Spring/Summer 2025

Mortgage & Protection news

Duncan Insurance & Mortgage Services Ltd

EST 1986

Looking Ahead

It's a mixed bag as we move towards the summer months. On the **Mortgage borrowing** front, there have been a number of positive developments, partially influenced by the less positive geopolitical and economic issues in the UK and elsewhere. Confusing? That's why it's important to take **Advice.**

A silver lining to Trump's reciprocal trade tariffs (of which most of the higher percentage tariffs have been paused until early July*), is that **mortgage rates have reduced** across a number of lenders. Fixed rate deals are influenced by Swap rates, and these initially fell sharply following Trump's tariff announcements.

(Source: Chatham Financial, Swaps, 1 May 2025)

The fall is also partially influenced by the Bank of England, and others, looking at balancing the **risk of lower economic growth** (or possible recession), against the **risk of higher inflation.**

The market consensus, at present, seems to point to the chance of delivering additional Base Rate cuts this year, on top of the recent drops. This means that there may be **positive developments** for those who want to raise further funds, remortgage the existing deal, or look to get onto the property ladder with their first mortgage.

Lender Rates

In addition to the aforementioned Swap rates, and Base Rate moves, the interest rate pricing of deals is influenced by other factors, such as any **desire by lenders to price competitively to win your business,** and, in turn, build their market share.

As it stands, the 'average' fixed rates for a 2-, or 5-year deal currently start with a '5', but better rates that begin with a low (or sub) '4' may be on offer. Although the latter generally applies to loans of 60%, or less, against the value of the property.

(Source: moneyfactscompare.co.uk, May 2025)

Additionally, there may be further good news on the horizon, as the industry regulator, the Financial Conduct Authority, is looking to **slightly relax the affordability criteria,** which could mean that borrowers may be able to borrow more.

Of course, it's likely that we'll continue to have yo-yo periods with regard to rates on offer, but borrowers may see lower fixed rate deals in the short term.

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Welcome.... to this newsletter, which covers what we believe are some of the key issues of the moment that affect mortgage, protection and insurance products - and sets out how **we may help you.**

■ Duncan Insurance & Mortgage Services Ltd is authorised and regulated by the Financial Conduct Authority. FCA registered number 306182.

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

Looking Ahead (contd)

Movement of Swap Rates

Swap Rates influence Fixed Rate mortgage deals. In April, rates fell following the Trump tariff announcements, along with seeing a convergence of the 2, and 5-year rates. And this trend continues into May. *(Source: Chatham Financial, Sterling Overnight Index Average (SONIA) Swap rates to 1 May 2025)*

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Increasing costs elsewhere

If you're already a homeowner (and staying put), then you may be cheered by the continuing rise in the value of your home. *(Source: Nationwide, House Price Index, April 2025)*

But what of the day-to-day costs you may face, and would these have an impact on how much you can set aside for mortgage payments?

In addition to any impact on future costs, following the Trump tariffs (where at least a 10% levy remains in place), much has also been said about the financial hit from April across a number of areas closer to home.

Business owners

Those mortgage borrowers who are also business owners may face additional costs from Employer NI contributions. The government is hoping to raise about £25bn a year, following the changes from April.

On top of this, businesses may face increased Business Rate costs.

Homeowners and Renters

This encompasses pretty much all of us, and from April, costs have risen in a number of areas.

Energy bills - a typical household use of gas and electricity will rise by £111 a year.

Water bills - there's a lot of variation amongst the water companies, but, on average, prices may rise by £120 across the year.

Council tax - rises have occurred throughout the UK.

Car tax - again there are rises here, but will be dependent on the car you own and the fuel it uses. And electric vehicles are no longer tax-exempt.

Broadband, TV licence, & Mobiles - these are all likely to deliver a price hike from April onwards.

Stamp Duty - for those looking to purchase a property in England or N. Ireland from April onwards, the tax rate has returned to its previous higher levels.

Whatever your situation, we'd fully assess the suitability of the options on offer. And you can take comfort from the fact that we operate in this sector day-in day-out, plus have the qualifications and expertise to deliver advice that meets your needs.

