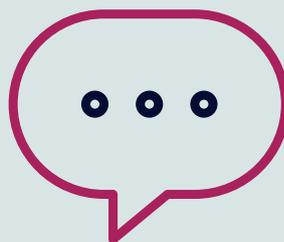


# Talking points



In this edition we report on why the self-employed should be cautious during tax return time, why the supply crisis is affecting new homes, how those accessing their pensions can benefit from guidance – and more.

## MORTGAGES

### New-build homes play catch-up



A drop in the number of new homes being built in the UK could lead to even further trouble for first-time buyers in 2022, as the property market boom pushes prices to unattainable levels for many wannabe homeowners. According to government data, the cost of building materials for new homes skyrocketed by 22.6% year-on-year in October. The effects are being felt across the industry – and are likely to contribute to a rise in house prices in 2022. Housebuilders have been grappling with the scarcity of new building materials and increased costs, all of which have impacted the delivery and cost of new homes.

Analysis shows the number of new builds is down 11% on the same period in 2019. The cost of timber has boomed by around 50% due to shortages, and overall build costs have risen in line with the supply chain woes and pent-up demand for new homes. What's more, 63% of small builders say they are limited in their ability to build new homes due to a lack of land, and 53% are struggling to recruit the workers they need to build.

## FINANCIAL CRIME

### Be alert to scams if you're self-employed



HMRC is warning all self-employed people to be alert to fake websites, emails and text messages from fraudsters after nearly 800,000 tax-related scams were reported in the last year. Staff are contacting taxpayers to remind them there are only a few weeks left until the self-assessment deadline on 31 January 2022, and it's a busy time for scammers who are trying to obtain money or personal information from unsuspecting individuals. They try to dupe individuals into handing over money or personal or financial information and often mimic UK government messages to make them appear authentic.

HMRC has a dedicated team working on cyber and phone crimes, using the latest technology to prevent misleading and malicious communications from reaching people. Since 2017 these technical

controls have stopped 500 million emails. Recent measures have prevented 90% of the most convincing text messages from reaching the public and controls have been applied to prevent spoofing most HMRC helpline numbers.

## TAX

### HMRC proposes ISA breach penalties



ISA managers could face new penalties if they break ISA rules, according to proposals put forward by HMRC. The taxman is calling for evidence on the proposals, which aim to shake up the existing system due to concerns that it penalises investors for the bad behaviour of their ISA managers. HMRC's proposals, which would apply to all types of ISA, include a £10 fine per compliance breach, per account – multiplied by the number of relevant tax years.

Another option would be to introduce a 1% penalty on the value of the investments affected at the end of each tax year. These measures would apply to minor breaches, like not completing ISA transfers within permitted time limits or failing to correctly manage ISA subscriptions. For more significant breaches, HMRC is considering the introduction of a flat fee of £100 per account per tax year. Alternatively, ISA managers could face a 5% penalty on the value of investments affected at the end of each tax year.

## ECONOMICS

### How high will inflation go?



The Bank of England's monetary policy chief has said inflation is likely to soar "comfortably" above 5% next spring when the energy regulator Ofgem raises a price cap affecting millions of households. Record high levels of job vacancies are also likely to persist for longer than previously expected as the market adjusts to changes in the economy brought on by the pandemic. The uncertainty surrounding the impact of rising wage demands by workers seeking to protect themselves

against falling living standards means economists are continuing to watch for signs of a wage price spiral. If wage earners' expectations of future inflation rise in response, or if they seek compensation for the rises in the costs of living that have already occurred, wages could also accelerate further, even without any additional decline in unemployment, experts believe.

In November, the Bank's nine-strong monetary policy committee (MPC) voted to keep interest rates on hold. Ahead of a meeting on 16 December, investors are pricing less than a 50% chance on the Bank of England raising rates from 0.1% to 0.25%, mainly due to the emergence of the Omicron variant and uncertainty about how long energy prices will remain high.

#### FINTECH

### The bank of the future



The world of banking is changing with developments in technology and evolving customer demands. Banks are thinking about their future and the strategy they need to remain responsive and relevant. As well as facing a more competitive market, they are also working to help access new technology, create new products and services and grow revenue with an entirely new customer base. The lines between banks, fintechs, and big tech companies continue to blur, and changing customer behaviour means they need to find new ways to meet evolving customer expectations. The future bank will combine digital speed and convenience at key moments in the customer journey. This is already happening with payments and will gradually creep into lending and savings.

Greater use of data analytics, cloud technology and artificial intelligence will enable a better understanding of customers, identification of business opportunities and reduction of costs. Collaboration within the payments ecosystem will allow banks and fintechs to play to their respective strengths. In the past, banks have operated on an inside-out basis – creating products and solutions to fit their businesses – rather than fitting their businesses to customers. In their race to innovate and achieve scale, they are grasping a once-in-a-generation opportunity to transform and define their own future.

#### PENSIONS

### Pensions providers urged to promote guidance service



From June 2022, anyone who accesses their pension for the first time will be directed to guidance from Pension Wise, the regulator has said. The Financial Conduct Authority (FCA) will require pension providers to nudge savers to the government's advice service as there is concern that only a small number of people have done so. The policy will apply to providers of pensions, including operators of self-invested personal pensions (SIPPs). Stakeholders with an interest in the pensions and retirement income sector will also have to comply.

Using feedback from a consultation launched this year, the FCA now says that providers must refer consumers to Pension Wise, explain what the service does and offer to book an appointment or give them the information to book one for themselves. Providers will also have to confirm or record whether the consumer has received advice or guidance, as well as any refusals. If a consumer refuses guidance under the condition they have received it already, providers should explain that they could benefit from additional help as circumstances may have changed. The Openwork Partnership offers fully regulated advice. Please contact your financial adviser if you'd like to discuss your own situation.

#### Did you know?

The Bank England has kept interest rates under 1% for the past 12 years. The prospect of rates rising in the coming months is good news for savers but it will inevitably mean that mortgage rates will also go up. If you're thinking about remortgaging, now is the time to reach out for some expert help on securing a deal.



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