

Newsletter November 2010



Going down....mortgage interest rates, property prices, FTSE 100, Government spending budgets, house purchase mortgage applications.

Going up.....the state retirement age, gold, energy prices, remortgage applications, employment.

Going on.....and on...the doom merchants in the media.

“Don’t panic, Captain Mainwaring”

Corporal Jones in Dad’s Army

Best regards,

Tony

Tony Leonard Cert PFS
Director

Inside this issue:

- Mortgage update
- Home insurance – what you need to know
- News in brief

- Word count: 945
- Time to read: 5 minutes
- Key messages in **blue**

Mortgage update

The FSA has just published their Mortgage Market Review (MMR) proposals with the **main focus on lenders ultimately taking the responsibility for a borrower's ability to repay their loan**. The fear is that this will lead to lenders being overly prescriptive and **reducing mortgage availability further**, undermining an already weak housing market.



First-time buyers could be hit with young couples already finding it tough to save for a new home. It has been reported that if these rules had been in place then out of the 11 million current borrowers, nearly half of them would not have been able to borrow what they did.

It has also been recently reported that **more than one in three homeowners would struggle to pay their mortgage if interest rates rose by just 2%**. With recent strong economic data this may be sooner than expected, though this has been dampened by the Government cuts and talk of falling house prices.

Fixed rate products have fallen to very attractive levels in recent weeks, for those with big deposits/equity of course. There are tracker products available with the option to switch to a fix at any time.

Lending criterion remains tight, which when linked with potential falls in house values may mean that **many borrowers could find themselves unable to remortgage to the best rates**. Not enough is being done by lenders to help those with smaller equity.

If you're sitting on a variable rate my advice is to **stress test your finances** by working out how much extra your mortgage will cost if rates rise by 2%. **Please get in touch if you'd like me to work this out for you, or you're considering fixing your payments.**

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

For mortgages we charge a fee, usually £299 or we can be paid by commission

Home insurance – what you need to know

Are you under-insured for buildings and contents insurance? If you are, does it matter? Yes, as it could cause a lot of difficulties if you need to claim as insurance companies use a principle called **insurance averaging**.

If they surveyed your home following a claim and found out that your possessions were worth more than you have insured them for then **they could reduce down the amount they pay out by the percentage that you are underinsured for**. The same applies for buildings insurance. For example, if you have £50,000 of contents in your home but choose to insure only £25000. In a claim for £10,000 the loss adjuster may see that you are underinsured and apply average. This means that you were underinsured by 50% so the insurer has the right to only pay 50% of the claim.



Here are some of the items that you should be insuring for their **current replacement value**: carpets, curtains, furniture, electronics, appliances, eating and drinking utensils, food, drink, valuables, jewellery, watches, pictures, sports equipment, books, music, garden furniture, mowers, tools, linen, clothes etc.

Aviva carried out a wealth check on their customers and found out that 51% of them were under-insured.

Please contact me for a contents insurance inventory calculator for you to work out if you have the correct level of cover. Home insurance can be reviewed at any time as not all policies have cancellation charges.

The key message is to keep your home insurance up to date.

We offer products from a select range of insurers for buildings and contents. Ask us for a list of the insurers we offer insurance from.

News in Brief

- **London marathon 2011 – running for charity**. I now have a charity place, running for St John Ambulance and will be very grateful if you'd be kind enough to **take a look at my Just Giving page and make a donation to a worthwhile cause**. <http://www.justgiving.com/tonyleonard>. Thanks!
- **The state pension age increases to age 66 from 2020** instead of 2026, George Osborne, the Chancellor announced.
- **Contradictory house price surveys**. Prices rose by 1.8% in October according to the Halifax. In September they reported a 3.7% fall. Nationwide reported the opposite with a rise in September and a fall in October. **Halifax still believes that prices are on their way down**.
- While the Bank of England kept the Base Rate at 0.50% and the U.S. Federal Reserve staying at 0.25%, the trend is being bucked **in Australia where their base rate has risen to 4.75%**, with more rises likely. They escaped recession so this is a sign of where our base rate may rise to when the economy is in a stronger position. Don't be surprised if our first rate rise comes early next year.

If you know of anyone who would like to receive these newsletters then please ask them to e-mail me on tl@bestfs.co.uk

Phone free: 0800 046 1113
Fax: 08704 865 851
07956 953 769
tl@bestfs.co.uk
www.bestfs.co.uk

If you'd like to stop receiving this newsletter please send me an e-mail with Unsubscribe as the subject.

Best Financial Solutions Ltd is an appointed representative of Sesame Ltd which is authorised and regulated by the Financial Services Authority
