

# Spotlight on managing your investment property

20 January 2022

**Suzanne O’Riordan**, Head of residential property, Willans LLP

**Angharad Trueman**, MD at CGT Lettings Ltd & ARLA Propertymark Vice President

**James Melvin-Bath**, Associate, solicitor, litigation & dispute resolution, Willans LLP

**Chloe Dunk**, Financial Planner, Quayside Wealth Management



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# Our property lawyers

## Property litigation lawyers

**James Melvin-Bath**  
LLB (Hons)

**Associate, solicitor-advocate**

Litigation & dispute resolution, Property litigation, Inheritance and trust disputes

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**Megan Bullingham**  
BA (Hons), GCILEx

**Litigation executive**

Dispute resolution, Property litigation

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**Nick Cox**  
LLB (Hons)

**Partner**

Dispute resolution, Mediation, Property litigation

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**Nick Southwell**  
BA (Hons)

**Partner**

Property litigation, Litigation & dispute resolution, Mediation, Inheritance & trust disputes

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“A client reports that it is a “great firm to work with,” adding that the team has “fantastic knowledge in the property and charity sectors.”  
*Chambers UK*

## Residential property lawyers

**Dorcas Guillebaud**  
BA (Hons), MA (Hons)

**Solicitor**

Residential property

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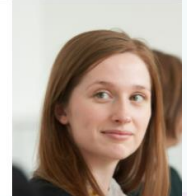


**Héloïse Brittain**  
LLB (Hons), FCILEx

**Chartered legal executive**

Residential property

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**Hilary Banister**  
LLB (Hons)

**Senior associate, solicitor**

Residential property

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**Jade Blackwell**  
LLB (Hons), FCILEx

**Chartered legal executive**

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**Jamie Cook**  
BSc (Hons)

**Solicitor**

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**Mary Young**  
BA (Hons), FCILEx

**Associate, chartered legal executive**

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**Simon Hodges**  
LLB (Hons)

**Partner**

Residential property

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**Steve Diamond**

**Senior associate, conveyancer**

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**Suzanne O’Riordan**

**Partner (non-solicitor)**

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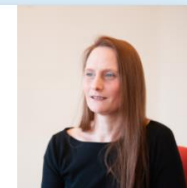


**Tina Caster**  
CLC

**Licensed conveyancer**

Residential property

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# Today's agenda

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Welcome and introduction	Suzanne
Legislation and market update	Angharad
Legal update	James
Financing your investment portfolio	Chloe
Q&A	All

# Legislation and market update

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**Angharad Trueman**  
CGT Lettings Ltd & ARLA PropertyMark

# Angharad Trueman

*Managing Director - CGT Lettings Ltd*

*Vice President - ARLA Propertymark*



PRS 21%

Social  
market 16%

2.3 Million  
Landlords

45% own just  
one property,  
83% own more  
than four

17% of landlords with five  
or more properties  
provide 37% of all private  
tenancies (English Private  
Landlord Survey)

25,000  
Agents

50-60% of  
landlords are fully  
managed with  
agents

Currently we are seeing across UK:

