bank would cut its savings rates, especially as the Government looks to mark the end of other aspects of its coronavirus response programme like the furlough scheme, having been deluged with savers' deposits since April. NS&I said a net £14.5billion had been deposited with it between April and June, and that 'demand for NS&I products has remained at similarly high levels between July and September'. NS&I's cuts mean that far fewer Premium Bond prizes will be won despite there being more Bonds in the draw than ever before, reversing a recent trend where NS&I has had to add the number of non-£1million prizes to keep the effective prize fund rate at 1.4%

All

HMRC to gain more powers over disclosure of assets

HM Revenue & Customs (HMRC) will be given new powers that will allow it to force financial institutions to provide information about people's assets. The firms will be required to pass on customer information if served with a "financial institution notice" by HMRC under new measures proposed in the next finance bill. It will mean a court or the individual's approval is no longer required. Currently consent is provided by the individual or a tax tribunal must approve the request. The financial institutions covered include banks, investment advisers, fund managers, credit unions, insurance companies and credit card issuers. The government's proposal could come into effect as soon as next year. The thinking behind the idea is that it will make it quicker and easier for HMRC to share information with foreign tax authorities as part of a global crackdown on tax evasion. However, the move has caused concern in some quarters. The Chartered Institute of Taxation said it was "concerned about the loss of independent tribunal oversight, particularly in cases which involve requests for information about UK taxpayers". Meanwhile, UK Finance said the measures signified a "watering down [of] safeguards". HMRC said it was important in the battle against tax evasion and avoidance and would help them deal with it in "an appropriate and effective way". "The new notice will contain numerous safeguards for taxpayers, in line with practice in all other G20 countries, and the power can only be used in specific circumstances where the information is reasonably required for the purposes of checking a taxpayer's tax position," the tax authority said.

All

Preparing your finances for the second wave

If you weren't prepared financially for the first wave then that's understandable and you could be forgiven, but if you're not prepared for a second wave then things could get ugly for you. It's critical that you begin to prepare.

1) Don't rely on the Government: When the infection first reached the UK the government was quick to step in and help people financially through various schemes. However, if another wave occurs we cannot expect the same level of treatment. The UK government has already spent £190bn to support public services, businesses and individuals, according to the Treasury. In order to provide this financial support they have had to take on a huge amount of debt. Unfortunately, there is only so much that the government can borrow. If they end up borrowing too much, then they risk not being able to pay back lenders. The furlough schemes which were covering 80% of our wages are no longer likely to be granted to us again. Any money we do receive will most likely be a lot less than the first time around. We may potentially not receive anything at all.
2) Have an emergency fund: When many businesses such as restaurants, bars and shops were forced to shut it meant for many of us our spending decreased, and for some of us we had extra savings left over each month. These extra savings can be put into an emergency fund, if you didn't already have one. You should aim to be able to cover three to six months of living expenses. If you're concerned about losing your job, then you should aim for the six month mark. Building an emergency fund could prove invaluable if your income is affected during a second wave of Covid-19. Not only will it help cover your expenses, but it will keep you from turning to credit and going into debt.
3) Stick to a budget: Make sure you are tracking all your spending and allocate where your money needs to go each month. This will help prioritise your essential spending from your non-essential and allow you to cut back and save money. Creating a specific budget for emergency situations such as a potential second wave of Covid-19 is a sensible idea. This will allow you to decide how your money needs to be spent, in case of an unexpected reduction in household income. Now's the time to start saving on outgoings and avoiding unnecessary purchases. Put the money you save each month away into savings or an emergency fund. Just remember, the feeling you get from financial peace of mind will trump the short term burst of happiness you might get from splurging on a new designer bag or fancy dinners.

Property Owner

Asking prices on the rise for larger homes

According to Rightmove, the average asking price for "second-stepper homes" - three- or four-bed - has soared to £291,618. The strongest sector is "top of the ladder", which includes four-bed detached homes and larger, with the number of sales agreed in August up by 104% year-on-year.

Rightmove's property data expert Tim Bannister says that while needing more space has always been the most popular reason for moving house, the coronavirus pandemic has resulted in a new urgency for extra space to be able to work from home, which means that there are different sets of buyers competing for the same type of property. With overall asking prices just a few hundred pounds shy of July's record, and buyer demand at an all-time high, those currently looking for their next home are likely to find that only offers close to the asking price will be considered, especially for larger homes. Rightmove says that overall prices have remained steady since hitting a record high in July. The real-estate website's House Price Index reveals that the average UK property asking price is now £319,996 - up by 0.2% from August and by 5% year-on-year.

Saver / Investor

Record number of dog funds

A whopping 150 funds have dropped into Bestinvest's bi-annual Spot the Dog list of the worst performing funds. This is up 65% from the last report in February and the largest number on record going back more than 20 years. The aggregate money managed by this cohort is a staggering £54.4 billion and includes 18 'Great Danes' each holding over £1 billion of assets from household name fund groups. For the uninitiated, in order for a fund to qualify as a 'dog' it must have delivered a worse return than the market it invests in for three consecutive 12-month periods in a row, while also underperforming that market by more than 5% after fees over the entire three-year period. Bestinvest sensibly cautions that Spot the Dog is not a list of funds that should be sold automatically as it is based purely on factual analysis of past performance, which is not necessarily a guide to how a fund will perform in the future. However, it's notable that Covid-19 seems to have exacerbated the divergent performance of 'quality growth' and 'value' shares, dragging more funds with a value tilt into the doghouse. The dispersion between the best and worst performing funds has also increased. For example, the worst-performing fund over three years in the Investment Association (IA) All Companies sector was down 51% while the best delivered 34% gains. Invesco retained the top dog spot for the fifth time in a row with 13 funds worth £11.4 billion, but Bestinvest notes that change is afoot and new managers have been appointed. At the other end of the spectrum were Aviva Investors, Baillie Gifford, BlackRock, Evenlode, Fundsmith, JO Hambro Capital Management, Lindsell Train and Stewart Investors.

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.

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