You may have to pay an early repayment charge to your existing lender if you remortgage.

**The 90-day pause in applying larger tariffs, announced on 9 April, still means that the baseline 10% tariff on most nations remains in place, as does the 25% tariff for aluminium, steel and cars entering the US. China though - has its own much-higher set of pricing! Of course, the whole situation is highly fluid, and could change at any time.*

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MARKET FACTS...

Inflation...

Back in October 2022 annual inflation stood at a recent high of 11.1%. The latest annual CPI inflation figure to March 2025 is **2.6%,** down from the 2.8% yearly increase in February.

Core CPI (which excludes energy, food, alcohol and tobacco) stands at an annual 3.4%, down from the 3.5% yearly increase in February. This metric tends to have a greater influence on the Bank of England's Base Rate decision-making. *(Source: Office for National Statistics, CPI, 16 April 2025)*

Property prices...

If you want to get a feel for house price sales in your own local area, you can check out the following:

gov.uk/search-house-prices (for England & Wales)
scotlis.ros.gov.uk (for Scotland)
finance-ni.gov.uk (for N. Ireland)

Overall, the average annual UK property price rose by **3.4%** (to £270,752) in April, although this was a slight slowdown against the year to March figure (3.9%). *(Source: Nationwide, House Price Index, April 2025)*

We're here to HELP...

Over 20% of all outstanding residential mortgage borrowers will come to the end of their deal period this year.

(Source: UK Finance, Household Finance Review, Q4 2024, released March 2025)

AVERAGE MORTGAGE RATES

Residential:

- **2-year fixed rate deal**
  - **- 1 May 2025 = 5.18%**
  - *- 1 May 2023 = 5.26%*
- **5-year fixed rate deal**
  - **- 1 May 2025 = 5.10%**
  - *- 1 May 2020 = 2.35%*

(Source: moneyfactscompare.co.uk, May 2025)

» This equates to about 1.8m residential mortgages; on top of almost 250,000 buy-to-let loans that will also come to fruition.

(Source: UK Finance, June 2024 release)

Remortgaging to a different provider is expected to rise by 30% against 2024. Product transfers, where the borrower remains with the existing lender, are also expected to rise, but only by 13%.

(Source: UK Finance, December 2024)

Busy mortgage market

In addition to the sizeable remortgage numbers, there will also be those looking to get onto the property ladder for the first time. This group tends to account for over half of all home purchases made with a mortgage.

(Source: Halifax, First-Time Buyer report, February 2025)

Specific borrowing needs

Whilst some mortgage applications may be fairly straightforward, **many can be more complex,** and that may only become apparent, once we start discussing your situation, and what you require. This is why an increasing number of borrowers turn to advisers, such as us.

In some instances, the High Street lenders may not be a viable option, and that's why we also have relationships with specialist lenders, who may provide the solution.

Affordability

This has been an issue for some, but the affordability pressures may ease in 2025, in light of the desire from the Financial Conduct Authority for lenders to be more flexible with regard to stress-testing deals.

2-year vs. 5-year deals

After living in a higher interest rate environment for a few years now, those coming off 2-year fixes may see similar rates on offer (as the box item shows). However, those coming off 5-year deals will face the possibility that their new interest rate may be double what it was.

Product transfers

We can help you with renewing your new deal with your existing lender, although it may make sense for us to look at the wider marketplace first. Also, we'd assess if the positive factors for choosing your current lender 2, 3 or 5 years ago still puts them at the top of the tree this time round.

Remortgage elsewhere?

There are numerous elements to consider here, such as:

- **Your circumstances may have changed.**
- **Your property may have risen in value** (improving your loan-to-value metrics).
- **You may need to borrow more (or less).**

The outcome of this is that there may be a different set of lenders to consider this time round, which may be more suitable for you.

Or, perhaps, we establish that a Tracker deal (with no penalties) is a better solution, enabling you to monitor future Fixed rate deal offerings, and act down the line.

And, whatever we'd discuss, this doesn't mean we kick into touch your existing lender, as they may still be the one to stick with, once we've gone through this process.

