

Ashbridge

PARTNERS

INSIGHTS

SPRING 2024

With 2024 promising significant change in economic and political terms, we consider how this may impact the finances of individuals and businesses going forward.



Green Shoots of Recovery as the Market Settles

Last autumn we spoke of **"seismic change" in the finance market** and reflected on the consequences this could have for our clients. During the subsequent six months, we have observed an increase in mortgage activity, which is undoubtedly linked to the fall in residential and commercial mortgage fixed rates since the summer.

More recently, the cost of fixed money has edged upwards, but we expect the second quarter will bring further falls in inflation and this will feed back into improved fixed rates. For example, we anticipate the return of best-in-market 5-year residential mortgage fixes of below 3.99%.

An Early Spring for the Residential Property Market

The pent-up buyer demand from last year, coupled with the prospect of an autumn election, has brought forward activity in the residential property market for the first quarter of 2024. Mortgage approvals have risen, albeit from a low level, and estate agents are reporting an uptick in market appraisals.

Increased Activity in Prime Markets

In prime markets, buying agents are signing up new clients and searching for off-market gems. Many more buyers have come to us to enquire about their funding options as they prepare to bid. Our valuable experience can help clients optimise their negotiating position. Not all cash buyers are truly cash and we can offer guidance around raising money against other existing assets so that a bidder can present as a cash buyer.



What Would the Election of a Labour Government Mean for Your Finances?

It seems to be a foregone conclusion that Labour will win the election, given that the Conservatives are 20+ points behind in the polls. For this reason, private clients and businesses are keeping a close eye on Labour's election pledges and the potential consequences these could have for their finances. Two proposed changes that are getting considerable press attention are VAT on private school fees and the phasing out of the non-dom tax status.

VAT on School Fees

Recognising that many of our clients would be affected by the addition of VAT to school fees, we recently commissioned a survey of 1,000 parents, which FT Money published as their **cover story on Saturday 24th February**. It certainly got people talking and generated over 1,000 comments on their digital platform.

Our interest centred on how parents would respond to the increased costs and almost 40% of respondents said they were likely to remove their children from private school. In practice, we predict that a reluctance to unsettle children by moving schools would reduce this figure significantly, or at the very least, see a growing impact over time, as parents of children approaching school age alter their plans.

For those that remain committed to private sector education, many will need to access additional funding and this is where honest, impartial advice can help to identify a workable way forward. We are currently helping clients plan for the future by exploring their options, including extending mortgage terms, raising loans on other assets or, in specific cases, obtaining interest roll up funding.

Phasing out the Non-Dom Tax Status

Whatever happens at the general election, it seems that the days of the non-dom status are numbered. Labour has pledged to dismantle it and the Conservatives have proposed phasing it out from April 2025.

There is considerable debate across the professional community regarding the impact this change would have. Looking at these proposals from a mortgage and finance perspective, we should highlight the opportunity for existing non-doms to remit capital to the UK at the much reduced 12% tax rate, versus what is today often a marginal 45% rate.

To date, our involvement with funding non-doms usually centres around the desire to minimise the amount of capital remitted to the UK, for tax reasons. In practice, this often means maximising the level of bank funding against house or estate purchases.

Under these new proposals, it is highly likely that existing non-doms will remit more capital to the UK and may look to reduce their level of bank funding. However, there may be historic loan terms in place, including early repayment charges or attractively priced fixed rates and facilities that cannot be easily replicated. Any non-dom looking to secure funding for future projects should plan carefully and take appropriate advice before acting.

If you would like to review your arrangements with us, please [get in touch](#).



Our Predictions

In the **autumn edition of Ashbridge Insights**, we made five predictions:

- Bank Interest Margin Compression
- Degearing in property investment markets (especially low-yielding ones)
- Expansion in specialist lending
- An increase in cash buying
- Variable mortgage rates below the Bank of England base rate

Six months later, we are seeing them all evolve and largely come to fruition.

[Read our Autumn Insights](#)

It is our belief that these trends will continue throughout this year, but we would like to add another one to the list; the rise of the finance intermediary, known to many as a finance broker.

