Freelancers' financial wellbeing:

Understanding experiences of savings, pensions and mortgages in 2021

ipse
The Association of Independent Professionals and the Self-Employed

CMME
Mortgages for independent professionals

Foreword

As the economy slowly recovers from the disruption caused by lockdown and the pandemic, there is one sector that continues to defy economic gravity: the property market. According to recent figures from the ONS (Office of National Statistics), average house prices increased by 11.8 per cent over the year to September 2021 to reach a record high of £270,000.

Moreover, transactions have soared in recent months too, with HMRC reporting as many transactions in the year-to-September as the whole of 2019 and, in June, the highest monthly total since records began in 2005.

The key drivers behind this recent growth are temporary changes to stamp duty combined with pent-up demand following uncertainty around the pandemic and Brexit, and the desire for more space from houseowners following lockdown. In particular, the extra time spent working in the home has shifted perspectives on what the home means and is used for - causing homeowners to improve their existing home or to seek a larger property elsewhere.

The concern that the Bank of England base rate could increase, in response to rising inflation, is also driving the housing and mortgage market as first-time buyers, home movers and those remortgaging seek to secure mortgages while interest rates remain at record low levels.

But what effect does the increase in transactions and housing prices mean for contractors, freelancers, and the wider self-employed community when it comes to their ability to secure a mortgage? While many in this sector - which makes up around 12 per cent of the UK's workforce - would love to jump on the housing ladder while interest rates remain historically low, freelancers have found it difficult to secure a mortgage. Almost 2 in 5 self-employed workers claim to have experienced difficulty getting a mortgage, as traditional banks and lenders have struggled to assess their true borrowing power, often resulting in them lending less, offering a poor deal or simply saying no.

This report, conducted with IPSE, examines the specific challenges and experiences that contractors and self-employed workers must go through to secure a mortgage. It states that despite the boom in the property market more generally, only a small minority of the self-employed community are seeking mortgages and entering the property ladder. It also states that many contractors continue to feel misunderstood or penalised by mortgage lenders – with many stating that they feel they won't get a mortgage for being a self-employed worker or signing up to SEISS and other COVID-19 support schemes.

This year we have also looked at the wider financial health of the self-employed community and the difficulties that are being faced. With the COVID-19 pandemic and changes to IR35 causing mass uncertainty, the report states that a significant number of self-employed workers are worried about their prospects and long-term financial wellbeing.

Worryingly, these financial issues are potentially hindering those who are self-employed from making important lifestyle decisions that could impact the quality of life, mental wellbeing and future financial security of those professionals.

CMME believes that the way that people choose to work should not limit their life choices. We have spent the past 18 years working directly with banks and building societies to change the way they view contractors, freelancers and the self-employed.
In doing so, we have helped to change risk appetite and lending criteria so that this invaluable sector

of society can gain access to the mortgages they deserve.

Our expertise in providing financial advice across mortgages, life assurance, pensions and investments is key to our ambition to ensure the financial wellbeing of the self-employed community. While many of the challenges identified in the report are troubling, they are already well understood by CMME - and ones that we have created solutions for.

The report makes clear that more still can be done to help support those who choose to work for themselves, and we will continue to work with IPSE to fight their corner, providing the self-employed with clear advice, support, and guidance so that they can move ahead with their lives and climb the property ladder.

Mike Coshott
CEO of CMME

C M M E

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Executive summary

- Room for more advice and support for self-employed savers, with 71 per cent concerned about saving for later life.
- Women (78%) were more likely to be concerned than men (69%) about saving for later life.
- Concerningly, 14 per cent are not currently saving for later life in any way. Again, women were more likely to not be saving compared to men (20% compared to 12% respectively).
- Over one in 10 self-employed people (12%) are planning to purchase a property in the next five years.
- However, getting a mortgage has become more difficult for the self-employed in 2021, as 38 per cent report that they found the process either somewhat or very difficult – a 57 per cent increase to the figure in 2020.
- Only one in five (19%) believe that they will be treated fairly by mortgage lenders with half (50%) believing they will not be.
- Two in five (40%) people who accessed the Self-Employment Income Support Scheme (SEISS) during the pandemic fear they could be penalised in a mortgage application.

78% vs **69%** Women were more concerned than men about saving for later life

20% vs **12%** Women were significantly less likely to be saving for later life compared to men

The self-employed, who were disproportionately impacted by the pandemic, are now facing greater difficulty accessing key financial products as a result.

With the pandemic forcing over a quarter of self-employed people (27%) to burn through hard won savings to get by, and further strain placed on the cost of living by higher taxes and rising inflation, putting freelance finances back on track will be essential to averting a self-employed savings crisis in future.

But significant barriers remain, with one in five (20%) indicating they are not clear about the pension products available to them – and 14 per cent are not currently saving for later life in any way, for reasons including not being able to afford to save (59%) and having other financial priorities (35%).

Without guaranteed income from employment, the self-employed are also facing greater difficulty compared to employees when searching for a mortgage, potentially undermining the plans of the 12 per cent of self-employed people looking to purchase a home in the next five years.

Concerningly, the process of obtaining a mortgage appears to have become more difficult for the self-employed, with 38 per cent of this year's sample reporting that they found the process either somewhat or very difficult – a 57 per cent increase to the figure from 2020.

Reasons for this difficulty range from a requirement to complete greater volumes of paperwork, to dealing with providers who would not lend to them because of their self-employed status. There are also concerns that those who claimed SEISS payments at the height of the pandemic – a cohort of 2.9 million people –could be penalised in their mortgage applications for doing so.

Overall, it is clear that the self-employed face unique difficulties when attempting to access key financial products that employees – who have regular incomes and are automatically enrolled into workplace pensions by their employer – do not.

It is therefore essential that tailored advice and products are developed for the self-employed sector, whilst areas of the tax and employment system that prevent lenders from de-risking the self-employed as customers are addressed – ensuring that the UK's 4.3 million self-employed are not disadvantaged in their plans for later life and home ownership.

Introduction

IPSE and CMME have collaborated on a new piece of research to examine how self-employed people currently feel about their finances and how concerned they are about saving for later life and accessing financial products such as mortgages.

We already know that self-employed individuals are worried about irregularity of income (58%), not being financially prepared for the future (40%) and not being able to get financial support due to their self-employed status[1] – which presents notable challenges for those wishing to obtain financial products such as mortgages or establish savings for later life.

This report examines how satisfied self-employed people are with their current financial situations and how concerned they are about saving for later life. It also explores how people are currently saving and some of the barriers that exist around saving for later life. Furthermore, the research will assess the impact of the pandemic, Brexit and the imposition of government tax policy on future financial plans.

40%

worried about not being financially prepared for the future

The second part of the report builds on previous IPSE and CMME research from 2020 to cast a spotlight on the experiences of the self-employed with regards to mortgages. This section explores the past experiences of self-employed people who currently have a mortgage to further understand the barriers and difficulties they faced. It also examines attitudes around remortgaging and the barriers and drivers to using a broker compared to going directly to the lender.

Moreover, the report seeks to understand the attitudes of those who are not currently homeowners, including understanding the barriers and drivers to purchasing a property and identifying areas where people need support.

The report concludes with a series of recommendations for government and industry around saving for later life, mortgages and how self-employed people can be further supported with their finances.

Satisfaction with overall current financial situation

The pandemic has had a profound and devastating impact on many freelancers' finances – with three out of five (60%) freelancers reporting a decrease in turnover as a result.