Consider locking in a deal

Also, as part of our service we'd be looking to discuss your future needs 4-6 months ahead of your current deal ending.

This may result in locking in a deal rate now, with the option of reviewing it as we go along, and maybe switching it to a better rate (on a comparable plan) from the chosen lender. **A 'win win' scenario for you,** but it's something a lender is unlikely to flag, and that's why borrowers turn to us, as we work on your behalf to save you time, stress, and, hopefully, money, interspersed with sound advice.

Please do get in touch if you'd like to have a chat about your borrowing requirements.

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

Don't forget Protection cover...

» Securing agreement to obtain the mortgage you require can often be the sole focus.

However, it's as important to ensure that you have policies in place that will help protect (or replace) your income stream, should you fall ill, face an unexpected serious illness, or possibly die.

If any of these issues occur, then it's quite likely that others (and yourself, if recovering) may be reliant on a lump sum payout, or ongoing income stream, to help meet day-to-day costs, and the mortgage payments. **Do get in touch to hear more.**

■ As with all insurance policies, terms, conditions and exclusions will apply.

In the Spring Statement, at the end of March, the chancellor reiterated the government's desire to **build more homes** - with 1.3m expected to be built across the UK by the end of this Parliament.

SPRING STATEMENT

» The Spring Statement was largely just that. It was not intended to be another Budget, as that's now reserved for the Autumn. This event was simply an update of where we currently are in relation to the Budget forecasts from last November, and how that's been affected by subsequent events in both the UK, and overseas (largely relating to the developments in the US).

Economy and Inflation

Over this period, the **economic outlook has deteriorated slightly,** resulting in the Office for Budget Responsibility (OBR) reducing its 2% GDP growth forecast for 2025 (at the time of the Budget) to 1%, but they expect the economy to improve across the rest of the decade. *(Source: Office for Budget Responsibility, Economic & Fiscal outlook, March 2025)*

The same is applicable to the OBR's inflation forecasts for 2025. That's been **revised upwards to 3.2% this year** (with a peak of 3.8%), before reducing to the 2% target by mid-2026 onwards (albeit this was set out prior to the Trump tariffs announcements).

Additionally, the £10bn buffer against the targets set in the Autumn Budget had been wiped out. However, action taken by the government to reduce its welfare costs, along with cuts to departmental spending, has helped to reintroduce the £10bn buffer.

Future tax rises?

The OBR felt that this amount is wafer thin, and any unexpected event(s) could wipe it out, which may then result in possible tax rises in the Autumn 2025 Budget.

Housebuilding targets

The most interesting aspect of the Spring Statement was the government's continued **recognition that the housing market is a pillar of the UK economy.** And this is reflected in its desire to implement planning reforms that, as they regularly say, back the builders, not the blockers.

And, according to the OBR, they feel the government is on track to build an extra 1.3m homes, throughout the UK, by the end of this parliament. In fact, the OBR feels that if these targets are met, then the economy may be 0.2% larger by 2029/30 - equating to almost £7bn (at today's prices).

Other elements need to fall into place

The government has announced £600m of funding to train up 60,000 additional skilled construction workers, but little has been said, so far, in terms of **what it might deliver for purchasers.**

Albeit, the regulator for this sector, the Financial Conduct Authority, is starting to look at relaxing the mortgage affordability rules to enable borrowers to secure slightly larger sums.

Also, **reforming the planning system** is a step in the right direction, but the industry will also need to see that the demand is there from potential buyers.

Where we can help

The property purchasing marketplace is complex, and ever-changing, and this is where we can deliver support, and help you through the whole mortgage borrowing process.

Additionally, we fully understand that it's likely we'll need to consider the extra costs you may face from April onwards. That could be as a business owner facing higher National Insurance and Business Rate costs, or as a homeowner (or renter) with higher energy, water, mobile phone, and Council Tax charges. And as for the impact of the Trump tariffs...

Please get in touch to hear more.

The Financial Conduct Authority does not regulate taxation advice.

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

Still in the game...

Buy-to-Let has long been a popular route to wealth creation. But in recent years, regulatory and other reforms have sparked debate over its viability.