The Rise of the Finance Intermediary

Ten years ago, in the residential mortgage market, around 70% of mortgage business was transacted via intermediaries. That proportion increased to 84% in 2023 and is expected to exceed 90% in 2025 (source: [imla.org.uk](https://www.imla.org.uk)). This reflects a market where clients have extraordinary choice and need reliable advice to help them navigate what is available and arrive at the best solution for their particular circumstances.

The commercial loan market (i.e. all lending that is not related to your principal home, including funding for businesses, property landlords and

sized businesses, approximately 30% of all loans are procured via an intermediary.

As a business, Ashbridge Partners provides everything that a traditional finance broker does in both residential and commercial markets, but we deliver a much broader and deeper advisory role too, which is what our clients really value about us.

In our commercial specialisms - landowner, entrepreneur, family business and real estate - we have noticed banks evolving to facilitate the growing amount of loan business from intermediaries. In practice, this means they now have whole departments dedicated to serving what they call the 'broker channel'. They appreciate the value that we bring and recognise the importance of meeting the needs of our clients.

Lender Commissions

When we established Ashbridge Partners in 2012, none of the lenders paid us commission for preparing credit applications or analysing the financial performance of client businesses. Today, every lender in our market pays us commission, or reduces the arrangement fee charged to our client, in recognition of the value we add. This is a welcome change in practice for us, but our clients are the ultimate beneficiaries, as we deduct any commission payments from our final client invoice.

Over the past 12 months, the high street banks have increased commission payments to Ashbridge Partners and other intermediaries and, in several cases, the commission is now a full 1.00% of the loan amount. This is a clear demonstration of intent from the banking market that they see intermediary-introduced business as a growing trend and this supports our business model, to the benefit of our clients.

Confidence is Key

Property markets across the board are driven by confidence and confidence is born of stability. The past few years have seen an incredible re-adjustment in the cost of capital, with the Bank of England base rate increasing from its March 2020 low of 0.10% to the 5.25% it is today.

We closely monitor the 10-year swap rate, as it is a reliable indicator of market expectations for the future. During the pandemic, the 10-year swap rate fell to well below 1% but by last summer it peaked at almost 5%. Since then, the outlook has improved and today it sits at around 4%. The swap rate underpins the cost of fixed-rate money, which in turn drives the investment decisions for individuals and businesses.

As people adjust to the higher cost of capital and acknowledge that it is

would like to review your financing arrangements with Ashbridge Partners,
[contact our team today.](#)

Mark

Mark Ashbridge, Managing Director



Case study

ENTREPRENEURS ✨

An entrepreneur in the home counties wished to purchase a large country house, set in a 100-acre estate. He and his family were living in rented accommodation because all their capital had been devoted to establishing and growing their now flourishing business. However, as the trading position of their business had only recently improved, the clients' approaches to the mortgage market had not been successful.

Ashbridge Partners were able to substantiate the business turnaround and gather sufficient supporting information to persuade a lender to offer a competitively priced five-year fixed rate, at 60% loan to value.



Case study

LANDED ESTATES

The next generation of landowners assumed the responsibility of a sporting estate, which has been in their family for 150 years. The first challenge was to provide a lump of capital for the senior generation, whilst also commercialising the estate and its potential income streams. Both objectives required bank funding and, despite a poor income history, Ashbridge Partners has been successful in raising several phases of funding over the last 10 years.

In the most recent financing, we have facilitated the purchase of a key asset within the curtilage of the main house. This will allow the next phase of tourism development, which is part of the desired diversification away from purely traditional estate activities.

‘With Tim’s help, we obtained a great deal on the purchase of our new home and would recommend Ashbridge Partners to anyone looking for quality mortgage advice.’

Residential Property Owners

'Not only does Ashbridge Partners allow the client to access competition in the market, it provides real value through adept handling of the competing interests of the banks.'

Real Estate Owner

'I was impressed at how quickly Mark Ashbridge understood my business. Ashbridge Partners delivered exactly what we required in terms of finance to support the business for a number of years to come, and the independent perspective that they gave us was invaluable.'

Entrepreneur

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