In fact, almost half (47%) of those who had suffered a decrease in turnover, experienced decreases of over 40 per cent.[2]

Although freelancers are still contending with the impact of the pandemic and gaps in government support, IPSE's quarterly Confidence Index reveals that freelancers are starting to recover from some of the impact of the pandemic, with reports of more work and increased earnings compared to at the height of the pandemic.

Despite this, many are now having to contend with the impact of the reforms to IR35 in the private sector that came into force in April 2021. In our latest quarterly Confidence Index for Q2 2021, many freelancers reported that they are slashing their day rates to compete for fewer contracts after the changes to IR35 (average day rates falling from £445 in Q1 2021 to £397 in Q2 2021). Similarly, average quarterly earnings also fell by £2,126 compared to the previous quarter (Q1 2021).[3]

Our current research reveals that now in October 2021, 42 per cent of freelancers report that they are either somewhat or very satisfied with their current financial situation.

Despite this, 41 per cent report that they were either somewhat or very dissatisfied with their current financial situation and a further 17 per cent are neither satisfied nor dissatisfied.

Interestingly, female freelancers were more likely to report that they were either somewhat or very dissatisfied with their current financial situation compared to male freelancers (51% compared to 36%).

Similarly, sole traders were also more likely to report that they were either somewhat or very dissatisfied than limited company directors (52% compared to 37%).

41%

somewhat or very dissatisfied with their current financial situation

Saving for later life

The coronavirus pandemic has also impacted the ability of the self-employed to save for later life, with over a quarter (27%) reporting that as a result of the pandemic, they have been forced to use up all their savings to cover living costs.[4]

Periods of time without work due to lockdown restrictions and gaps in government support throughout the pandemic have only deteriorated the ability of many freelancers to make regular pension contributions.

71%

somewhat or very concerned about saving for later life

78% vs **69%**

Women were more concerned than men about saving for later life

As such, it was important to understand how concerned the sector is about saving for later life, especially given the financial demands that many have experienced as a result of the pandemic.

The majority (71%) of the sample reported that they were either somewhat or very concerned about saving for later life, including almost a third (30%) who were very concerned.

This compares to just 12 per cent who were not concerned about saving for later life and 15 per cent who were ambivalent.

Interestingly, female freelancers were more concerned than their male counterparts about saving for later life (78% compared to 69%) which closely aligns with previous findings prior to the pandemic – where female freelancers were more likely to be concerned (76% compared to 63%).[5]

Despite high levels of concern, over half (58%) of the sample agreed that they understood the range of pension products available to them. However, a further one in five (20%) disagreed, indicating that they were not clear about the pension products available to them.

Female freelancers (29%) were more likely to report that they disagreed compared to male freelancers (17%) whilst sole traders (29%) were also more likely to report that they disagreed compared to limited company directors (20%). There were also differences seen with age, with younger freelancers under 40 (30%) more likely to say they did not understand the pensions products available to them compared to those over 40 (19%).

This indicates that with high levels of concern around saving for later life, there is room for more advice and support, especially for groups such as younger and female freelancers who are more likely to report that they don't understand the range of products available to them.

Methods of saving for later life

There are a range of different methods available for saving for later life, ranging from the more traditional private or personal pensions and schemes such as Lifetime Individual Savings Accounts (LISAs).

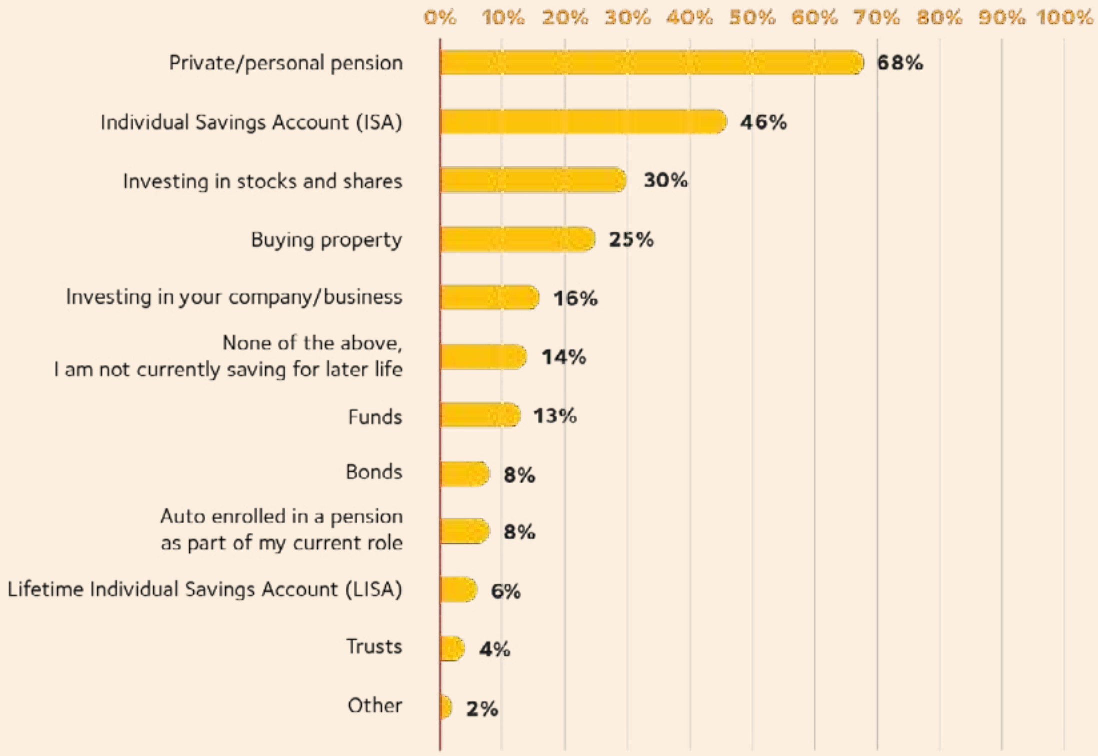
The current research reveals that over two thirds (68%) of the sample reported that they currently have a private or personal pension and almost half (46%) were saving into an Individual Savings Account (ISA).

Other popular ways of saving for later life included investing in stocks and shares (30%) and investing in property (25%).

Investing in a company or business (16%), saving into funds (13%), or being automatically enrolled into a pension as part of their current role (8%) were also ways that people were currently saving.

Similar to previous findings[6], male freelancers (71%) were more likely than female freelancers (60%) to have a private or personal pension whilst limited company directors (75%) were also more likely than sole traders (50%) to be paying into a private or personal pension.

Figure 1. Methods of saving for later life



Note: Percentages do not add up to 100% because respondents could select multiple responses

Reasons for not saving for later life

Concerningly, 14 per cent of the sample were not currently saving for later life in any way.

Backing up previous research[7], women were significantly less likely to be saving for later life compared to men (20% of women not currently saving compared to 12% of men).

