

COVID-19: PERSONAL AFFAIRS GUIDE

Dated: 27 April 2020

Overview

This is a guide for families and individuals on how to financially survive or manage through the Pandemic. It is a tough time for many of us and the idea of this guide is to help people who may have reduced employment income and increased uncertainty about their future. The aim of this guide is to highlight the main areas which can make a difference and may remind you about something you have not yet done.

Below is a table showing the various areas which you should consider when addressing your personal financial situation. The table has a column on the right hand side which can be filled out as each area is addressed.

TOPIC	AREA	ADDRESSED?
Build up cash	Prepare a budget	
	Reduce costs where possible	
	Build up cash	
Tax	Universal Credit	
	Job Seekers Allowance	
	Child Benefit	
	Self-Assessment Deferral	
	Working From Home Allowance	
House	Mortgage	
	Rent	
	Utility Bills	
	Council Tax	
Finances	Credit Cards / Personal Loans / Overdrafts	
	Car Finance / Pay Day Loans	
	Self Employed Grant Scheme	
Other	MOT Deferral	
	Vehicle SORN	

Build up cash

Prepare a budget

The starting point is to create a budget on a monthly or weekly basis showing the expected money coming in (from employment, savings etc) and what expenses are likely to be incurred. This way you can understand the facts of the situation before deciding what needs addressing and how much of a gap there is to fill. It is highly likely that if employment income has reduced then expenditure also needs to reduce.

Reduce costs where possible

The initial reaction to the uncertainty, and in many cases reduced income, is to reduce household expenditure. Some expenses such as travel and eating out will already have reduced given the lockdown. You can also stop spending on non-essential items for the time being and trying to save some cash for an emergency fund. Examples include:

- Gym membership
- TV sport packages (given there is no sport being played)
- Travel season tickets can be part-refunded for the portion which is not being used
- Prepaid nursery fees or exercise classes may not be refundable but is worth checking, even if it means the payments can be converted into credit for the future when they can be used

Build up cash

Given the travel restrictions many holidays and other future commitments are no longer going ahead so there may be refunds available or insurance claims to be made. Securing these will help generate cash.

Most banks will now waive the redemption fee on cash held in a fixed term savings accounts which is another way to give a buffer in difficult times. Only dip into your savings if necessary.

Another option available to people with good credit history is to take out a 0% on purchases credit card which can give 0% interest on purchases made for 12, 18 or 24 months. This is only a temporary measure and you need to be confident they can repay the amount at the end of the term as this is effectively taking on additional debt – albeit at 0% interest.

Tax

Universal Credit

Universal credit, the UK government social security payment, now covers most of the benefits available to individuals. There is a detailed guide which can be provided covering all considerations of Universal Credit. The key points are:

- A change to working hours / pay may mean that an individual can claim an increased Universal Credit payment
- Self-employed and zero-hour contract workers can receive Universal Credit

- The typical 5-week lag before receiving payments for Universal Credit can be shortened by an emergency Universal Credit loan which is then paid off by future Universal Credit payments

See: <https://www.gov.uk/universal-credit>

Job Seekers Allowance

Those who have lost their job may be eligible for 'New Style Employment and Support Allowance'. This applies to people who have been employees (not self-employed) in the last 2 or 3 years.

<https://www.gov.uk/jobseekers-allowance/eligibility>

Child Benefit

With many employees and the self-employed being furloughed, being made redundant or making lower profits their income for 2020/21 may well fall below the £50,000 limit at which child benefit starts being taxed. The charge is 1% for every £100 that adjusted net income exceeds £50,000 multiplied by the child benefit claimed in respect of the children. Note that the rate of Child benefit increased from 6 April to £21.05 a week for the eldest child and £13.95 for each additional child. Many couples with income over £60,000, when the benefit is fully taxed stopped claiming Child Benefit rather than having to repay it back in tax. They should therefore reinstate their claims if the income of the higher paid taxpayer drops back below £60,000.

Self-Assessment Deferral

The next deadline for self-assessment tax is 1 July 2020 for the second payment on account. This can now be deferred until 31 January 2021 which gives a cash boost for the next 6 months but remember this is tax due so will need to be paid when due.

Working from home allowance

If you are required to work from home, possibly as a result of the lockdown, employers are required to pay a working from home allowance to their employees. This can either be a flat rate of £6 a week or can be calculated as the directly incurred increase in expenses.

