

NEWSLETTER

THE CENTRE COURT PARTNERSHIP

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How do I prove my income for a mortgage?

With Covid-19 rules changing almost daily, extensions to furloughs and local and national lockdowns many are facing money worries this winter. If you're trying to get a mortgage and want to push your property transaction through before the Stamp Duty holiday ends, how do you prove your income – especially if it has temporarily been reduced due to furlough or short-time work?

For those who remain on furlough or have otherwise seen their income temporarily reduce, providing proof of income to mortgage lenders now presents a serious challenge. Many mortgage providers have tightened their lending criteria, especially for furloughed workers, amid concerns of future job losses.

Assessing your options

Without a doubt, it is more challenging for some people to get a mortgage at present, given the increasingly stringent affordability requirements that many lenders are introducing – so it's likely you'll be wanting a little extra help! Whether you are buying your first home, taking a step up the property ladder or looking to downsize, don't worry, we're here for you.

Case studies

An employed restaurant manager

Sally works as a restaurant manager and is looking to buy a house with her partner, Nathan. Since July, Sally's employer has brought her back to work on part-time hours and furloughed her for the remainder. Nathan is employed at a marketing agency and is working remotely on full pay. As a result, their prospective lender has asked for the following as proof of income:

- **Three months' payslips and two years' P60s** (these are standard requirements, although some lenders may accept less)
- **Three months' bank account statements**
- For Sally, the lender has also asked for a **reference from her employer to confirm the date she will be returning to full-time work.**

Sally does have three months' worth of payslips to give to her lender, although these show her reduced furloughed salary, rather than her full salary. As a result, it is likely the lender will use this figure to calculate affordability for her.

A self-employed graphic designer

Dan works for himself as a graphic designer. He has seen his income dip significantly since the onset of the pandemic, with clients delaying or cancelling many projects. After confirming to HMRC that his business had been adversely affected by the crisis, he applied for and received a grant under the Self-Employed Income Support Scheme (SEISS).

Just before the pandemic began, Dan had been looking to buy a flat, but getting a mortgage has since become a lot more difficult. His prospective lender is now asking for:

- **Three years' full business accounts**, signed off by a Chartered accountant
- **Three years' SA302 year-end tax calculations and corresponding tax year overview from HMRC**
- Most recent **three months' bank statements.**

In order to make it more likely that his mortgage application will be accepted, Dan is also hoping to approach some of his clients to ask them for references, stating the work they are likely to have for him over the next 12 months.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT.

Income Protection claims

You might believe you'd be more likely to call on your income protection policy later in your working life, but data from protection insurer, The Exeter, show their *average claimant was 40, and on certain products, just 33.*

Income protection is designed to pay an income if you're unable to work as a result of an accident, illness, or, with some policies, unemployment. The benefit usually kicks in after what's called a deferred period and can last until you're able to return to work or you retire.

Cover for physical, and non-physical conditions

Every year, one million workers will have to stop work due to prolonged sickness or injury, but the number having to take a break because of mental health issues is sadly growing. As well as revealing the surprisingly young age of some of their claimants, The Exeter said that mental health-related issues were accounting for a growing number of its claims; reaching 10% in 2018.

The Association of British Insurers (ABI) had previously reported that mental health was the most common cause of claim on income protection policies in 2017; perhaps unsurprising given that one in four of us in the UK will be affected by a mental health problem in any given year.

Whether your reason for claiming on your income protection policy is physical or mental, having cover in the first place is crucial – especially if you have a mortgage or people who rely on your income.

Income protection tips

Check if your employer provides cover as part of your employee benefits. If so, how much do they provide and for how long?

If you need to take out separate cover, don't leave it too long; the younger you are, the cheaper the policy.

Make sure the cover you take out complements your existing cover. For instance, if your work policy ends after six months, choose a six-month deferred period.

If you're self-employed, you might consider a shorter deferred period since you'll have no employer's cover. You might have savings that could see you through the first few weeks or months of being unable to work.

If you'd like to find out more about the features and benefits of income protection, please get in touch.