



Cost of living

Whitepaper



May 2023



Life in the post-pandemic era may have brought a return to normal, but it's safe to say, it's anything other than predictable. And when it comes to the UK housing market, predictable is rarely to go-to description. At Hodge we're committed to understanding the changing circumstances of homeowners and we'll always support them in **the moments that matter most.**

Hodge CEO, Dave Landen

In our previous cost of living study, homeowners told us they were reconsidering how best to use one of their greatest assets to help ride the financial storm.

A year on, those plans and sentiments appear to have risen sharply. Increasing energy prices and everyday costs are affecting people of all ages and income brackets, and many more homeowners are considering re-mortgaging to consolidate their debts.

At Hodge, we pride ourselves on being a *caring bank*

We value our customers' views and opinions. By getting a better understanding of how their lives are affected by the current financial climate, we can adapt and add to our range of products, helping them achieve a more financially secure future.

We have therefore interviewed twice as many customers as we did previously with this in mind about their concerns surrounding ongoing rises in the cost of living, and how this affects the relationship people have with what, for many, is their biggest asset.

We spoke to 2,000 people of varying ages and income levels about the impact of the financial climate on their mortgage decisions as part of a broader annual cost of living study conducted to understand our customers' views and experiences. Our questioning of 2,000 people across all ages, from 21 to 55+ years-old, and with incomes ranging from up to £18k to more than £100k, shows us that the rising cost of living is still a major concern for the majority of people, regardless of their situation.

Here, we share the outcome of those conversations, outlining how the cost of living is affecting UK mortgage decisions, where people are choosing to cut back, and our thoughts on how mortgage providers and brokers may be able to help. The research we conduct allows us to help customers and intermediary partners gain a better understanding of the current economy, facilitating better conversations which lead to smarter solutions in the process.





How is the cost of living affecting peoples mortgages?

Our research shows the continued squeeze on household spending power has prompted a surge in homeowners considering using their house to consolidate their debts. Homeowners appear to be drawing more heavily than ever on their biggest asset to get through any financial challenges they're facing.

Our data shows:



87%

have considered re-mortgaging to consolidate debts.



27%

believe increasing utility bills had impacted their decision-making re-mortgaging.



1 in 5

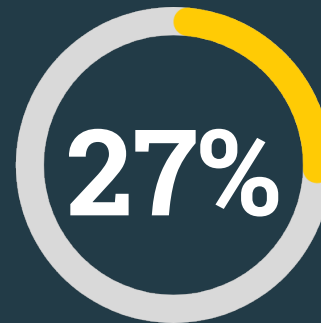
people said they would be looking to release equity next time they re-mortgaged.



There has been a **sharp rise** in the number of homeowners considering re-mortgaging their property to consolidate their debts



Four times as many (87%) said they were considering doing so, in comparison to 20% during the same period last year.



More than a quarter of those we spoke to (27%) said that the rising cost of living, particularly growing utility bills, has impacted their decision-making regarding re-mortgaging.

Our research also revealed that **one in five** people plan to release equity from their properties the next time they re-mortgage. This could reflect a delayed confidence in the UK housing market following an extended and unprecedented period of growth, and ahead of any further impact on UK house prices that may be predicted.

It's worth noting our previous whitepaper also suggested homeowners are also considerably less likely to rely on financial gifts from family.



How is the rising cost of living affecting attitudes to mortgages?



In general, the spending behaviour of most UK homeowners remains fairly steadfast. The responses from this year's study suggest attitudes to mortgages have only changed slightly during the past year or so.

The number of people letting the rising costs of utility bills have any kind of impact on the decisions they make around their mortgages has scarcely changed, for example, and neither has the number of people looking to release equity from their properties.



Is the cost of living affecting people's decision to buy and sell property?



Less than a quarter of the people we spoke to were concerned about house prices. Similarly, the number of people who said the rising cost of living was impacting where they choose to live and work has only risen slightly.

The cost of living is likely to be affecting the number of young people making their way onto the property ladder, however. Of the **20 to 30-year-olds** we spoke to, the majority told us the cost of living was impacting their decision making around buying a property.



of 20-30 year olds and 54% of 31-40 year olds say the cost of living is impacting their decision making around buying a property.



People aged 31 to 40 are most likely to let the cost of living have an impact on where they choose to live and work.

Conclusion

The Cost of Living is still significantly affecting how most people in the UK manage their money and live their lives. Many are approaching their spending habits with the same amount of caution that they did when the cost of living crisis first emerged.

When it comes to homeowners, this seems to involve drawing more heavily than ever on the assets available to them, where non-homeowners are less able, in order to support themselves in the current financial climate.

It could be that they are falling back on additional funds available to them in the form of re-mortgages to help them meet any economic challenges before them, as those considerably less likely to rely on financial gifts from family members, as predicted in our previous whitepaper.

The pressures we all experienced on household expenditures may be shifting, but they are still present and continue to affect people of all ages and backgrounds. People are also adapting the way they manage their finances in response, however, and it is our responsibility as a bank to support them by introducing and developing new and existing coping strategies.

Clients need support to understand any impact changing interest rates may have on their mortgages and additional information to give them a solid understanding of the pros and cons, ultimately allowing homeowners to make informed decisions about their mortgages - which, as this whitepaper shows, continue to prove one of the most crucial assets people can have.



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