

# Mortgage & Protection news

The newsletter from XL Finance Ltd



## Base Rate & Budget news

Following the tax-raising **Budget**, there has now been some good news with a cut in the **Base Rate** by the Bank of England.

» In the short term, a drop in the Base Rate will mean that mortgage borrowers with **tracker deals** (or those on Standard Variable Rates - SVR) may see an immediate reduction in monthly payments. However, the vast majority of mortgage holders are on **fixed rate deals**, so their rate would remain as is for now.

### Where the Tax take is spent

As for the longer-term implications of November's Budget, this was a tax-raising Budget (supposedly targeting those with the broadest shoulders); to help meet expenditure needs, such as the increased spending on **Welfare, State Pension, and Health**.

These elements now account for at least 49p of your Tax £, with a further 10p going to fund the payments for the interest on the **National Debt** (see chart).

The Chancellor did also factor in a headroom of **£22bn** for any unforeseen

circumstances, up from the £10bn safety net in the March 2025 report from the Office for Budget Responsibility (OBR).

In terms of growth, the OBR, set out that the economy would grow annually by **1.5%**, on average, across the 2026-29 period.

Also, the OBR expects **inflation to be around 2.5% in 2026**, before returning to the Bank of England's 2% target in 2027, a year later than they forecast back in March 2025. (Sources: HM Treasury; OBR, November 2025)

### Key Budget announcements

Here are some of the main talking points that may affect you as a tax-paying individual, and as someone that owns (or is looking to own) a property. All are applicable to England, and it varies for the rest of the UK.

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### How the Taxpayer's £ is spent

Expenditure area	of £1
Social Protection (inc. Welfare & State Pension)	28p
Personal Social Services (largely Local Authority provided support for vulnerable people)	4p
Health	21p
Interest on National Debt	10p
Education	10p
Defence	6p
Transport	5p
Public Order & Safety	4p
Industry, Agriculture & Employment	4p
Housing & Environment	4p
Other	4p
	100p

(Source: HM Treasury, projected 2026-27 expenditure)

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■ For our mortgage advice services, we normally charge a fee, however, this will be dependent on your circumstances. Our typical fee is £599.

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

# Base Rate & Budget news (contd)

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## Income Tax & National Insurance (NI)

The thresholds for both have been frozen for a few more years, until April 2031. This is what's called a 'fiscal drag', or 'stealth tax'.

The impact of this is that between 2022-23 and 2030-31, **5.2m additional individuals** will have been brought into paying income tax. And **4.8m more** will have moved to the higher rate of tax, and **600,000 more** onto the additional rate.

The consequence of this, is that around £177bn more is expected to be raised from income tax in the 2030-31 year vs. 2022-23!

## Salary Sacrifice

The amount that people can 'sacrifice' from their salary - thereby avoiding NI on pension contributions - will be capped at £2,000 a year from 2029. At the moment there is no limit.

## Dividend Income

From April 2026, there will be a 2% rise to the ordinary and upper tax rates on dividend income.

## Cash ISAs

The amount the under-65s can put into a Cash ISA (Individual Savings Account) will be capped at £12,000 a year, with the rest of the £20,000 annual allowance reserved for investments. It's applicable from April 2027.

## High-Value properties

From 2028, homes in England, worth more than £2m, will face a Council Tax surcharge of between £2,500 to £7,500, following a revaluation of bands F, G, and H.

## Landlords

The tax charged on rental income will increase by 2%, from April 2027.

## Two-Child Benefit Cap

This will be removed from April 2026, enabling those with three or more children, for whom it's applicable, to also receive universal or child tax credit for these children too, if they were born after 6 April 2017. It's said that this will bring 450,000 children out of poverty.

## Transport

The 5p temporary cut in fuel duty on petrol and diesel will be extended again, until September 2026. Also, there will be a new mileage-based tax for electric vehicles, and plug-in hybrid cars to be introduced from 2028.

## Inheritance Tax (IHT)

Like Income Tax and NI, the IHT threshold has also been frozen until 2031, which will bring more people into its net.

## State Pension

This will go up by 4.8% from April 2026 which is more than the current rate of inflation, due to the 'triple lock' policy.

**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.**



# ...MARKET FACTS...

Base Rate  
drops to  
**3.75%**

This is the 6th cut in the last 17 months.  
*(Source: Bank of England, 18 December 2025)*

Inflation  
Annual CPI inflation figure is  
**3.2%**

The Bank of England target figure is 2%.  
*(Source: Office for National Statistics, CPI, 17 December 2025)*

Property prices  
Average annual UK Property price rose by  
**1.8%**  
to £272,998  
*(Source: Nationwide, House Price Index, November 2025)*

Mortgages  
Average 2-year Fixed Rate  
**4.86%**  
Average 5-year Fixed Rate  
**4.91%**  
*(Source: moneyfactscompare.co.uk, December 2025)*

Many of you have held back from making decisions until you could gauge the outcome of the Budget.

