Will the end of furlough and the stamp duty holiday spell disaster for the finance industry?

Submitted by: Key Loans & Mortgages Limited t/a KIS Finance
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Without the much needed support of the Corona Virus Job Retention Scheme the outlook for millions of employees across the economy could have been much bleaker over the last 18 months. Within the finance sector companies were able to hold onto experienced staff who's skills otherwise might have been lost. Whilst the number of staff still on furlough has been steadily decreasing, at the end of July 2021, 17% of employers in the sector were still relying on the scheme to provide financial support to staff, with claims of £47million in the preceding 3 months alone. (data ONS)

But with the scheme now finally ending on 1 October, what will this mean for those finance companies who are still relying on this support. Can the sector expect to see a rise in redundancies, especially when the timing coincides with the end of the stamp duty holiday, which has provided a much needed stimulus to the sector over the last year.

With the end of the temporary increase in the stamp duty threshold in England to £500,000 some are predicting that the resulting boom in house sales is likely to now tail off, with the potential to negatively impact on the sector. Whilst the savings on stamp duty have been tapered out over the last few months, many have still taken the opportunity to push forward with their house purchase to take advantage of the savings. But could the resulting slowing down of this demand means that companies may now decide to let staff go once the furlough payments cease?

Of course the slight reduction in demand in the housing market could have a positive effect of helping to stabilise house prices, which have been steadily increasing over the last year. With the typical UK property increasing in value by £24,500 between July 2020 and June 2021, any savings from the stamp duty holiday could easily have been lost as buyers have had to shell out more for their purchase. Without the pressure of a looming stamp duty holiday deadline, the sector may now stabilise, and we could see a slight reduction in house prices as demand returns to a steadier level.

The impact of the pandemic has also shaped people's priorities when it comes to the housing market, with increased space for home working and outdoor space becoming far more important for many as they consider their next property move. This bodes well for the sector with the potential for growth to continue, but at a steadier and hopefully sustainable rate.

Holly Andrews, Managing Director at KIS Finance (https://www.kisbridgingloans.co.uk/) says:

"Whilst the last 18 months have presented some unprecedented challenges to the sector, the outlook still looks positive. Furlough has been a lifeline to many employers, but there are signs that demand will remain strong. The end of this support may result is some companies reassessing their existing structures, but overall we don't anticipate an end of Furlough Armageddon with the resulting large scale job losses that other sectors may now be facing.

With people now reconsidering their housing requirements as life starts to return to normal, we expect demand to remain buoyant. Especially as some may have taken the opportunity to build on their savings pot over the last 18 months, when their normal spending patterns have been curtailed. This may result in an increase in those stepping onto the housing ladder for the first time or making a move to their next home.

At the other end of the age spectrum, we’re also seeing an increase in older clients choosing not to downsize but instead remain in their current property and use equity release as a way to provide an additional income during retirement.

As a sector we need to be ready to meet these changes in demand and adjust accordingly, as people reassess their financial priorities and lifestyle choices."

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About KIS Finance:

KIS Finance are an independent finance broker specialising in bridging finance, development finance, commercial mortgages, equity release, and secured loans. Their team of advisors have considerable experience across multiple different areas of the finance sector, as well as insurance and compliance.

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