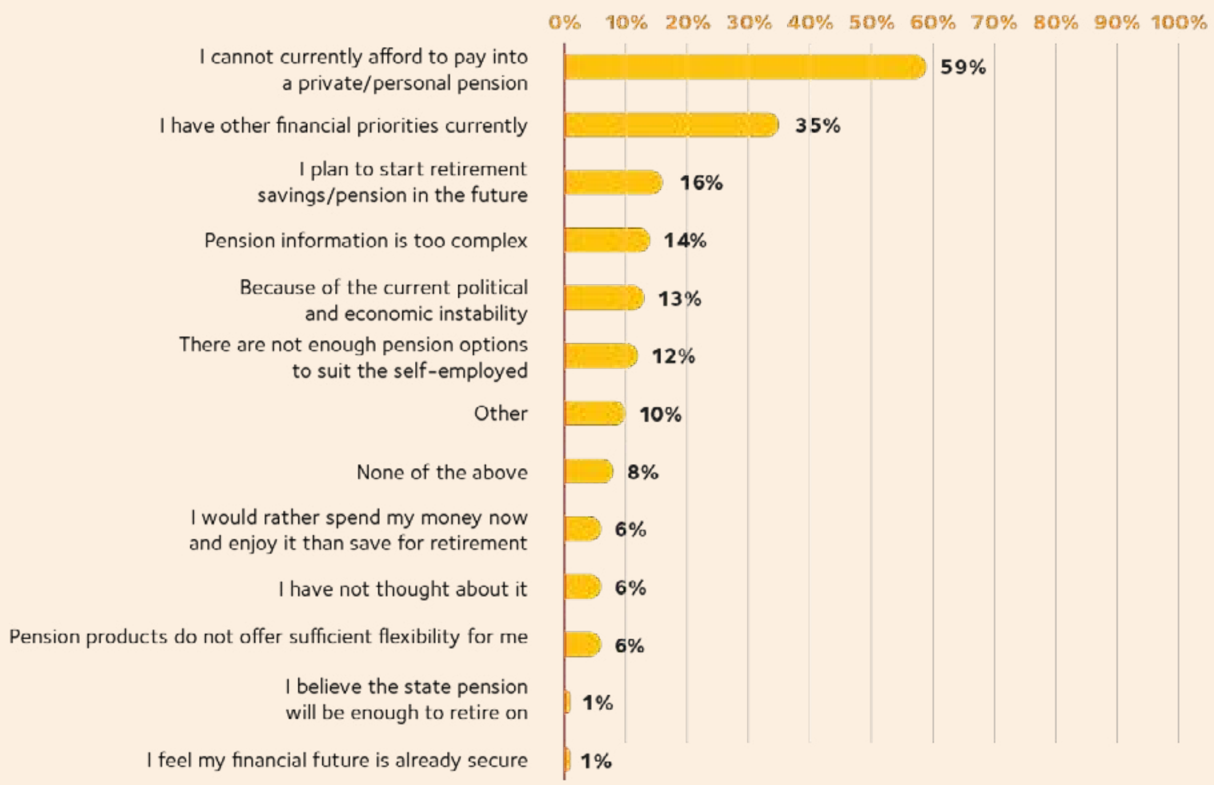
Sole traders were also significantly less likely to be saving for later life compared to limited company directors (23% of sole traders not currently saving compared to 10% of limited company directors).

The top reasons why people were not currently saving for later life were because they couldn't afford to save (59%), or they had other financial priorities at this time (35%). One in six (16%) highlighted that they planned to start saving for later life in the future, and 14 per cent felt that pension information is too complex. There were also 13 per cent of freelancers who weren't saving because of the current political and economic instability – likely linked to the impact of the pandemic and the implementation of IR35 reforms in the private sector.

14%

not currently saving for later life

Figure 2. Reasons for not saving for later life



Note: Percentages do not add up to 100% because respondents could select multiple responses

Factors impacting upcoming financial decisions

The self-employed have had to contend with the pandemic, Brexit and recent reforms to IR35 in the private sector impacting on their availability of work, current finances and in turn their ability to save and financially plan ahead. In order to quantify the severity of these events on freelancers' finances and to adopt tailored support proposals, we asked self-employed individuals which factors are having the greatest impact on their upcoming financial decisions.

The impact of the pandemic

The pandemic has financially scarred the self-employment sector, with previous IPSE research revealing that two out of three freelance businesses (67%) were negatively affected by the pandemic[8].

Whilst government attempted to provide some support to the sector with the establishment of the Self-Employment Income Support Scheme (SEISS), the eligibility criteria left large sections of freelancers with little or no support.

Although some newly self-employed were eventually included in the later SEISS grants, limited company directors and those with annual profits over £50,000 were left without support for most of the pandemic, which forced many to take on debt to keep their business afloat – and drove many others out of self-employment altogether[9].

Overall, while 3.4 million self-employed people were eligible for the SEISS, approximately 1.6 million of the 5 million people who were self-employed at the start of the pandemic were excluded from support[10].

71%

somewhat or very concerned about the impact of the pandemic on their future financial decisions

This latest research reveals that 71 per cent of respondents continue to be somewhat or very concerned about the impact of the pandemic on their future financial decisions, including over a quarter (27%) who were very concerned. This is a significant drop from the research conducted in 2020, where 90 per cent were concerned, however this remains a large majority.

The impact of IR35 reforms in the private sector

In April 2021, the sector had to contend with the implementation of IR35 reforms in the private sector. This has moved the responsibility for determining the employment status of freelancers to medium and large sized private business clients.

IPSE's own research now reveals that, as a result of the reforms, freelancers are increasingly operating within IR35, with one in three (36%) now working in engagements that are deemed inside IR35 and over a third (34%) operating through umbrella companies.[11]

The research also shows that the majority (80%) of those now working on inside-IR35 roles report that they have seen a drop in their quarterly earnings and by an average of 30 per cent.

With freelancers now increasingly starting to operate through umbrella companies, this is also impacting on their ability to secure certain financial products such as mortgages, with lenders often not fully understanding how these umbrella mechanisms work.

78%

concerned about the impact of the IR35 reforms in the private sector on their future financial decisions

The current data reveals that 78 per cent of respondents are currently concerned about the impact of the IR35 reforms in the private sector on their future financial decisions. This is a significant increase from 2020 where 70 per cent of respondents were concerned.

When looking only at self-employed people operating through limited companies, those most likely affected by the introduction of the changes, we can see that 86 per cent are now concerned by the impact of IR35 reforms, including 60 per cent who are very concerned.

The impact of Brexit

The UK leaving the European Union has resulted in increased border checks and some delays for freelancers that continue to trade with Europe, causing freelancers' confidence in their own businesses and the economy to fall in the immediate aftermath of the UK's withdrawal[12].

Similarly, restrictions on travel for those working for themselves across Europe has coupled with the impact of the pandemic and IR35 reforms to bring about labour shortages – most recently highlighted in the HGV driver market[13].

Similar to 2020, a total of 65 per cent of the sample now report that the UK leaving the European Union had made them either somewhat or very concerned about their upcoming financial decisions.

Overall, it is clear that the self-employed and their plans for obtaining a mortgage and other future financial decisions have been profoundly impacted by the impact of the pandemic and introduction of IR35 reforms, with their ability to save or plan ahead squeezed.

Spotlight:

Experiences and attitudes towards obtaining a mortgage

Previous IPSE and CMME research into mortgages from 2020 revealed that 60 per cent of self-employed individuals felt that they were expected to jump through more hoops in order to obtain a mortgage compared to their employee counterparts.[14] The research also illustrated that over half (52%) of freelancers thought that mortgage advisors at banks and building societies do not understand their financial situation and that mortgage providers do not want the self-employed as customers.

Furthermore, over half (59%) of freelancers previously reported that they felt penalised for being self-employed when applying for a mortgage and one in four (25%) previously stated that they had struggled to obtain one.

In the latter part of this report, we build on this previous research conducted in 2020 to establish how self-employed people feel, one year on, about one of the biggest financial decisions in a person's life – purchasing a property.

Current home owners

Experiences obtaining a mortgage

Over half (51%) of freelancers reported that they currently owned a home with a mortgage.

Interestingly, those operating through a limited company (55%) were more likely to report that they owned a home with a mortgage compared to those operating as sole traders (35%), which closely aligns with our previous findings (56% compared to 32% respectively).