For our part, we work in this sector day-in, day-out, and whatever your future plans may be, we can hopefully deliver advice that best meets your needs.

# Qualified Support for YOU

» Outside of the Budget (and partly due to it) much has occurred in the marketplace, which has helped to bring about the recent rate cuts by lenders.

## Competition amongst lenders

Factors, such as world events, and the desire by lenders to price competitively to win your business, would influence how they set up their mortgage deals.

Further considerations were how lenders reacted to a cooling housing market around the Budget. Plus, there's been a better-than-expected inflation figure, with Swap rates below where they were at the start of October, which often translates to lower fixed rate deals. (Source: Chatham Financial, December 2025)

Combine all of these elements, and it's no surprise that there's constant movement in the marketplace.

This is why it's so important to seek advice - to help make sense of your options, and possibly lock in a rate now, if your mortgage deal ends soon.

As it stands, the 'average' fixed rates for a 2-, or 5-year deal currently sit at just under 5%, but better rates that begin with a '4', or even '3' are on offer. Although the lowest rates generally apply to loans of 60%, or less, against the value of the property.

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

## Positive developments

The industry regulator, the Financial Conduct Authority, has also helped to create an environment that has enabled some relaxation in the affordability criteria, which could mean that borrowers may be able to

borrow more (or borrow at all).

Alongside this relaxation, there are also improved loan-to-income deals, which may offer up to five, six or seven times income!

Both of these elements will certainly help those struggling to obtain the mortgage they need, and enable others to borrow more - helping them to secure the home they want, or to improve the one they have.

## First-Time Buyers

There are an increasing number of lower deposit deals, which will be of particular interest to those keen to step onto the property-owning ladder, but struggling to build up a decent deposit.

Although, do be mindful that 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.

That said, there are plenty of first-time buyers taking this path, and accounting for over half of all home purchases made with a mortgage.

(Source: Halifax, First-Time Buyer report, February 2025)

## More tailored needs

Some mortgage applications may be fairly straightforward, but others can be more complex. The latter may only become apparent, once we start talking through your situation, and understand what you require. In fact, the more complex cases are a key reason why potential borrowers turn to us.

This is because we also have relationships with Specialist lenders, who may provide the solution, if the High Street lenders are not a viable, or suitable option.

Please get in touch to hear more.

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.

## FIXED DEALS coming to an end

A sizeable 1.8m homeowners will be looking to remortgage in 2026, as their fixed-rate deal period comes to an end. This equates to around 21% of all outstanding residential mortgages.

Additionally, there are around 290,000 buy-to-let loans that will

also come to fruition in 2026.

(Source: UK Finance, December 2025)

For those that are coming off 5-year fixed rate deals, there may be a shock, although it may still be beneficial to lock in a rate now. As for those coming off 2-year deals, you may be pleasantly surprised.



The **Private Rented sector in England** is on the brink of a massive transformation following the introduction, in October, of the **Renters' Rights Act**. This landmark legislation, has marked a significant reform to tenant rights, by rebalancing the relationship between England's **2.3m landlords** and **11m private renters**.

(Source: gov.uk, 27 October 2025)



# The Renters' Rights Act

## Implementation timetable...

This new law is now on the statute books, and will be introduced in stages, with the first stage applying from 1 May 2026.

## The End of 'No-Fault' Evictions

The cornerstone of the new Act is the abolition of Section 21 evictions. This move consigns the so-called 'no-fault' eviction process to history, ending the ability of landlords to uproot tenants with just two months' notice, without needing to state a reason.

For renters, this provides **greater security and stability**, empowering them to challenge poor practice and demand repairs without the fear of immediate homelessness.

In its place, the Act introduces a new framework where all tenancies will be periodic, replacing the Assured Shorthold Tenancy (AST) system.

Landlords will now only be able to regain possession using the Section 8 grounds, which have been reformed and expanded to ensure legitimate reasons for possession are available, such as wanting to sell the property or move in themselves.

Crucially, these new grounds include safeguards for tenants, such as a 12-month protected period at the start of a tenancy, assuming certain criteria are met.

## Key Developments for Renters

The Act brings in several other protections:

**Pets:** Tenants will now have the right to request a pet, which a landlord must consider and cannot unreasonably refuse.

**Decent Homes Standard:** For the first time, this will be applied to the private rented sector, ensuring all rental properties meet a basic minimum quality.

