

FINANCE UPDATES OCTOBER 2019

HB Dobbin
FINANCIAL PLANNING

IS IT THE RIGHT TIME TO MOVE HOUSE?

What to think about before buying a new home.

It's a difficult time to make big financial decisions, and moving house is no exception.

A lot hangs on your choice to move or stay put, whether you're in search of more space for your family or moving to a more desirable or convenient location.

But in the current political climate, many homeowners have been left feeling paralysed.

Data from Rightmove shows that house prices around the UK fell in September 2019 – the first time this has happened in September since 2010.

This marked a departure from the 'autumn bounce', which usually sees housing market activity pick up after the summer holidays.

With the Brexit deadline of 31 October 2019 fast approaching, the dip suggests that buyers may be collectively holding back until the deadlock is resolved one way or the other.

The online estate agent said this could work in favour of buyers who hold their nerve, as they might find themselves in a strong position for negotiating a good deal.

But is that enough of a reason to go ahead, and what else should you consider before you move?

BREXIT AND THE HOUSING MARKET

Depending on the outcome of Brexit, interest rates could go up or down, with a knock-on effect on mortgages.

The Bank of England has said in the event of an orderly Brexit, aligned with recovery in global growth, it "would be appropriate" to gradually raise interest rates accordingly.

If, on the other hand, the UK economy continues to slow, interest rates may be cut to stimulate investment.

However, the Bank has said that whatever form Brexit takes, decisions on interest rates "will not be automatic and could be in either direction".

House prices could also be affected by Brexit, especially in a no-deal scenario.

The Office for Budget Responsibility has estimated that if this happens, house prices could fall by almost 10% by mid-2021.

Of course, it's important to take other factors into consideration if you're looking to move house, and you shouldn't base your decision solely on what might or might not happen as a result of negotiations between Westminster and Brussels.

Careful consideration and research is key, and it's best to avoid panicking and rushing into any decisions.

WHAT ARE THE COSTS?

If you've decided the time is right for you to move house, you should start by getting a rough idea of the costs involved.

The average cost of moving house, even before you consider the deposit and mortgage repayments, has been estimated to fall somewhere between £8,000 and £12,000, depending on who you speak to.

This could vary based on the value of your current home and your new one, as well as the area you live in.

Property taxes

Property taxes are likely to be one of the biggest standalone costs when you buy a new property. This comes in different forms, depending on where in the UK you live.

In England and Northern Ireland, stamp duty land tax is due on increasing portions of a residential property price above £125,000, although different rules apply to first-time buyers.

If you're purchasing an additional property, you'll usually need to pay an extra 3% on top of the normal rates.

In Scotland, land and buildings transaction tax applies to properties sold for more than £145,000, and land transaction tax is due in Wales for properties sold for more than £180,000.

Capital gains tax

When you sell a property that's increased in value since you bought it, you may need to pay capital gains tax on the gain you've made.

If you're selling your main residence, you're likely to be exempt from this as you should be covered by private residence relief.

However, if you've let out part of the property out at some point, or if it's your second home, you may have some capital gains tax to pay.

Other fees

There are a number of other costs to take into consideration when you sell your home and buy a new one, including fees for estate agents, legal professionals, mortgage valuation, surveyors, removals, and so on.

You'll also need to think about ongoing costs in the new property, for things like general maintenance, insurance, council tax and utilities, and how these might vary to what you pay now.

MORTGAGE OPTIONS

If you already have a mortgage and you're moving to a new property, you'll need to decide whether to stick with your current lender or switch to a new one.

Move your current mortgage

Most mortgages are portable, so you should be able to transfer your current mortgage to the new property.

This may not be as simple as it sounds, however, and it's best to check with your mortgage provider that you'll be able to take this option and whether any fees would be involved.

Depending on what your lender requires, you may need to reapply for the mortgage. If you're moving somewhere more expensive, you'll need to find out if you're able to borrow more money from them.

If you can't borrow more on your current mortgage, you might need to change your mortgage provider in order to move.

It's also worth considering whether sticking with the same lender will give you a competitive rate of interest.

Switch to a new lender

If you can't transfer your mortgage when you move, or if you want to find a better deal, it's a good idea to shop around and see what else is available.

The main drawback of remortgaging is that it could incur penalties on your existing loan, particularly if you're still in the initial deal period of the loan – such as a fixed or discount rate.

Deciding whether to switch could be a case of working out whether the new deal is good enough to negate the costs of the penalties.

 [Get in touch for advice on your finances.](#)

IMPORTANT INFORMATION

The way in which tax charges (or tax relief, as appropriate) are applied depends on individual circumstances and may be subject to future change.

This document is solely for information purposes and nothing in it is intended to constitute advice or a recommendation. You should not make any decisions based on its content. Your home may be repossessed if you do not keep up repayments on your mortgage.

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