The current research now reveals that, of those who were self-employed at the time of purchasing their property, two-fifths (41%) found the process of getting a mortgage either somewhat or very easy.

However, 38 per cent of the sample reported that they found the process either somewhat or very difficult, including one in ten (11%) who found it very difficult.

38%

found the process of getting a mortgage either somewhat or very difficult

This is a significant increase of 57 per cent compared to our previous findings in 2020, where a quarter (25%) found the process either somewhat or very difficult.

The top reasons for this difficulty were similar to those highlighted in the previous research. Notably that they needed to provide more paperwork because of their self-employed status (81%), that some lenders wouldn't consider them because of their self-employed status (67%) and over half reported that they were penalised for being self-employed (52%).

Interestingly, despite being the top reason for difficulty, significantly fewer people reported that they were required to provide more paperwork because of their self-employed status, compared to our previous findings in 2020 where 96 per cent of the sample reported this.

In addition, others reported that lenders weren't willing to lend them the amount they needed (23%) and that rates were higher than they wanted (21%).

Interestingly, this year only eight per cent stated that difficulties around obtaining a mortgage were due to a lack of low deposit mortgages on offer which represents a significant decrease of 71 per cent compared to 2020 (28%). The fall is likely linked to the significant reduction in availability of higher loan-to-value mortgages that was seen in 2020 due to the pandemic, with a number of these products now returning[15].The announcement of the 95 per cent mortgage scheme in April 2021, which allows first-time or current homeowners to purchase a property with just a five per cent mortgage may also be a factor[16].

Figure 3. Which of the following difficulties, if any, did you experience when applying for a mortgage?

Note: Percentages do not add up to 100% because respondents could select multiple responses

Use of stamp duty holiday

To encourage buyers to purchase properties throughout the pandemic, the government introduced a temporary increase to the threshold above which buyers are required to pay stamp duty. This meant that, between 8 July 2020 and 30 June 2021, buyers completing a purchase on properties costing less than £500,000 didn't have to pay stamp duty. The threshold reduced to £250,000 between 1 July 2021 and 30 September 2021 and returned to £125,000 on the 1 October 2021.

Of those who currently had a mortgage, 16 per cent had purchased their property in the last year and of these, over two thirds (68%) had been able to make use of the stamp duty holiday when purchasing their property, with the remaining 32 per cent stating that they did not.

Remortgaging

For those who were current homeowners, we were interested in understanding whether there was an appetite to remortgage their property in the near future and the reasons behind such plans.

As in 2020, almost half (45%) of the sample reported that they intended to remortgage their property, with 16 per cent intending to do so in the next year.

When exploring some of the reasons why people were planning to remortgage, over half reported that they intended to do so to find a better rate (52%) or due to their current deal shortly expiring (51%).

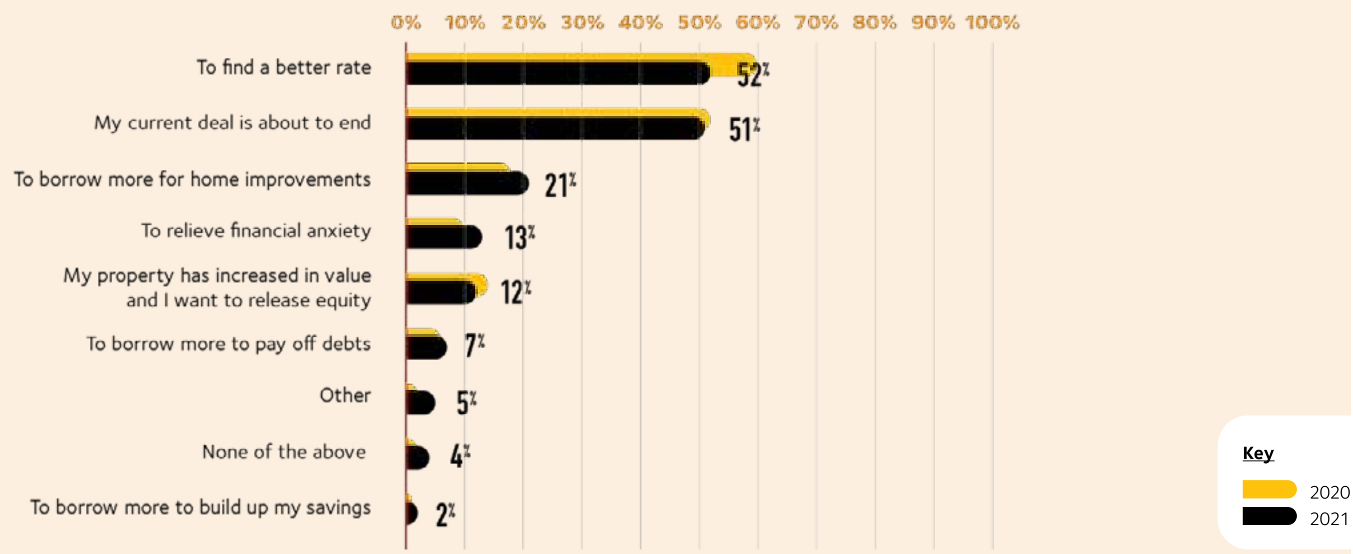
One in five (21%) also stated that they planned to remortgage to borrow more for home improvements.

Interestingly, women were significantly more likely to state this as a reason to remortgage compared to men (31% of women and 17% of men).

A further one in ten (13%) wished to remortgage to relieve financial anxiety and 12 per cent revealed that they planned to remortgage because their property had increased in value and they wanted to release equity.

Seven per cent also reported that they intended to borrow more to pay off debts. This is particularly concerning given that we already know from previous research that 27 per cent of freelancers had used up all or most of their savings as a result of the pandemic[17].

Figure.4 For which of the following reasons, if any, would you plan to remortgage your home?



Note: Percentages do not add up to 100% because respondents could select multiple responses

Those who were planning to remortgage, were asked whether they would use a broker or go directly to a lender to source their mortgage.