**Abolition of Rental Bidding:** To stop competitive bidding wars, landlords and agents are now banned from inviting, encouraging, or accepting offers of rent above the initial advertised price.

**Discrimination Ban:** Landlords and agents are prohibited from imposing blanket bans on renting to prospective tenants who receive benefits, or who have children.

**Annual Rent Increases:** Rent increases are limited to once per year, with tenants gaining the power to challenge excessive rises at a tribunal.

## New Requirements for Landlords

To manage and enforce the new system, the Act establishes a mandatory Private Rented Sector Ombudsman, which all private landlords must join. This service will offer an impartial and binding route for tenants to resolve disputes without going to court. Furthermore, a Private Rented Sector Database will be introduced, requiring all landlords and their properties to be registered.

## Possible impact on the Rental marketplace

The unintended downside of delivering greater protections for those renting (along with the property tax reforms that were announced in the Budget), is that it could drive more landlords out of the market, reducing availability, and pushing rents higher.

This sentiment was echoed by some recent research amongst our fellow advisers, which showed that four out of five felt that these issues would have a negative impact on both landlords and tenants. (Source: Family Building Society, Business Outlook Survey, September 2025)

In fact, **if a sizeable number of landlords do sell up**, then renters might be left with a new set of considerations. Either they accept the possibility of higher rental costs/less availability (down the line), or consider taking advantage of more properties 'for sale' coming onto the market, which may benefit First-Time Buyers.

## Where we might be able to Help

It'll, no doubt, take time for all elements to unfold, but if you need to assess your property borrowing requirements, we are there to assist **landlords**, in identifying the most suitable path forward to meet their needs.

Plus, we're also there for those who may prefer to move away from renting, and try to get onto the **property-owning** ladder.

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

# Lots to Ponder...

**Landlords** have been hit hard over the last few years, from both **Budget** taxes and **Regulatory** changes.



» Whilst landlords may be happy that the floated idea of charging National Insurance on their rental income didn't come to fruition in the Budget, other initiatives did.

One example is that **the rate of income tax from property income will increase by two percentage points from April 2027**. It's a move that the Office for Budget Responsibility (OBR) said will hit landlords in the pocket and force rents up.

This comes on top of previous initiatives from the Government, such as changes to Mortgage Interest Relief, and increasing Stamp Duty charges.

The culmination of all of this, may mean that some landlords might consider leaving the marketplace, which will simply further fuel the demand for rental properties. Those remaining, may adapt in numerous ways, and are monitoring (or already responding to) developments such as the **Renters' Rights Act** - which will start

coming into force from 1 May 2026 - and future **EPC targets**.

Also, the continuous tax hits, will probably make more landlords, who own the property in their own name, consider the **Limited Company** route. Additionally, it may also drive some landlords to consider alternative strategies, to secure higher-yield tenancies, such as student rentals, or Houses in Multiple Occupation (HMOs).

## We're here for YOU...

Whatever route you plan to take, we can be there for you. And, on the upside, **buy-to-let loan deals** have become cheaper in recent months. For example, the average buy-to-let rate on a 2-year fix stands at **4.73%**. Back in July 2023, the average rate hit a **recent high of 6.97%**. (Source: [moneyfactscompare.co.uk](https://moneyfactscompare.co.uk), December 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.**

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## 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.

(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.**

According to recent research, only 46% of **First-Time Buyers** were successful in securing a mortgage.

(Source: Shawbrook, Home-A-loan 2025 report, November 2025)

# First-Time Buyer

» However, the same research showed that only around 22% (of the 2,010 surveyed) used a mortgage adviser to apply for a mortgage, which is way below the market-wide 91% who are expected to turn to brokers, such as us, in 2026. (Source: IMLA, June 2025)

## Adviser Help

And, amongst those who did use a broker, the levels of satisfaction were overwhelmingly high:

- 97% said that brokers helped them to identify the right lender.
- 97% valued their specialist knowledge.
- 95% credited them with simplifying paperwork and admin.

Outside of this survey, we also understand where your mortgage application may fail - such as **missed payments**, a **volatile income stream**, **spending on the wrong things**, and a **bad credit score** (see checkmyfile.com). From here we can look at how to best tackle these issues, along with meeting the **affordability criteria**.

## Affordability & Income Multiples

With regard to affordability, the strict borrowing criteria may have



become **less strict**, as the industry regulator, the Financial Conduct Authority, is supportive of loosening up the rules.

Elsewhere, the income multiple rule has also **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 specifically benefits around 80 smaller lenders. Within that 15%, there are some deals, in the overall marketplace, where the loan to income sits at five, six, or even seven times!

## Building up, or securing a Deposit

This is often the main stumbling block, and could be viewed as a two-speed market.

