Summer 2025

Mortgage & Protection news

The bulletin from Chancery Mortgage Services Ltd

Chancery Mortgage Services Ltd

BASE RATE drops to **4%** - the fifth cut since last August *(Source: Bank of England, 7 August 2025)*

Moving Ahead

EXCELLENT NEWS!! Base Rate was **cut by 0.25% to 4%,** and this decision should help **boost consumer confidence.** The drop, though, was widely expected by the markets, with many lenders already factoring this into their pricing.

Those with mortgages will be affected in various ways. People with **tracker deals,** which track the Bank's Base Rate, could see an immediate reduction on monthly repayments. This applies to about 600,000 borrowers. *(Source: UK Finance, Dec. 2024)*

Additionally, those looking to buy a new home or enter the property-owning sector, will also be encouraged by the rate drop.

Fixed Rate deals

However, the vast majority of mortgage holders are on **fixed rate deals,** so there's no change for them - aside from those who are assessing their options as they move towards the end of their current deal period.

Competition amongst lenders

The interest rate pricing of deals is also influenced by other factors, such as Swap Rates, and world events. A further major consideration is the **desire by mortgage lenders to price competitively to win your business,** and, in turn, build their market share. Currently, we are seeing a **price war** amongst some of those lenders, and that can only be good for borrowers - both existing and those hoping to step onto the property ladder.

Combine all of these elements, and it's no surprise that there's so much movement in the marketplace. This is **why it's important to seek advice** - to help make sense of your options, and possibly lock in a rate, if your mortgage deal ends soon.

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, August 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.

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Chancery Mortgage Services Ltd
The White House, 2a Sevenoaks Road
Borough Green, Kent TN15 8BB
Tel: 01732 240 240
Email: info@chancerymortgage.co.uk
Web: www.chancerymortgage.co.uk

Moving Ahead (contd)

Movement of Swap Rates

Swap Rates influence Fixed Rate mortgage deals. Generally, any impact on Fixed Rate mortgages may be felt a few weeks later (unless other factors have a bigger influence).

(Source: Chatham Financial, Sterling Overnight Index Average (SONIA) Swap rates to 7 August 2025)

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Low deposit options

Continuing the good news theme, the government introduced a permanent, new **Mortgage Guarantee Scheme** in July. It's designed to deliver consistent availability of loan-to-value mortgage products in the realms of 91-95%.

Mortgages offered through the UK-wide scheme will enable eligible first-time buyers and home movers to buy a property with a deposit as low as 5%.

The scheme will deliver a government-backed guarantee for the participating lenders, effectively insuring against a portion of any potential losses on those mortgages.

Its creation should help deliver further positive sentiment in the marketplace and sit alongside normal lender offerings which require a 5% deposit (or less, in some cases).

Positive developments

This scheme, along with some lenders relaxing stress tests and the ongoing considerations about loan-to-income rules, delivers a great combination for those struggling to afford a mortgage.

However, those borrowing at the higher ends of the loan-to-value spectrum will have little equity in their homes as a result, and would be more exposed should house prices drop.

Therefore, seeking professional advice before entering any arrangement is vital, to ensure that you meet the criteria required, and that the deal is suitable for your needs.

In fact, whatever your situation, we'd fully assess the suitability of the options on offer. And you can be reassured 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.

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

Spending Review

A key element of the government's Spending Review in June was to pledge a £39bn boost for affordable and social housing for the 2026-2036 period.

Additionally, £10bn will be invested through Homes England to help attract private investment.

These initiatives are designed to help the government hit their 1.3m new homes target, by the end of this Parliament.

MARKET FACTS...

Inflation...

Back in October 2022 annual inflation stood at a recent high of 11.1%. The latest annual CPI inflation figure to June 2025 is **3.6%,** just slightly up from the 3.4% yearly increase to May.

Core CPI (which excludes energy, food, alcohol and tobacco) stands at an annual 3.7%, up from the 3.5% yearly increase in May. 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 July 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 Scotl and)
finance-ni.gov.uk (for N. Ireland)

Overall, the average annual UK property price rose by **2.4%** (to £271,619) in June, and equated to a 0.6% month-on-month rise against the June figure.