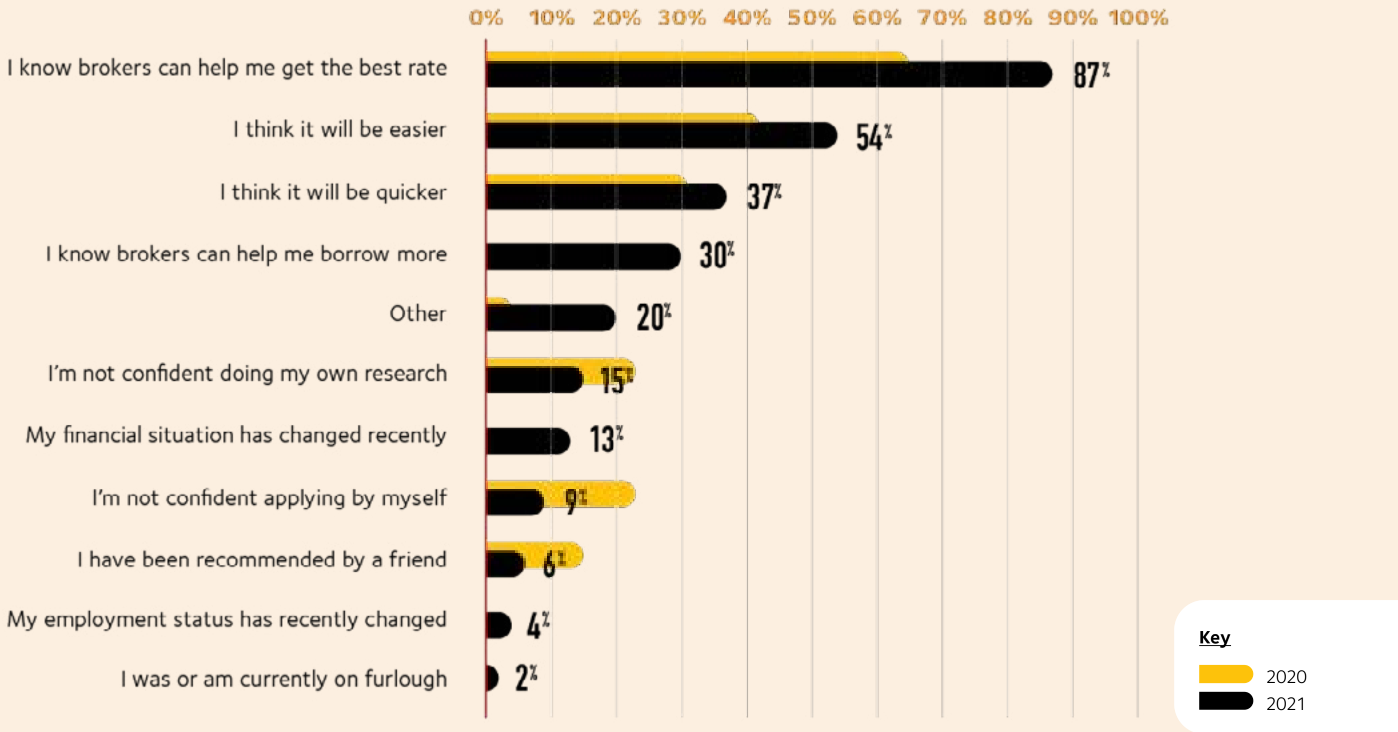
The split was equal, with 37 per cent planning to use a broker and 38 per cent planning to go directly to the lender. The remaining 20 per cent were unsure of whether they would go directly to the lender or go through a broker. This is similar to the findings in 2020 and revealed no significant differences.

The key reasons for planning to use a broker were also in line with the reasons stated in 2020. Notably, respondents felt that brokers could help them get the best rate (87%) and that it would be easier (54%) and quicker (37%) to go through a broker.

A further 30 per cent believed that brokers would be able to help them borrow more, 15 per cent weren't confident doing their own research and 13 per cent highlighted they were going to use a broker because of a recent change in financial situation – likely because of the pandemic or IR35 reforms in the private sector.

Interestingly, one in five (20%) selected 'other' to explain why they were planning to use a broker to remortgage their property, with responses focusing on previous positive experiences. Trust in a particular broker was an important factor for some and others reported previous experiences of brokers being able to find the best available deals.

Figure 5. For which of the following reasons, if any, are you planning to use a broker to remortgage your property?



Note: Percentages do not add up to 100% because respondents could select multiple responses

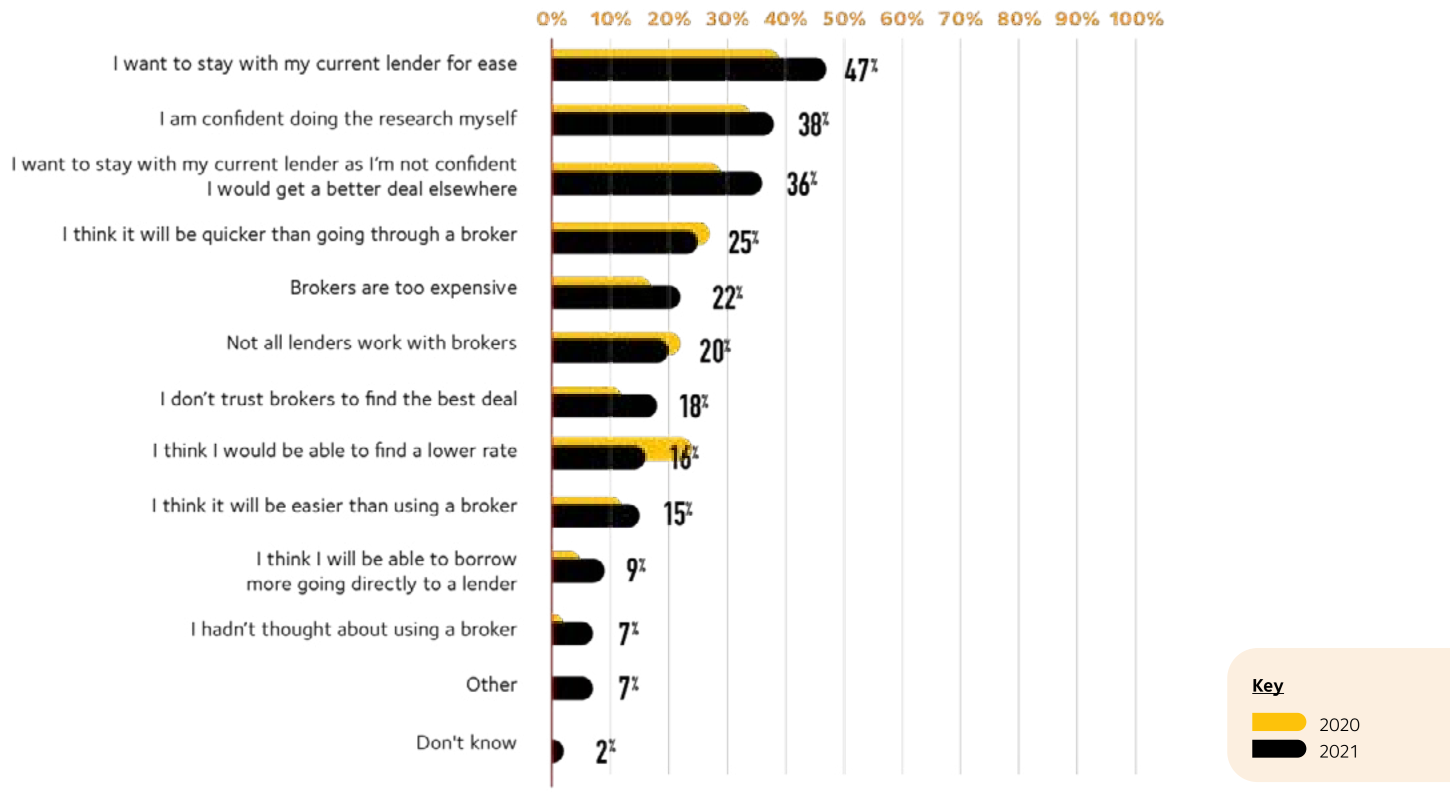
For those who were planning to go directly to the lender, the majority (47%) reported that this was because they wanted to stay with their current lender for ease and 38 per cent indicated that they were confident doing the research themselves.

Over a third (36%) reported that they didn't think that they would get a better deal elsewhere and a quarter (25%) believed that going directly to the lender would be quicker than using a broker.

In addition, 22 per cent reported that a key reason for going directly to the lender was because brokers were too expensive.

A further one in five (20%) indicated that they intended to go directly to the lender as not all lenders work with brokers whereas 18 per cent stated that they didn't trust brokers to get the best deal.

Figure 6. For which of the following reasons, if any, are you planning on going directly to the lender instead of going through a broker to remortgage your property?