The average First-Time Buyer deposit from those that are **unassisted** is **£60,741** (in itself, a sizeable amount). The comparable average deposit for those that have benefited from **assistance** (such as the Bank of Mum & Dad + Grandparents) is **£118,073** - which equates to 37% of the average purchase price, thereby opening up the better deals. Understandably, the deposit required does vary massively throughout the UK. For example, the average unassisted deposit for the North East of England is £29,918.

(Source: UK Finance, Trends in the Economy and Lending, May 2025)

However, **don't be daunted**, if you feel that saving a sizeable deposit might be a problem for you. An alternative option is to consider deals that require a 5% deposit (or less). With the added benefit that it may get you onto the property ladder sooner.

## Talk to us

The whole mortgage application process may come across as being quite complex, time-consuming, and possibly confusing. Additionally, most of you will lead very busy lives, and this process might be seen as an added problem, if handled alone.

**That's where we come in. And if this is of interest, then please get in touch to find out more.**

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

# The Budget...

There was very little within the Budget that was directly targeted at helping First-Time Buyers.

- No positive changes to Stamp Duty (which is applicable in England and N. Ireland).
- No major referencing to the 1.5m new homes that are projected to be built in the 5-year period of this Government, aside from the OBR saying that this will largely occur from 2027-28.
- However, it was stated that the Government will publish a consultation document in early 2026 on the implementation of a simpler ISA product to support First-Time Buyers who want to build up a deposit.





# Hard-Working Families

Your property is likely to be **your biggest asset**, and one where you've probably put in a lot of time, effort and expense to make sure it works well for you. Sadly, the Government also recognises this financial value.

» Of course, it's not all bad, and you may have invested well over the years, and built the financial value of your home. And as we move through this difficult economic period, there are a number of positives, with **mortgage rates reducing, inflation coming down, and house prices continuing to rise**, albeit slowly.

Also, whilst a number of the ideas floated ahead of the **Budget**, didn't materialise, others did, such as:

## Mansion Tax

This is applicable to homes valued over £2m. Those between £2m-£2.5m will face an **added cost of £2,500**; up to properties valued at £5m+, which will be **taxed at £7,500**. And, it'll be an annual charge, in addition to the existing council tax liability. It's thought that 100,000 properties are to be affected. For some, the financial hit may be manageable, but the worrying aspect is that a number of those homeowners may be equity rich, but cash poor. However, it won't come into effect until April 2028, and much may happen before then.

## Salary Sacrifice Schemes

If you're in the fortunate position not to need all of your income to cover day-to-day costs, then the Salary Sacrifice Scheme might be something you've utilised. The advantage of this scheme is that **you can pay into your pension without paying National Insurance**. Unfortunately, following the Budget, the Government imposed a £2,000 a year cap, before NI kicks in, albeit not in place until 2029.

## Family Protection Cover

It's 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.

■ As with all insurance policies, terms, conditions and exclusions will apply.

## Property & Life Planning

One of the biggest issues about the Budget, was all the uncertainty it caused in the months leading up to it. In fact, lots of decisions may have been set aside until the path ahead was known. Now that we're at that stage, some of those plans could encompass:

- Renovations to the home.
- Seeking a new one.
- Tidy up of the finances, and mortgage needs.

For all of the above issues, **we can be there for you**, and help you take advantage of what loans may be on offer out there.

Also, beyond your borrowing needs, you may wish to look at **protection cover for yourself, your family and the home they live in**. Additionally, perhaps also consider other sensible initiatives, such as:

- Wills - Worryingly, over half of all UK adults have not made a will (56%), and those that have, may want (or need) to revisit it.

(Source: Money & Pensions Service, January 2025)

- Guardianship Arrangement - If you have young children and, for example, both parents die at the same time, your children may, initially, be put into care, unless something like a Guardianship document is in place, which sets out your requests.

**Do let us know if you'd like to hear more.**

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For our mortgage advice services, we normally charge a fee, however, this will be dependent on your circumstances. Our typical fee is £599.

■ The contents of this newsletter are believed to be correct at the date of publication (December 2025).

■ Every care is taken that the information in the *Mortgage & Protection News* publication is accurate at the time of going to press. However, all information and figures are subject to change and you should always make enquiries and check details and, where necessary, seek legal advice before entering into any transaction.

■ The information in this newsletter is of a general nature. You should seek professional advice tailored to your needs and circumstances before making any decisions.

■ We do hope that the newsletter is of interest to you, however, please inform us if you no longer wish to receive it.

■ 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: 07753 748 780 Email: becki@xlfinanceltd.co.uk Web: xlfinanceltd.co.uk