

Mortgage advice

CF6 2022–23 edition

Web update 2: 01 December 2022

Please note the following update to your copy of the **CF6** study text (corrections are underlined):

Chapter 1, section B1, page 1/10

Please amend the final bullet point in the first bullet list to read as follows:

- The mortgage is not ~~a home purchase plan~~, a limited payment second charge bridging loan, a second charge business loan, an investment property loan, an exempt consumer buy-to-let mortgage contract, an exempt equitable mortgage bridging loan, an exempt housing authority loan or a limited interest second charge credit union loan.

Chapter 3, section C1C, page 3/8

Please note the following additional content for this section:

During 2022 the UK economy experienced significant increases in price inflation, driven by rising energy prices and shortages of some goods exacerbated by the war in Ukraine. As the Bank of England has a statutory duty to set interest rates that will contain inflation, the Monetary Policy Committee (MPC) increased interest rates from 0.1% in December 2021 to 3% in November 2022. The interest rate announced by the MPC affects all other interest rates in the marketplace, so these increases have had the effect of increasing the costs of most forms of borrowing.

Although historic mortgage rates have been much higher than the current levels (for example, over 10% during the early 1990s), it should be recognised that for many borrowers today's comparatively lower interest rates may represent a much higher proportion of disposable income being taken up by mortgage repayments than in the past.

With inflation running at 11.1% in November 2022, the MPC has not ruled out further increases in interest rates in late 2022 and early 2023.

These increases in interest rates have no effect on the repayments of borrowers who already have fixed interest mortgage deals in place. However, these borrowers face a significant increase in repayments at the end of their fixed rate periods, whether they remortgage with the same or a different lender or revert to standard variable rate.

For regulated mortgage contracts, lenders have a duty to pay due regard to the suitability and affordability of products when giving advice. In a period of sustained inflation it is important to make applicants aware of the impact of future changes in economic conditions and of changes in their own personal circumstances.

NOTE: this information should also be borne in mind when studying chapter 12.

Chapter 7, section G, page 7/16

First sub-bullet under the seventh bullet point in the first bullet list:

- For properties sold in England and Northern Ireland for prices in excess of £125,000 (if purchased before 23 September 2022) or £250,000 (if purchased from 23 September 2022), the purchaser has to pay stamp duty land tax (SDLT)...

Chapter 7, section H6A, page 7/18

First table:

Slice of property value	Rate %
Up to £125,000 (<u>until 23 September 2022</u>)	0
<u>Up to £250,000 (from 23 September 2022)</u>	
£125,001 to £250,000 (<u>until 23 September 2022</u>)	2
£250,001 to £925,000	5
£925,001 to £1,500,000	10
Over £1,500,000	12

Note that SDLT is only paid at the rate of tax on the part of the purchase price within each tax band.

Please replace the paragraph immediately after the above table with the following:

SDLT for first-time buyers

- First-time buyers pay no SDLT on the first £300,000 (if purchasing before 23 September 2022) or £425,000 of the purchase price (if purchasing on or after 23 September 2022).
- However, no relief is available where the total price paid is more than £500,000 (if purchasing before 23 September 2022) or £625,000 (if purchasing on or after 23 September 2022).

The rates and thresholds for residential property purchases worth £500,000/625,000 (depending upon the date of purchase) or less by first-time buyers are therefore as follows:

Slice of property value	Rate %
<u>Purchase before 23 September 2022</u>	
<u>Up to £300,000</u>	0
<u>Over £300,000 and up to £500,000</u>	5
<u>Purchase on or after 23 September 2022</u>	
<u>Up to £425,000</u>	0
<u>Over £425,000 and up to £625,000</u>	5

The Autumn Statement confirmed that the new rates would remain only until March 2025, after which they will revert to the previous levels.

Chapter 7, section H6B, page 7/19

Note that the rates and thresholds for land and buildings transaction tax (LBTT) in Scotland remain unchanged, as they are set under devolved powers.

Chapter 7, section H6C, page 7/19

Please replace the table in this section with the following:

<u>Before 10 October 2022</u>		<u>From 10 October 2022</u>	
<u>Price threshold</u>	<u>Rate %</u>	<u>Price threshold</u>	<u>Rate %</u>
<u>Up to £180,000</u>	0	<u>Up to £225,000</u>	0
<u>£180,001 to £250,000</u>	3.5	<u>£225,001 to £400,000</u>	6
<u>£250,001 to £400,000</u>	5	<u>£400,001 to £750,000</u>	7.5
<u>£400,001 to £750,000</u>	7.5	<u>£750,001 to £1,500,000</u>	10
<u>£750,001 to £1,500,000</u>	10	<u>Over £1,500,000</u>	12
<u>Over £1,500,000</u>	12		

Chapter 7, section H9, page 7/20

Please make the following change to the final paragraph in this section:

It should be noted that each individual has a CGT annual allowance of £12,300 (for the 2022/23 tax year), which can be used to mitigate tax charges. This will be reduced to £6,000 from April 2023 and again to £3,000 from April 2024.