Note: Percentages do not add up to 100% because respondents could select multiple responses

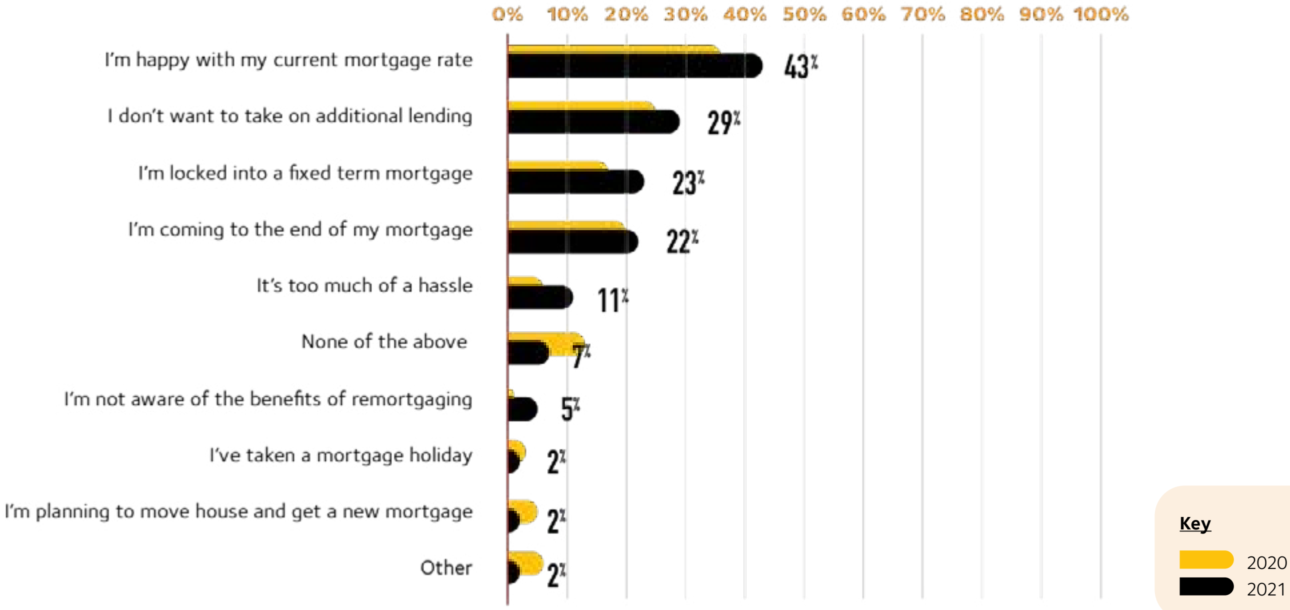
Not planning to remortgage

Although almost half of current homeowners had plans to remortgage, a further 51 per cent reported that they did not plan to remortgage and three per cent were unsure about their plans.

The main reasons that people were not planning to remortgage their home were similar to those identified in 2020, with the top reason being that they were happy with their current mortgage rate (43%). Just under a third (29%) also cited not wanting to take on additional lending as a reason that they were not planning to remortgage.

Other reasons included being locked in a fixed term mortgage (23%), coming to the end of their current mortgage (22%) and believing that remortgaging would be too much of hassle (11%).

Figure 7. For which of the following reasons, if any, are you not considering remortgaging your home?



Note: Percentages do not add up to 100% because respondents could select multiple responses

Purchasing a property in the next five years

A total of 12 per cent of the sample reported that they were planning to purchase a property in the next five years.

In line with the findings in 2020, the most selected reason for wanting to purchase a property in the next five years was to invest in their future (70%).

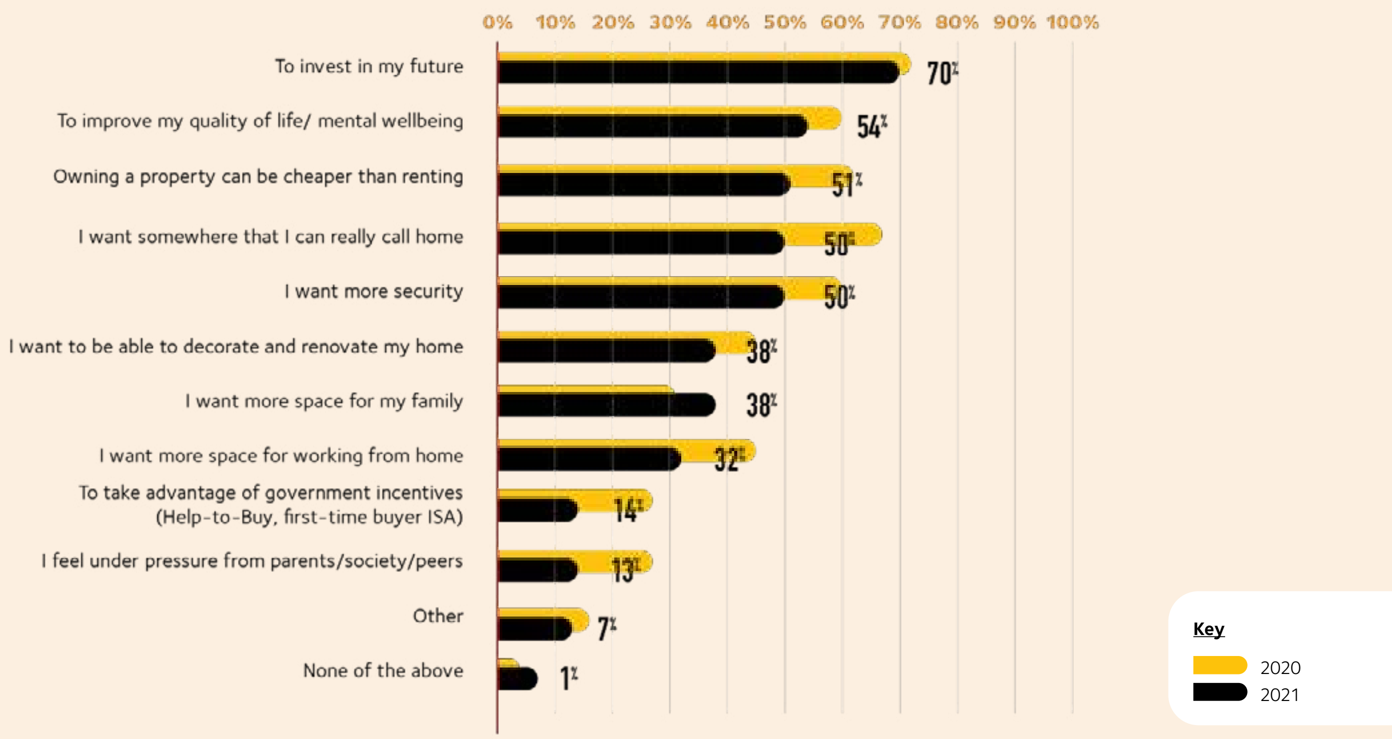
Other responses focused on wanting to improve their quality of life or mental wellbeing (54%), the fact that owning a property can be cheaper than renting (51%) and wanting more security (50%).

Half of the sample (50%) also indicated that they wanted somewhere that they could really call home.

Additionally, 38 per cent wanted to be able to decorate and renovate their home, 38 per cent reported that they wanted more space for their family and 32 per cent wanted more space for working from home.

14 per cent hoped to take advantage of government incentives such as the Help-to-Buy scheme whereas 13 per cent reported that they felt under pressure from parents, society or peers.

Figure 8. What are the main reasons you are looking to become a homeowner?



Note: Percentages do not add up to 100% because respondents could select multiple responses

Attitudes towards getting a mortgage

Respondents who were planning to purchase a property in the near future were asked to what extent they agreed or disagreed with a number of statements related to obtaining a mortgage.

The results revealed that two thirds (68%) of the sample were worried that sourcing a mortgage would be difficult because of their self-employed status and 64 per cent were concerned that they wouldn't have enough job security in order to be considered for a mortgage.