House

Mortgage

Banks have been required to provide 3 months mortgage relief to borrowers as a result of Covid-19. People should contact their lender directly and in many cases this can be done online. Do not cancel the direct debit to the bank as this will be classed as a missed payment and recorded on your credit file. Eligibility criteria are that mortgage payments are up to date and the individual has been impacted by Covid-19 (self-certified). Interest will still accrue on the mortgage for the 3-month period but no cash payments are needed to be made.

Other options which may be relevant include switching to an interest only mortgage and extending the term of the mortgage.

Rent

The government has brought forward protections for private and social renters such that landlords will have to give renters 3 months' notice if they intend to seek possession (i.e. serve notice that they want to end the tenancy). This legislation is in force until 30 September 2020 but may be extended.

If a renter is having difficulty paying their rent then they should communicate with their landlord and reach an agreement. The landlord can apply for the 3-month mortgage relief mentioned above which would be expected to be passed on to the renter.

<https://www.gov.uk/government/publications/covid-19-and-renting-guidance-for-landlords-tenants-and-local-authorities>

Utility Costs

If not already done so, this may be a good opportunity to shop around for new gas, electricity, water and broadband providers to save money. Note that if a physical installation is needed to take place then it will not be possible to do so until after lockdown is lifted.

Helpful guide on household costs here: <https://www.moneysavingexpert.com/news/2020/03/uk-coronavirus-help-and-your-rights/>

Council Tax

Many councils have been accommodating to individuals struggling to pay their council tax. There is no country wide standard for this so it is a case of reviewing the local council's website and approaching them directly to see what help they can provide.

Finances

Credit Cards / Personal Loans / Overdrafts

The FCA has recently brought in a series of measures to support individuals who have personal finance. The summary terms are:

- Offer a temporary payment freeze on loans and credit cards for up to three months, for consumers negatively impacted by coronavirus
- Allow customers who are negatively impacted by coronavirus and who already have an arranged overdraft on their main personal current account, up to £500 charged at zero interest for three months
- Make sure that all overdraft customers are no worse off on price when compared to the prices they were charged before the recent overdraft pricing changes came into force

- Ensure consumers using any of these temporary payment freeze measures will not have their credit file affected

<https://www.fca.org.uk/news/press-releases/fca-confirms-temporary-financial-relief-customers-impacted-coronavirus>

If someone has a permanent / large balance on a credit card they have two main options available:

- 1) If possible, do a 0% balance transfer to another credit card: or
- 2) Speak to the credit card company, explain that you have been impacted by Covid-19 and try to reach an arrangement

Car Finance / Pay Day Lenders

The FCA has also brought in measures to protect consumers who have the following financial products:

- Motor finance – Firms are required to provide a 3-month payment freeze to customers who are having temporary difficulties meeting finance or leasing payments due to coronavirus. Firms are also expected to act fairly if the lease has come to an end and the individual cannot make the balloon payment.
- High-cost short-term credit (including payday loans) - Firms are required to provide a 1-month payment freeze to customers facing temporary payment difficulties due to the coronavirus pandemic. No additional interest should be charged to the customer as a result of the payment freeze.
- Other credit products - Firms that provide Rent-to-own, Buy-now-pay-later, or pawnbroking agreements to provide a 3-month payment freeze to customers facing payment difficulties due to coronavirus. Pawnbrokers should agree not to sell an item for the 3-month period.

<https://www.fca.org.uk/news/press-releases/fca-confirms-support-motor-finance-and-high-cost-credit-customers>

Self Employed Grant Scheme

The government scheme to support the self-employed protect individuals if they have suffered a loss in income. In this instance, a taxable grant will be paid to the self-employed or partnerships, worth 80% of profits up to a cap of £2,500 per month. If considering applying for this grant we encourage you to speak to your accountants who can help guide you through the process.



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Other

MOT Deferral

A car, van or motorcycle's MOT expiry date will be extended by 6 months if it is due on or after 30 March 2020 - but the vehicle must be kept safe to drive.

Vehicle SORN

Vehicles that are not on the road don't need to be insured. If a vehicle is no longer needed an individual can apply for a Statutory Off Road Notification (SORN) to officially declare it 'off road' indefinitely (assuming it can be parked on private property). Once it is certified, the insurance and road tax no longer need to be paid and any refunds can be reclaimed.