Lets agreed are 17%  
down

Demand is up by 43%

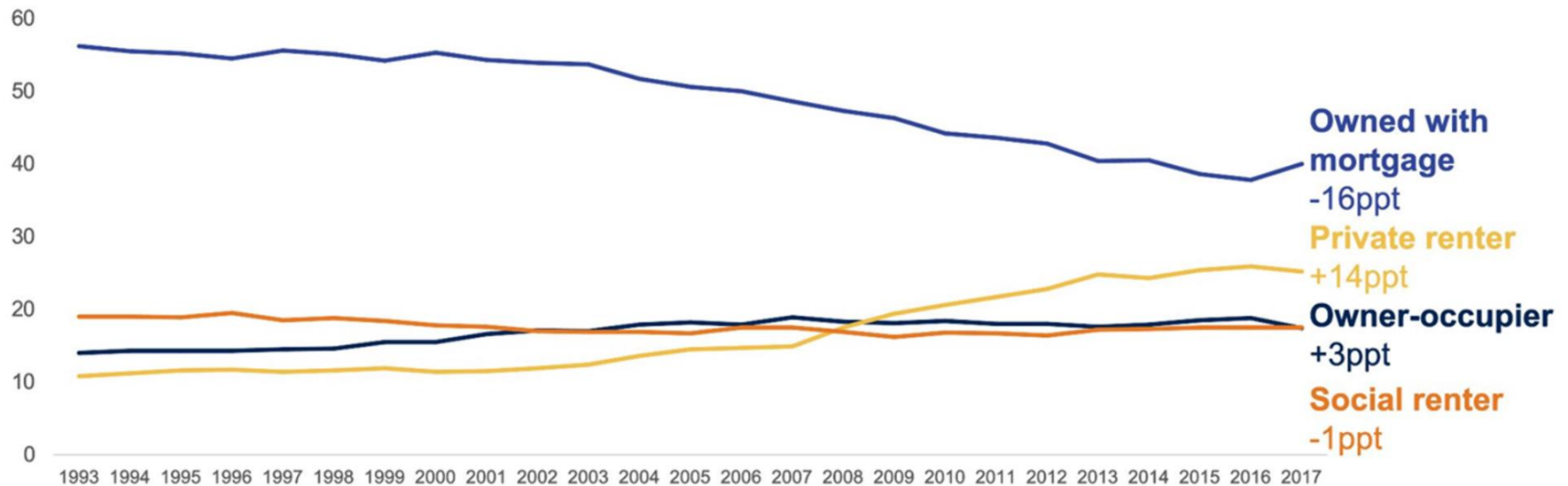
Stock level is 43%  
below the 5-year  
average

Despite the increase in rents,  
affordability has remained  
largely unchanged thanks to  
rising pay, with rents  
accounting for an average of  
37% of a single tenant's  
monthly income.



# PRS has more than doubled in size since the early 2000s...

## English housing tenure 1993-2017, under 65s



Source: MHCLG, English Housing Survey

## Right to rent



- Changes came in since 1<sup>st</sup> July 2021.
- It is an offence to allow someone to occupy a residential property in England who does not have the right to be in the UK - this has been the case since 2016.
- **EUSS - EU Settlement Scheme**  
The agent inputs the details at [gov.uk/view-right-to-rent](https://gov.uk/view-right-to-rent) which generate a Right to Rent status with the date for a follow up check if applicable. The agent does not need to see any original documents, they simply save the status document to their system.  
Online 'adjusted' checks
- Biometric passports - boarding passes from EEA nationals plus?



## MEES

- ▶ Cannot rent out a property (new and continuing tenancies) that has an EPC with rating less than an E.
- ▶ Government aims to get to zero net carbon emissions by 2030, and part of this is a staged increase in this minimum rating going to D and then eventually to C.
- ▶ However no firm dates have been giving for this yet.
- ▶ The ‘green deal’ was available for homeowners to obtain grants to carry out these repairs to improve the rating BUT it was very difficult to access
- ▶ BEIS (The Department for Business, Energy and Industrial Strategy) have now been tasked to come up with a new support package for home owners with the involvement of the treasury.

# Rental reform

- ▶ Initially a white paper was requested end of Autumn last year but this has been kicked down the road again as it won't be ready from government until mid 2022 at the earliest. They took on a large task of reviewing too much and it wasn't ready for when they want it to be.
- ▶ Items that could be included;
  - ▶ Removal of Section 21 - the government wishes to remove 'no-fault' evictions as an option for ASTs (the default tenancy agreement for residential tenancies) - James to update further on this.
  - ▶ Lifetime deposits
  - ▶ Possible landlord register

# Smoke & Carbon Monoxide Alarm changes



- ▶ All landlords will be legally required to repair or replace smoke and carbon monoxide alarms once they have been informed that they are faulty
- ▶ All landlords will also be obliged to ensure a carbon monoxide alarm is installed in any room of their homes where there is a fixed combustion appliance (including a gas boiler).
- ▶ Testing during tenancy to remain tenants responsibility but landlords/agents should test on move in date before tenant moves in.