Worryingly, half (50%) of the sample didn't think that they would be treated fairly by lenders with only 19 per cent believing that they would be.

Just under half (48%) of the current sample worried that they may not be able to afford a mortgage and a further third (33%) were concerned that their credit rating would not be good enough to get a mortgage.

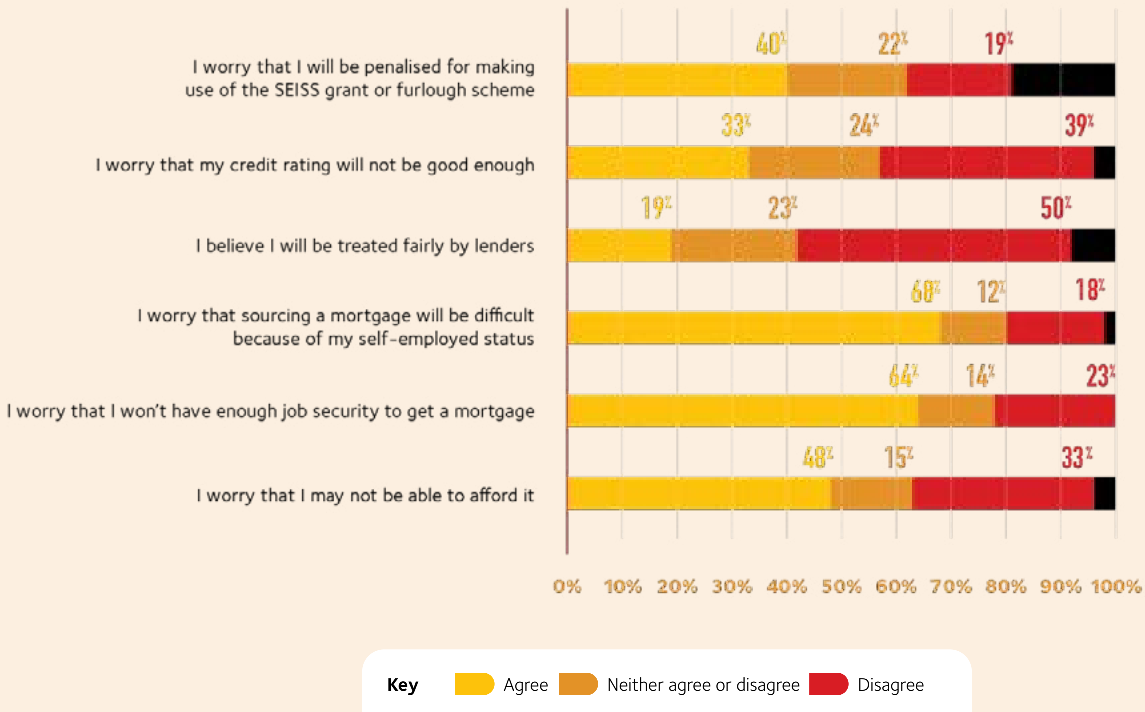
Respondents were also asked whether they were worried about being penalised for making use of the SEISS grant or furlough scheme. In total, two fifths (40%) of those who it applied to were worried that they would be penalised for making use of these government schemes when applying for a mortgage.

Two thirds were worried that sourcing a mortgage would be difficult because of their self-employed status

50%

didn't think that they would be treated fairly by lenders

Figure 9. Attitudes towards getting a mortgage



Further support needed to support the self-employed in getting on the property ladder

Concerningly, the data revealed that 32 per cent of those who planned to get a mortgage in the next five years did not understand the steps needed to get a mortgage. This highlights that there is room for further support to help the self-employed to get on the property ladder.

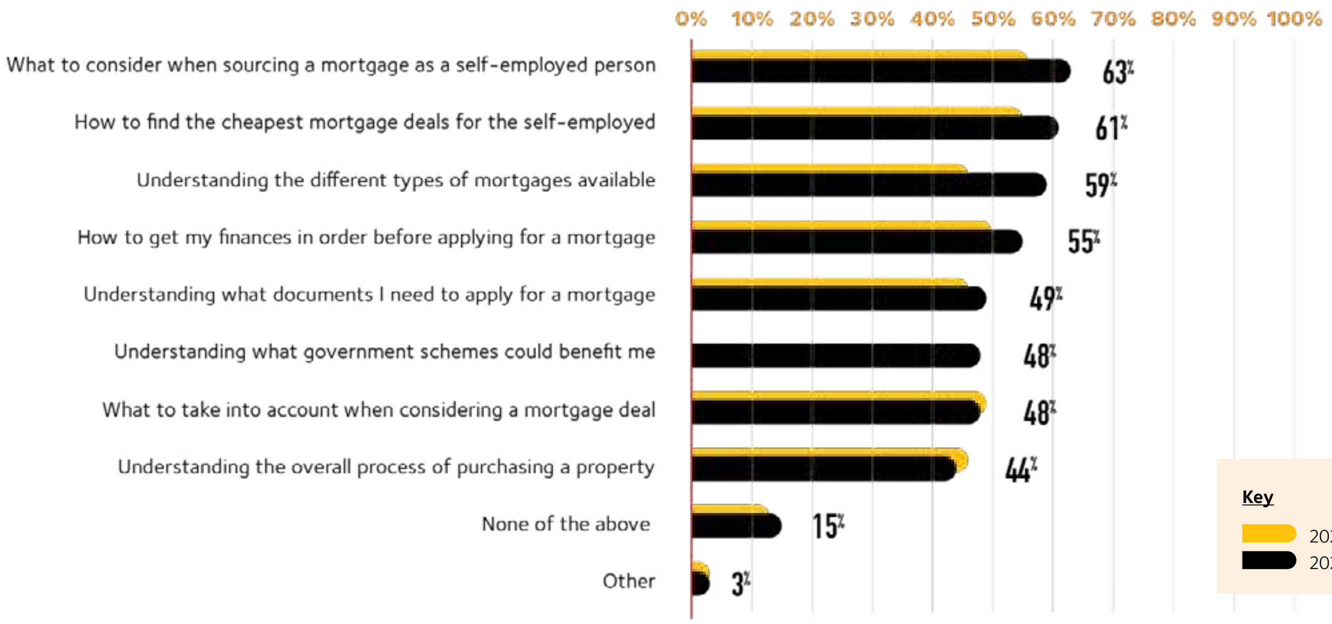
In terms of the key areas where self-employed people would like more support, almost two thirds (63%) wanted help understanding what they needed to consider when sourcing a mortgage as a self-employed person.

A further 61 per cent wanted greater support with how to find the cheapest mortgage deals for the self-employed and 59 per cent wanted help with understanding the different types of mortgages available.

In addition, over half (55%) wanted additional support with how to get their finances in order before applying for a mortgage, 49 per cent wanted support with understanding what documents they needed to apply for a mortgage and 48 per cent wanted to see further support about what to take into account when considering a mortgage deal.

A total of 48 per cent of the sample also wanted more support understanding which government schemes could benefit them and a further 44 per cent reported that they needed more help understanding the overall process of purchasing a property.

Figure 10. Which of the following areas related to obtaining a mortgage, if any, would you like more support with?



Note: Percentages do not add up to 100% because respondents could select multiple responses

Overall concern about the state of the UK housing market

Whilst the 2021 UK housing market is on course to record the highest level of sales (1.5 million) since 2007, factors such as reduced supply of housing and the introduction of the stamp duty holiday have increased house prices by 13.2% in the year to June 2021[18] – leaving many potential homeowners priced out.