» Quite simply, the mix of tax and legislative changes, combined with higher costs, have dented the profitability of buy-to-let. Yet the **sector remains key to the provision of housing in the UK,** providing homes for millions of renters.

And whilst some landlords have taken their profit, and left the marketplace, there's not been a mass sell-off. Interestingly, over the past 10 years of ownership, the typical landlord who sold a rental home in 2024 saw the value rise by an average of £102,800, or 53% more than the price they originally paid. *(Source: Hamptons, Spring 2025)*

For those remaining, landlords have adapted in numerous ways, such as setting up **Limited Companies,** and are monitoring (or already responding to) developments such as the **Renters' Rights Bill,** and future **EPC targets.**

LIMITED COMPANY STATUS

- A reflection of the adaptability of landlords is the sizeable growth in those opting for Limited Company status, with around 400,000 companies now in play, with a record number set up in 2024 (over 60,000 new firms). *(Source: Hamptons report, January 2025)*
- Hamptons estimate that about 70-75% of all new buy-to-let purchases go into a company structure.
- The higher-rate taxpayers have been particularly motivated by it, as the regulatory rules limit the mortgage finance that you could offset against your individual income. The Limited Company route may help mitigate those tax changes.
- However, it won't be the most suitable option for all, so do speak to your accountant and solicitor regarding tax issues, and property structures.
And we're there to give an overview, and to assist with sourcing suitable deals.

And, the rental take is still sizeable

A positive for landlords - due to some leaving the marketplace - is that this **fuels (or maintains) demand** for the remaining properties.

Across the UK, the average monthly rent is £1,288 (up 1.2% annually). The highest return was Greater London at £2,059, with the rest of the UK averaging out at £1,107.
(Source: Homelet Rental Index report, March 2025)

We're here to help...

The higher mortgage rates in recent times would have dented profitability, but buy-to-let loan deals are becoming cheaper. For example, the average buy-to-let rate on a 2-year fix stands at **5.04%.** Back in July 2023, the average rate hit a **recent high of 6.97%.** *(Source: moneyfactscompare.co.uk, May 2025)*

So, if you're coming off a fixed rate deal, or simply want to have a chat about future financing options, then please do get in touch.

There is no guarantee that it will be possible to arrange continuous letting of the property, nor that the rental income will be sufficient to meet the costs of the mortgage.
The value of your Buy-to-Let property and income from it can go down as well as up.
You may also require advice on the legal and tax issues.
The Financial Conduct Authority does not regulate legal and taxation advice, and most Buy-to-Let mortgages.
HM Revenue & Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

You may have to pay an early repayment charge to your existing lender if you remortgage.

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

First-Time Buyers across Great Britain are paying, on average, almost **20% less per month** on mortgage repayments (£1,038), than the average rent of £1,248. *(Source: Zoopla, March 2025)*

PROPERTY LADDER

» Renting, for many, is seen as 'dead money', as you're not benefiting from the investment of your money, time and effort within your own property.

Of course, renting works well for some, particularly if you want to have less ties, or perhaps would like to test out an area, or even a relationship! Or, possibly, still need time to save up the money required for a deposit. Plus, there will be fewer hurdles to jump, compared to the strict borrowing criteria set out by the lenders.

Loosening of affordability rules...

However, the strict borrowing criteria may have become less strict, as the industry regulator, the Financial Conduct Authority, discussed back in March that lenders could consider loosening up their affordability rules.

Elsewhere, there has also been talk of relaxing the income multiple rule. Presently, only 15% of new loans can exceed 4.5 times salary.

Of course, within that 15%, we're already seeing some borrowers benefiting from deals where the loan to income amount sits at five, six, or even possibly seven times!

Building up, or securing a deposit

This is often the main stumbling block. In 2024, the **average deposit was £61,090,** which equates to around 19.6% of the purchase price. *(Source: Halifax, First-Time Buyer report, February 2025)*

Delivering a circa 20% deposit will obviously open up better rates than for those who are looking at deals at around a 5% deposit (or less). Although, for some, the lower deposit option may be more appealing, as it'll get them onto the property ladder sooner.

