

## Property Bulletin

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# The dangers of the 'bank of mum and dad'

The 'bank of mum and dad' has been a source of borrowing power for young people looking to purchase their first home



### PLUS:

- Going green – How you can improve your property with the latest 'eco-tax' savings
- Meet energy efficiency standards or face fines, warns Government
- The Renters Reform Bill – What does it mean for landlords and investors?

Welcome to the latest Grunberg & Co Property Bulletin, our publication to keep you up-to-date with news from the property sector and the accounting and financial services that our firm can offer you and your clients.

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## Meet energy efficiency standards or face fines, warns Government

Private residential property landlords need to ensure they do not try to grant a new tenancy of longer than six months if the property has an Energy Performance Certificate (EPC) below the E rating.

Unless they have a valid exemption, since 1 April 2020, landlords cannot let properties covered by MEES regulations if they have an EPC rating below E.

The Minimum Energy Efficiency Standards (MEES) are a minimum energy efficiency level for domestic private rented properties.

The Government have also proposed that all rental properties will need an EPC rating of 'C' or above by 2025.

### What is an EPC Rating?

The EPC measures how energy efficient a property is then given a rating between A and G. Within MEES regulations, a property with a rating of F or lower means the landlord is liable to pay a substantial fine, as detailed below.

Department for Business, Energy & Industrial Strategy (BEIS) says you need to improve the property's rating to E, if it falls into F or G bands, or register an exemption before you enter into a new tenancy.

Equally, you must improve the property's rating to E immediately, or register an exemption, if you are currently letting a property with a rating of F or G.

There is a different rule for empty properties, where landlords do not need to make improvements to upgrade the rating until they decide to let it again.

### When you need to take action to improve your property

- A cost cap set at a figure of £3,500 is the maximum you will be required to spend on energy improvements
- If all the improvements cannot be achieved for this figure, then you can register for an 'all improvements made' exemption.

### What are the MEES Penalties?

The penalty for renting a property for fewer than three months that is in breach of MEES Regulations will be equivalent to 10 per cent of the property's value, with a maximum amount of £50,000 and a minimum penalty of £5,000.

After three months, the penalty rises to 20 per cent of the property's value, with a maximum amount of £150,000 and a minimum penalty of £10,000. Where MEES Regulations are breached, the lease between the landlord and the tenant remains valid and in force.

The scope of MEES can be complicated and there are exceptions, so it would be wise to get in touch with your professional adviser to make sure you are compliant with the law.

The enforcement of these strict standards will require some landlords to invest significantly in their properties. To find out how these costs may affect your portfolio and its profitability, please speak to us.



## Going green – How you can improve your property with the latest 'eco-tax' savings

The Government has brought forward plans that make green technology exempt from business rates and supported landlords by reducing VAT on energy-saving improvements.

During the Spring Statement earlier this year, the former Chancellor confirmed that the business



rates exemption for green technology, such as solar panels and heat pumps, came into effect on 1 April 2022 – one year earlier than planned.

Allowing these technologies to be exempt from business rates could save property investors across the UK an extra £35 million in the 2022/23 tax year whilst also supporting the decarbonisation of buildings.

Alongside this exemption, the former Chancellor also announced a 100 per cent relief for eligible low-carbon heat networks which have their own rates bill.

These two measures will support further steps to help business investors go green, including a five-year VAT reduction on energy savings materials (ESM), from five per cent to 0 per cent, which take effect from 1 April 2022.

This temporary zero-rating will cover the installation of ESMs, including insulation and controls for central heating, in residential accommodation up until March 2027.

Looking to make your property portfolio more energy and tax-efficient? Please contact us for advice.

# The dangers of the 'bank of mum and dad'

The 'bank of mum and dad' has been a source of borrowing power for young people looking to purchase their first home.

However, new figures show that in March, borrowers continue to rely on their loved ones to boost their borrowing power but are increasingly exploring new ways to fund it.

According to new research from Legal & General Mortgage Club's Smart Criteria tool, searches for homeowners looking for joint borrower sole proprietor (JBSP) mortgages climbed by 17 per cent in March, suggesting that borrowers are increasingly relying on financial support.



Often referred to as a JBSP mortgage, a joint borrower sole proprietor mortgage allows a parent (or family member) to contribute to their child or family member's mortgage without being a co-owner.

It gives the young homebuyer a feeling of independence and ownership. The JBSP is flexible too, so parent/family contributions can reduce over time until the recipient can cover all mortgage payments themselves.

## Why choose a JBSP mortgage?

With a JBSP mortgage, the other person (typically a parent) accepts joint responsibility for making mortgage payments but has no legal claim to the property.

The research tool tracks product searches from over 8,000 advisers, highlighting the purchase and remortgage trends witnessed by brokers across the industry.

The data also shows that demand from buyers continued despite rising living costs and soaring house prices.

## Alternative approaches to the 'bank of mum and dad'

While parents are a welcome lifeline, couples aiming to get on the property ladder can help themselves maximise deposits by:

- Cutting living costs, where possible
- Putting away savings on payday
- Opening a Lifetime ISA
- Moving back in with family
- Buying part of a property through shared ownership
- Looking for 'rent to buy' projects
- Making use of tax-efficient investments to grow their deposits.

The challenges of buying a home, especially in London and the South East, are considerable and many parents want to support their children in whatever way that they can.

To find out how you can make tax-efficient decisions that will help your children on to the property ladder, please speak to us.

# The Renters Reform Bill – What does it mean for landlords and investors?

The Government has outlined a new Renters Reform Bill in this month's Queen's Speech, which it says will deliver the biggest change to rental law in a generation.

As part of the Government's mission to 'level up' the country, the new bill is intended to improve the lives of millions of renters by driving up standards in the private and social rented sectors.

A "new deal" will be put in place for the 4.4 million households privately renting across England by extending the Decent Homes Standard to the private rented sector for the first time, creating a legal right to a safe and warm home.

This is designed to ensure all renters have access to secure, quality homes – 'levelling up' opportunities for the 21 per cent of private renters who currently live in homes of an unacceptable standard.

The Government will also ban Section 21 'no fault' evictions, protecting tenants from unscrupulous landlords, while strengthening landlords' legitimate grounds for taking back their property.

A new Private Renters' Ombudsman will also be created to enable disputes between private renters and landlords to be settled quickly, at low cost, and without going to court.

The bill will also offer new support to social renters, with regular rigorous inspections and stronger powers to tackle failings by social housing landlords.

The Social Housing Regulation Bill will continue to deliver on the Government's reforms in response to the Grenfell Tower fire as the fifth anniversary of the tragedy approaches.

It will create a regulatory framework that will drive up the standards of social housing accommodation and help tenants and the Regulator hold social housing landlords to account.

- Giving the Regulator stronger powers to enforce action if they see failings by social housing landlords.

- Placing an expectation on social landlords to place tenants' concerns at the heart of all they do, with effective resident engagement in place, so no one has to live in sub-standard social housing.
- Providing greater transparency for tenants on how their landlord is performing, how their homes are managed and who is responsible for compliance with health and safety requirements.
- Strengthening the economic regulation of the social housing sector, increasing protections for tenants' homes and supporting continued investment in the new supply of social housing.

Levelling Up, Housing and Communities Secretary Michael Gove said: "This is all part of our plan to level up communities and improve the life chances of people from all corners of the country."

Concerned about the impact of these measures on your property portfolio? Get in touch.