(Source: Nationwide, House Price Index, July 2025)

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)

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 (or better) 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.

AVERAGE MORTGAGE RATES

Residential:

■ 2-year fixed rate deal

- 1 August 2025 = 5.01%

- 1 August 2023 = 6.85%

■ 5-year fixed rate deal

- 1 August 2025 = 5.01%

- 1 August 2020 = 2.34%

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

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.

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. However, many Landlords are undaunted...

» This is possibly reflected by the latest lending figures for landlord borrowing. In Q1 2025, new buy-to-let mortgage loans advanced in the UK amounted to £10.5bn. It's **up 46.8%** (by value) compared to the same quarter in the previous year.

(Source: UK Finance, July 2025 release)

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 £1,308 (up 0.7% annually). The highest return was Greater London at £2,078, with the rest of the UK averaging out at £1,127.

(Source: Homelet Rental Index report, June 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 **4.91%.** Back in July 2023, the average rate hit a **recent high of 6.97%.** *(Source: moneyfactscompare.co.uk, August 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 **10% less per month** on mortgage repayments (£1,154), than the average rent of £1,283. *(Source: Zoopla, July 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, the income multiple rule has been relaxed. The rules state that only 15% of new loans can exceed 4.5 times salary, but the applicable threshold has been lifted from £100m of lending to £150m - which benefits around 80 smaller lenders.

Of course, within that 15%, there are some 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.

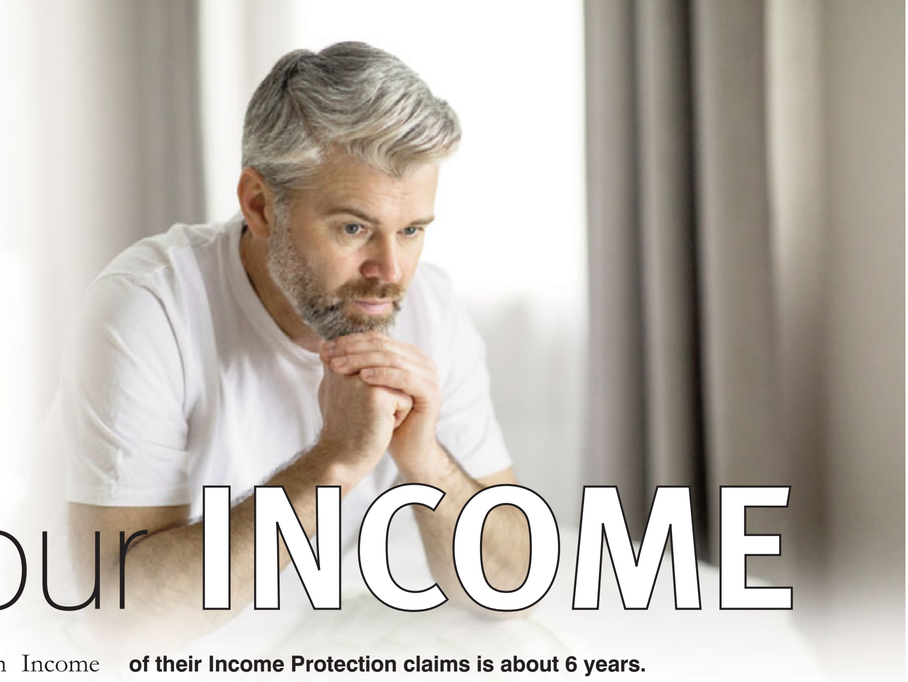
That's why it makes sense to talk to us, once you've run your initial check, as there may be simple tweaks that will deliver a more favourable response for credit.

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 80% are).

(Source: Association of British Insurers, 2024 data, July 2025 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, July 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 are Independent and, for arranging a mortgage, we offer our clients the choice of either paying a fee (typically 0.35% of the loan advance), or receiving our payment direct from the lender in the form of commission. We may also charge a fee of £399 as an administration fee for processing each of your mortgage contracts payable at the time of application.

■ **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: 01732 240 240 Email: info@chancerymortgage.co.uk Web: www.chancerymortgage.co.uk**