We'll also consider that the first-time buyer may not be alone in this process, as many will benefit from **financial help via parents (and grandparents).** Or, there's the pragmatic approach taken by some, where two (or more) people are clubbing together to obtain their first home.

Talk to us

Of course, it's no surprise that most first-time buyers, may find the whole mortgage borrowing process to be quite complex, time-consuming, and possibly confusing. Particularly as most of you will lead very busy lives, and this process may be seen as an added problem, if handled alone.

And that's where we come in. We can assist with your application, factor in any financial support from the family, take a look at the credit rating, and assess where you stand on meeting the lender's affordability criteria - which varies across the board.

We'd also consider the various schemes on offer from the government, or perhaps the recent innovative collaborations between lenders and builders.

If this is of interest, then please get in touch to find out more.

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

CREDITWORTHY?

A credit score is designed to try to predict your future behaviour. And, as every lender has its own 'ideal customer' profile, a poor score that results in a rejection from one isn't necessarily a rejection from all.

That's why it makes sense to talk to us, once you've run your initial check, as there may be simple tweaks that will deliver a more favourable response for credit.

You can check your rating at agencies such as Experian, Equifax, and TransUnion.

Or take a look at Checkmyfile, which generally brings together your results across most rating agencies:

Tel: 0800 086 9360
www.checkmyfile.com

The government's furlough scheme showed many of us how important it was to benefit from an ongoing income stream to help meet everyday costs - when circumstances had dramatically changed. An **Income Protection** policy could deliver much the same.

Protect Your INCOME

» Instead of Covid affecting how you work, an Income Protection policy is designed to help counter wider issues which may stop you earning an income. This could encompass being off work long-term due to mental health issues, an illness, or injury.

It's an extremely flexible product, and will generally cover up to around 60-65% of your gross income (if your claim is successful - and over 81% are).

(Source: Association of British Insurers, 2023 data, September 2024 release)

Dependent on the type of product you opt for, it could deliver a **tax-free monthly payout** until you're well enough to return to work, retired or have died, whichever occurs first.

Could it happen to me?

Of course, most of us will feel that being off work long-term, and unable to earn an income is highly unlikely. Yet, there are currently about **2.8m people** in the UK that aren't working due to long-term sickness. That equates to around one in nine of all full-time workers!

*(Source: *Office for National Statistics, Labour market overview, March 2025 release)*

My employer, or the State will provide

This is true, up to a point. If your employer has a generous ongoing scheme in place, then you may not need this cover (assuming you remain with them). As for state support, if you qualify you may get about £120 a week for up to 28 weeks.

You may think that around 6 months financial support from your employer or the state may cover your needs for the time-frame you might be off work. Possibly, but also consider this; some of the largest insurers are reporting that the **average length of their Income Protection claims is about 6 years.**

Interestingly, this product seems to resonate better with the younger generation. And this group may still have, for example, 350+ months of their working life ahead of them when bad things might occur. Which could then limit how they can financially provide each month for themselves, and, possibly, their family too.

Who should consider this?

- **Employees** - particularly those with little or no sick pay from their employer.
- **Self-employed and freelancers** - with about 4.4m workers encompassing this sector.*
- **Homeowners** - with mortgages.
- **Income earners** - with dependents relying on their income.

Reasons for claiming

Back, and mental health issues (such as anxiety and depression) tend to be the biggest areas for claims, with wider musculoskeletal problems, cancer and heart-related issues also being key areas.

Added value

As is the case with most protection policies these days, there may also be added value benefits that are designed to help get you back on the road to recovery, such as **rehab, physio,** and **counselling.**

As with all insurance policies, terms, conditions and exclusions will apply.

Short-Term Income Protection

If you recognise the importance of having some degree of cover in place, but are concerned about minimising your outlay, then a shorter-term version is also available.

This option is designed to still deliver important financial support (if off work) but for a more limited period of generally up to two years - or even five, in some instances.

**■ We cover mortgages, insurance and protection products along with a number of other financial areas, so do contact us if you'd like to discuss your financial needs: Tel: 07527 138547 Email: glovergareth6@gmail.com
Website: www.duncan-mortgages.co.uk**