

COVID-19 UPDATE

The newsletter from Pennymatters Ltd

Pennymatters
THE MODERN APPROACH TO
FINANCIAL ADVICE

These are difficult times, but much is being done to tackle the impact of coronavirus. As part of this process, we can be there for you. We'd help explain some of the developments, and assist those that wish to act with regard to their finances.

COVID-19 - key action taken

Whilst delivering protection to the NHS is the government's primary focus, there is also a whole raft of multi-billion pound packages to help support the economy and people's income stream and job security:

1. Salaried (PAYE) workers

The Coronavirus Job Retention Scheme guarantees 80% of the salary of eligible workers, up to a ceiling of £2,500/month. See page 2 for more.

2. Self-Employed workers

A similar set-up for those eligible, with 80% of the self-employed workers' average earnings over the last three years (if applicable), up to a maximum of £2,500 each month. See page 2 for more.

3. Mortgage payers

The reduction in the Base Rate to 0.1% should benefit the mortgage deals on offer. However, a sizeable number of higher Loan-to-Value deals have been pulled, partly due to the increased workload faced by lenders.



This increased workload relates, to some extent, to supporting customers who are experiencing issues with their finances due to COVID-19, including payment holidays of up to 3 months. See page 2 for more.

4. Those off work

All of those advised to self-isolate - or caring for those self-isolating - will be entitled (if eligible) to **Statutory Sick Pay (SSP)**. For those who cannot claim SSP (such as the self-employed), there will be alternative comparable support through the welfare system. Additionally, the normal welfare options are in place, if unemployed.

5. Businesses

The recent Budget introduced a number of initiatives, such as the **£30bn** of support to

Continued on page 2 ➔

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

Keen to Act?

Despite the current environment, there are excellent mortgage deals out there (further improved by the cut in the Base Rate). This may motivate you to assess, for example, your remortgaging (or product transfer) plans* such as:

- needing to raise funds to further improve your **existing property**.
 - looking for a new deal, as you're coming to the end of your **current one**.
 - still sitting on your lender's more expensive **Standard Variable Rate**.
 - simply wanting to identify a **better mortgage deal** than the one you have.
- Whatever your plans, do be mindful, that partly due to the impact of coronavirus on the workload of lenders, a number of higher rate Loan-to-Value deals have been pulled.

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■ We may charge an initial fee for mortgage advice, but this will depend on your circumstances. Our typical fee is £199.00. We then work on a fee or commission basis. If you choose to pay by a fee this will typically be 0.50% of the loan (i.e. £500 on a loan of £100,000). Some mortgages are not regulated by the Financial Conduct Authority.

■ The information is of a general nature, and every care is taken to ensure it's accurate at the time of writing (April 2020). However, all information and figures are subject to change. You should seek professional advice tailored to your needs and circumstances before making any decisions.

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



We are there for YOU... (contd)

Continued from page 1 →

stimulate the economy and help counter the impact of coronavirus.

And following the Budget, the Chancellor announced that he would make available a further initial **£330bn of government-backed loans** to assist firms of all sizes through this period.

Recognising the impact on many small and medium-sized businesses, assistance will also be delivered in areas such as reclaiming Statutory Sick Pay (SSP), business rates help, possible grants, more time to pay tax, and deferring VAT payments.

Further information about the support offered (along with the other initiatives mentioned here) can generally be found at www.gov.uk (then search for covid-19).

80% of Salary - Coronavirus Job Retention Scheme

Under this scheme, all UK employers will be able to access support to continue paying

part of their employees' salary for those employees that would otherwise have been laid off.

It would be applicable to those designated as 'furloughed workers' (people absent temporarily from work), and the HMRC will reimburse 80% of furloughed workers wage costs, up to a cap of £2,500 per month. This would run for an initial 3-month period, and possibly longer. HMRC are working urgently to set up a system for reimbursement.

This will hopefully keep a sizeable part of the workforce in their jobs and deliver an income stream for them through this difficult period.

Mortgage payment holiday

Mortgage lenders have agreed to support customers (including buy-to-let borrowers) who are experiencing issues with their finances due to COVID-19, including **payment holidays of up to 3 months.**

Whilst this may deliver much-needed financial help, do give consideration if this is the most suitable route forward for you.

Firstly, it's not waiving the money that's owed, as that's simply added to the overall outstanding amount, so you may be paying more for your mortgage in the long run.

Second, you need to agree this with your mortgage lender, so you can't just stop making payments, as that might also impact on your credit rating.

Finally, there may be other options to consider (if on offer), such as extending the length of the mortgage term to help reduce the immediate monthly payments (again, this would increase the overall cost of the mortgage). You may be able to pay a lower amount each month, or even switch to just paying the interest for a defined period (where the capital amount that's outstanding would remain the same).

If you do want to proceed, then you may need to be patient, as the lenders have been inundated with applications and calls.

Take control now...

You may not require government support, instead you could be keen to take advantage of the excellent mortgage deals currently on offer.

We'd currently expect more interest in remortgaging your existing property (and product transfers), than funding property moves. That said, the marketplace will, no doubt, be looking at innovative ways of how to make that supply chain work, in light of the need for social distancing.

Don't forget Protection cover

In these challenging times - whether you're still living at home, renting, or a homeowner - you'll also recognise the importance of having insurance cover in place to protect your life and/or loss of an income stream.

With so many issues to consider, and ongoing developments, it makes sense to see how we can help.

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

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

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

SELF-EMPLOYED NEWS

SELF-EMPLOYED INCOME SUPPORT SCHEME

■ This scheme will deliver a taxable cash grant of 80% of a self-employed workers' profits, up to £2,500 per month.

Those eligible will be able to both claim and continue to work.

The scheme will be open to those with a trading profit of less than £50,000 in 2018-19, or an average trading profit of less than £50,000 from the previous three financial years (2016-17, 2017-18 and 2018-19).

Another qualification is that more than half of the income in these periods must come from self-employment.

■ The scheme would cover a minimum period of 3 months, and possibly be

extended beyond that. The initial period covered would run to the 3 months up to May, but the complexity of setting it up would mean the back-dated payment would not occur until the beginning of June.

■ As self-employed status can be open to interpretation, do contact HMRC now to see if you are eligible.

■ Particularly as the government also announced that those who pay themselves a salary and dividends through their own company are not covered by the scheme, but will be covered for their salary (up to the eligible amount) via the Coronavirus Job Retention Scheme (see above).