# Legal update

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**James Melvin-Bath**  
Willans LLP

# Possession Claim update

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## Court status

- Number of possession claims is rising, but still not to pre-pandemic levels.
- As of May / June 2021 the average timescales for a possession claim had increased to 68 weeks from 20 weeks in 2019.
- Still approximately 75% lower number of possession orders than 2019.
- Most claims are being made by private, not social landlords.
- London has the highest rate of possession claims per person in the UK

# Process updates

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## Covid restrictions

- Most Covid restrictions have now expired.
- Courts still dealing with backlogs.
- Notice periods have returned to normal:
  - 0-14 days for most Section 8 notices;
  - 2 months for Section 21.



# Breathing spaces

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## What is a breathing space?

- Stay on any matter involving a debt for persons in difficulty or with mental health issues.
- Unpaid rent is treated as a debt.
- Standard 60 day stay.
- Indefinite mental health stay.

# Breathing spaces

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## **Impact of breathing space**

- Applies to Section 8 notices.
- Stops possession proceedings.
- 60 day stay is typical. Mental health stay can be renewed indefinitely.

# What's next?

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## **Coming changes:**

- Section 21 abolished.
- Landlord Register.
- New Section 8 grounds.
- New courts.
- Online process.
- Costs regime changes.

# Financing your investment portfolio

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**Chloe Dunk**  
Quayside Wealth Management Ltd



## FINANCING YOUR PROPERTY PORTFOLIO

Chloe Dunk— Financial Planner  
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# FUNDING YOUR MORTGAGE

## WHAT ARE THE DIFFERENCES BETWEEN A BUY-TO-LET MORTGAGE AND A RESIDENTIAL MORTGAGE?

<b>RESIDENTIAL MORTGAGE</b>	<b>BUY-TO-LET MORTGAGE</b>
DEPOSIT: at least 5%-10% of the property value	DEPOSIT: at least 20-25% of the property value
LENDING CRITERIA: <ul style="list-style-type: none"><li>•Personal income</li><li>•Outgoings</li><li>•Other borrowing already in place</li></ul>	LENDING CRITERIA: <ul style="list-style-type: none"><li>•Rental income generated – at least 125%</li><li>•Other properties in your portfolio</li><li>•Income from other sources</li></ul>

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

# FUNDING YOUR MORTGAGE

## WAYS TO FUND YOUR MORTGAGE:

- Excess capital or other investments
- Remortgage other properties

## WAYS NOT TO FUND YOUR MORTGAGE:

- Personal loans/credit cards

## OTHER THINGS TO CONSIDER:

- Leave yourself with sufficient cash in the event of an emergency

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





# FINANCING TO BUILD YOUR PORTFOLIO

## 1. REMORTGAGING OTHER BTL PROPERTIES & TAX IMPLICATIONS

### EXAMPLE

#### Buy-To-Let Property Remortgage:

BTL Property purchased in 2010 FOR £90,000.

Current property value: £180,000

Remortgage £135k to fund additional BTL property purchases

#### Sale of BTL Property:

Subject to Capital Gains Tax (CGT)

Gain = £90,000

CGT allowance = £12,300

£77,700 subject to 28% CGT as a higher-rate taxpayer

£21,756 CGT bill

£23,244 leftover as capital.

Your home or other property may be repossessed if you do not keep up repayments on your mortgage. The levels and bases of taxation and reliefs from taxation can change at any time. The value of any tax relief depends on individual circumstances.





# FINANCING TO BUILD YOUR PORTFOLIO

## 2. PORTFOLIO LENDING

- For landlords who have multiple BTL properties
- Lending across entire portfolio rather than a single property within your portfolio
- Simple for the landlord – one mortgage account and one direct debit
- Possibility to calculate the overall rental income percentage over your entire portfolio to support additional property purchases.
- Makes future remortgaging significantly easier if you only have one account to consider.

