



## European legislation hits the UK mortgage market

**Back in March 2011 the European Commission proposed a new directive on credit agreements for consumers secured on property, referred to as the European Mortgage Credit Directive (MCD). The new rules came into force on 21 March 2016, but what do they mean for you?**

### Protecting consumers

MCD introduces standardised conduct rules for firms selling first and second charge mortgages across the EU, designed to protect consumers taking out credit agreements relating to residential property.

The good news is that the UK already has a robust regulatory regime in place, which means the changes coming in under the MCD are relatively minor.

### Mortgage Market Review (MMR)

In April 2014, the UK's financial services regulator, the Financial Conduct Authority

(FCA) introduced a number of significant changes to its rules around mortgage regulation, known as the MMR. These changes were designed to tighten the rules in a number of areas ensuring that irresponsible lending practices are stamped out of the mortgage market.

In fact, the introduction of the MMR means that many of the MCD's requirements are already met, as the FCA were able to anticipate some of the emerging EU proposals through the recent MMR changes.

The most significant area of change is to the rules around second charge mortgage lending, meaning all lending secured on the borrower's home will be regulated under the FCA mortgages regime.

Whilst the changes are relatively minor, there will be a few new issues that lenders and mortgage advisers will need to incorporate into their businesses, such as:

- Changes to when and how you are told about the range of products that are on offer, any limitations in the services provided and how much mortgage advice will cost.

- A new Mortgage Illustration which has additional information about the cost of the mortgage and an example of what would happen if rates rose to a 20 year high.
- The introduction of a new mortgage offer that's binding on the lender and a new seven day reflection period for the consumer.
- A new approach to monitoring customers' foreign exchange exposure, including where part or all of their income is in a foreign currency, other than Sterling.
- A new classification of 'Consumer Buy to Let' mortgages to provide additional regulatory protection for 'accidental landlords' (people who did not buy the property with the intention of renting it out but ended up doing so).
- Regulation of second charge lending.

Whether you are buying your first home, moving up or down the property ladder, purchasing an investment property or simply remortgaging, the process is often complex, time consuming and for many people daunting!

**Contact us and we'll go through the mortgage process with you to help ensure you make the right decisions.**

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

# Ever bought something online that doesn't quite fit?



**Sticking with the same provider year-on-year for financial products such as insurance or savings accounts may mean you're not getting the best deal. But using price comparison sites when renewing your policy isn't always the best way to find a better one.**

## **Added extras**

An investigation by the consumer body Which? found that policies at the top of price comparison website results often include features you don't want or need, such as a large excess or add-ons you didn't ask for.

The research also found that many price comparison sites:

- don't ask up-front about excesses on home insurance policies
- don't show the compulsory excess on home insurance policies
- don't give a breakdown of compulsory and voluntary excess
- don't display annual and monthly prices side by side
- list policies that don't offer the cover you require
- give the illusion of choice by showing quotes from the same company but offered by a range of brokers

## **Payment terms**

It's also important to check the payment terms and any associated costs. For instance, paying monthly rather than annually for your insurance can add more than £100 to the cost of car insurance and £20 to the cost of home insurance. And the cheapest annual payment policy may not be the cheapest monthly payment policy.

## **What should you look out for?**

When buying insurance for your home or car, income protection, accident protection or life insurance always consider quality as well as cost. Price comparison sites are set up to find you the cheapest possible deals. This may mean you may not get the level of cover, customer service or claims handling you expect.

Getting the right cover probably costs less than you think. Having the right cover in place now can help provide you with the peace of mind that you can cope financially, no matter what life throws at you.

**Don't rely on the Internet, talk to a real person who can provide tailored advice that fits your exact requirements. Talk to us today about your insurance needs.**

# Too ill to earn



## **‘Seven Families’ highlights the importance of protecting your income.**

Seven Families is a charity-led campaign that aims to raise awareness of the financial and emotional difficulties caused by long-term illness or disability. Launched in November 2014, it follows seven real families in the UK where the main breadwinner has been forced out of work by an accident or illness – without having any protection insurance in place.

### **The Clarke family**

Tracey Clarke and her husband Tim live on a houseboat after financial difficulties forced the sale of the family home.

Tracey was born without functional vision in her left eye. It had never caused her problems until 2011 when her eyesight began to shut down completely. Tracey had to give up driving and, ultimately, her career as a Pharmacy Technician. Soon after, her husband Tim was made redundant.

The effect of losing two incomes unexpectedly meant Tracey and Tim had to rethink their financial plans. They were forced to sell their home of 25 years and find a place that would allow them to live within their means on the benefits they now depend on.

### **Looking back**

Tim and Tracey admit they had to choose between paying various insurance policies and feeding the family. Looking back, Tracey says *“Obviously feeding the family had to come first. We should have looked again at the budget to find a way of maintaining the payments for the insurance policies.”*

### **Have you protected yourself and your family?**

Income protection cover will help provide an income if you are unable to work due to an accident, sickness or, in some cases, unemployment.

Get in touch to find out how we can help protect you and your loved ones.

**You can find out more about the Seven Families campaign at [www.7families.co.uk](http://www.7families.co.uk)**

# Taxation changes impacting Buy to Let landlords

In last year's Summer Budget, George Osborne announced changes to the way landlords can claim tax relief on their mortgage finance costs. In his Autumn Statement, the Chancellor then announced proposed changes to Stamp Duty Land Tax on properties purchased for Buy to Let purposes.

## Tax relief on interest costs

Landlords can currently deduct mortgage interest from their rental income before calculating how much tax they should pay.

From April 2017, tax relief on Buy to Let mortgage interest will gradually be reduced. The restrictions will be phased in over four years, resulting in tax relief only being available at the basic rate of income tax (currently 20%) from April 2020:

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- 6 April 2017 - higher rate relief can be claimed on the first 75% of the Buy to Let mortgage interest costs. The remaining 25% will have the basic rate of tax relief applied.
- 6 April 2018 - higher rate relief can be claimed on the first 50% and the remaining 50% will attract the basic rate of tax relief.
- 6 April 2019 - higher rate relief can be claimed on the first 25% and the remaining 75% will attract the basic rate of tax relief.
- 6 April 2020 - Tax relief can only be claimed at the basic rate level.

## Wear and Tear Allowance to go

Up until April 2016 only landlords of fully-furnished residential properties could claim tax relief for wear and tear on furnishings.

This 'Wear and Tear' Allowance has been replaced with a relief that enables all landlords of residential dwelling houses to deduct the costs they actually incur on replacing furnishings in the property, such as:

- sofas
- televisions
- fridges and freezers
- carpets and floor-coverings
- curtains
- crockery or cutlery
- beds and other furniture

The initial purchase of furniture, furnishings, appliances and kitchenware won't be eligible for the tax relief.

## Changes to Stamp Duty Land Tax

Stamp duty on properties purchased for Buy to Let purposes will increase by 3% for each band from April 2016. This will mean that even properties up to the value of £125,000 that would previously have attracted 0% stamp duty will now attract the 3% Buy to Let / second home rate.

*Some Buy to Let mortgages are not regulated by the Financial Conduct Authority.*

**If you let a property and would like to know more about these changes, please get in touch.**

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

**Call us on 0330 223 1113**

Infinity Financial Advice Ltd  
1st Floor Offices 56-57 High Street  
Stourbridge West Midlands DY8 1DE

james@infinityfinancialadvice.co.uk  
infinityfinancialadvice.co.uk