## 3. RENTAL INCOME PROTECTION

- Tenants can take this out, so that in the event of them being unable to work due to illness or accident, they can meet their rental payment obligations.

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

# COULD YOU BE MORE TAX-EFFICIENT WITH YOUR PORTFOLIO?

	Personally owned BTL	Ltd company owned BTL
Tax benefit of rental income	Profits from rental income are taxed through income alongside other earnings	Profits liable for corporation tax. Current rate is 19%, due to rise to 25% from 1 <sup>st</sup> April 2023
Income withdrawal	Taxed on all profits, regardless of whether you've withdrawn the profits.	You only pay tax on profits extracted from the company
Mortgage relief	Tax credit received on 20% of mortgage interest payments.	Mortgage interest treated as a business expense and can be offset against Corporation Tax

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

The levels and bases of taxation and reliefs from taxation can change at any time. The value of any tax relief depends on individual circumstances.



## COULD YOU BE MORE TAX-EFFICIENT WITH YOUR PORTFOLIO?

### **PROFIT EXTRACTION**

- What profit are you making from your rental income after all fees are taken?
- Do you need the profit to fund other areas of your lifestyle, or could this be used elsewhere?
- There are a number of tax-efficient investment strategies available which can offer a number of benefits such as tax reduction and possible investment growth

### **LEGACY PLANNING**

Passing down to family:

- Are family aware of their duties as landlords?
- Consider CGT implications
- Consider the IHT implications
- Ensure Wills and POA are up-to-date

The value of an investment with St. James's Place may fall as well as rise. You may get back less than you invested.

The levels and bases of taxation and reliefs from taxation can change at any time. The value of any tax relief depends on individual circumstances.

Will writing and Powers of Attorney involve the referral to a service which is separate and distinct to those offered by St. James's Place.



**THANK YOU.**

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# If you want to know more...

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## Webinar: COVID commercial rent debt rules update for landlords and tenants

### LITIGATION & DISPUTE RESOLUTION

Following the Government's recently updated Code of Practice to resolve commercial rent debts, our experienced property litigation lawyers take a look at what this means for commercial landlords and tenants....

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## Webinar: Restrictive covenants: drafting and enforcement top tips

### EMPLOYMENT & BUSINESS IMMIGRATION

In this session lawyers from our employment and litigation teams will focus on the key elements to consider when drawing up restrictive covenants, the process for enforcement as well as....

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## Webinar: October employment law update

### EMPLOYMENT & BUSINESS IMMIGRATION

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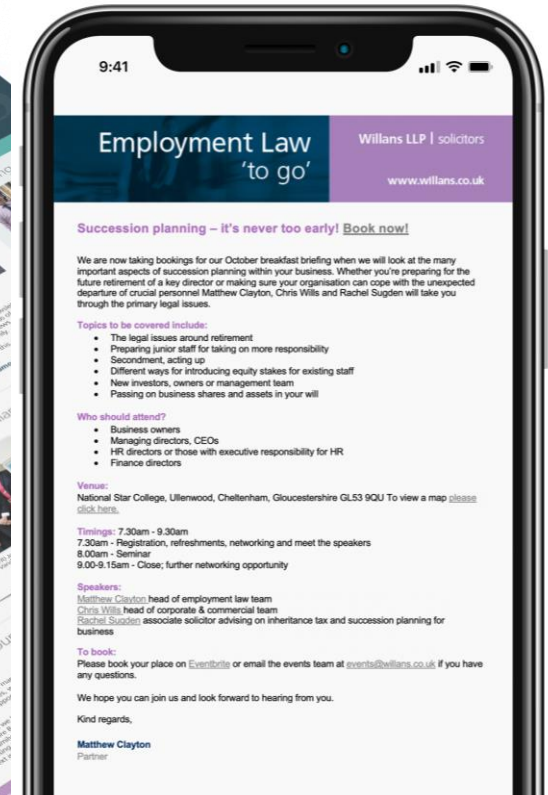
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# Thank you for listening!

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