As such, it was important to understand the impact that increased house prices and market activity have had on self-employed individuals – particularly those planning to purchase a property in the near a future.

Almost half (45%) stated that they were either somewhat or very concerned by the state of the UK housing market, representing a significant increase from 2020 (35%).

This figure rose significantly to 77 per cent for those who were planning to buy a property in the next five years. Again, this was significantly higher when compared to our 2020 findings (63%).

Reasons for not getting a mortgage

In line with the research conducted in 2020, a total of nine per cent of the sample stated that they were not currently homeowners and were not planning to buy in the next five years.

The top reason for not wanting to purchase a property was financial, with over half (54%) of the sample reporting that they believed the deposits required for a mortgage were too high. Almost half (46%) also believed that it was too difficult to get a mortgage as a self-employed person.

Just under a third (30%) reported that they thought their credit rating was too poor and 28 per cent indicated that they didn't think that they were eligible for a mortgage.

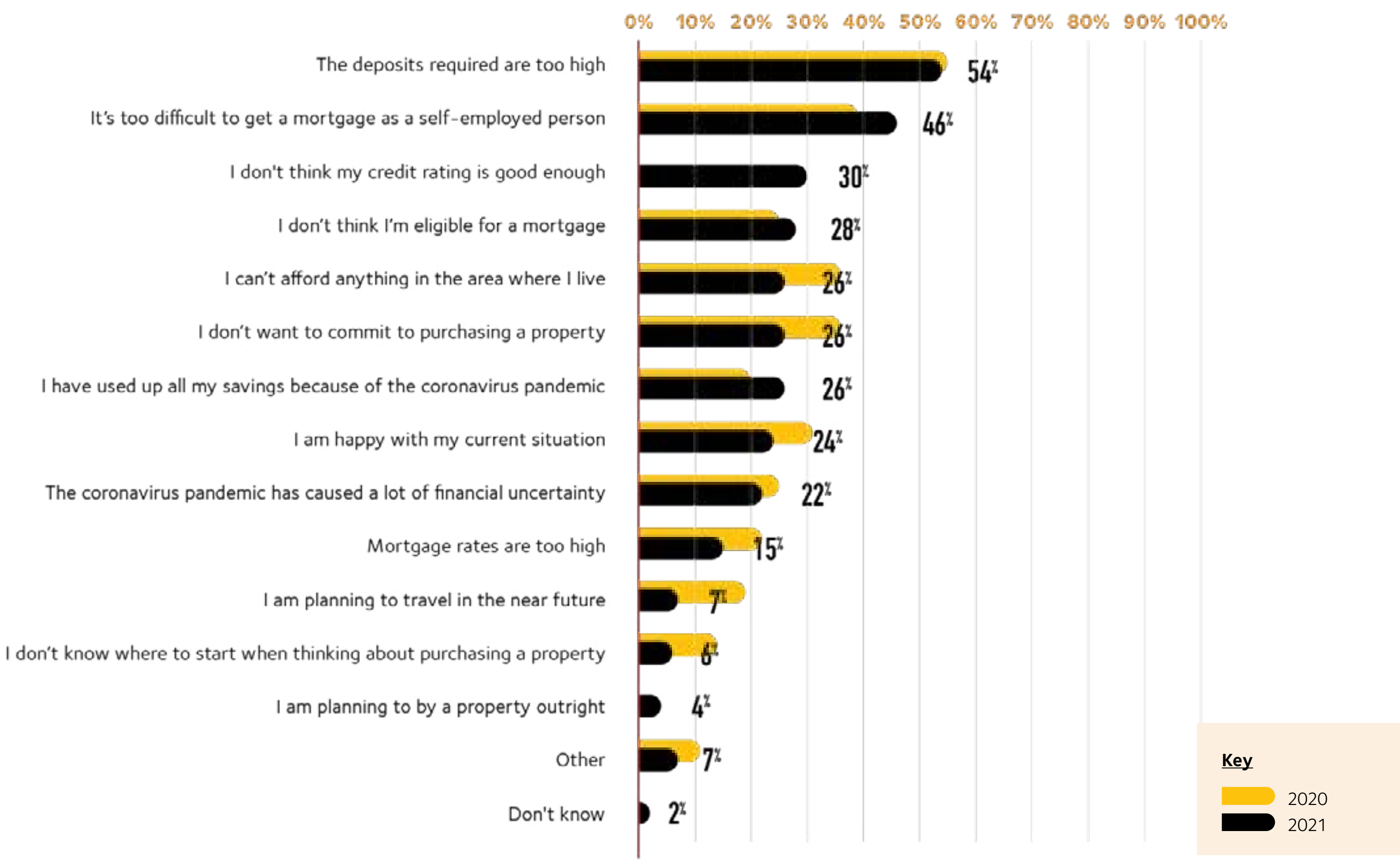
Over a quarter (26%) didn't want to commit to purchasing a property or that didn't think they could afford anything in the area where they lived.

Concerningly, 26 per cent of the current sample also stated that they had used up all their savings as a result of the coronavirus pandemic which is unsurprising given that previous research revealed that more than a quarter (27%) of freelancers had used up all their savings during the pandemic[19].

The coronavirus pandemic was a further limiting factor for another 22 per cent who indicated that they were not planning to get a mortgage due to the levels of financial uncertainty caused by the pandemic.

On the other hand, almost a quarter (24%) reported that they weren't planning to get a mortgage due to being happy with their current situation.

Figure 11. What are the main reasons that you are not planning to get a mortgage in the next five years?



Note: Percentages do not add up to 100% because respondents could select multiple responses

Conclusion

This report highlights that within the self-employed sector, there are high levels of concern around saving for later life and securing a mortgage – concerns that have been exacerbated by the pandemic and reforms to IR35 legislation, and their impacts on self-employed incomes as well as the current financial climate.

With the majority of freelancers feeling concerned about their plans for later life, and half believing they will not be treated fairly by lenders in their mortgage applications, broadening access to key financial products among the self-employed remains a significant challenge.

Whilst specialist providers with tailored advice and products do provide some possibilities for the self-employed, these options remain too far and few between with greater awareness of tailored products clearly needed.

To alleviate the barriers preventing more self-employed people from engaging with these products, targeted measures that take the self-employed into account must be implemented; to that effect, we have developed a series of recommendations for both government and industry.

Mortgages:

1. Government and the mortgage industry should work together to explore tailored products and ways of making it easier for the self-employed to successfully apply for mortgages.
2. Mortgage lenders should ensure that their advisers are fully trained to understand the self-employment sector and their financial situations.
3. Modernise the tax and employment system to make it easier for lenders to assess freelancers' financial situations and de-risk them as customers. Currently freelancers could be operating in a number of different ways - either as sole traders, through their own limited company or via an umbrella company or agency – and all these freelancers are renumerated in different ways.
4. Government should ensure that self-employed people who have taken mortgage payment holidays, accessed the SEISS grant or made use of the furlough scheme are able to access other loans in the future without being penalised.

Saving for later life:

1. Provide tailored and clear guidance on saving for the self-employed: One in five (20%) self-employed stated that they didn't understand the range of pension products available to them. Going forward, the Money and Pensions Service should offer tailored and clear advice for the self-employed.
2. Publicise the mid-life MOT: Almost three quarters (71%) of freelancers are concerned about saving for later life, a mid-life MOT would enable mid-career self-employed people to identify gaps in their savings and address where action is needed before it becomes too late. Government should continue to publicise the mid-life MOT and ensure that guidance is tailored to the self-employed, not just employees and employers.
3. Roll out the sidecar pension for the self-employed: Support rolling out the sidecar pension scheme to the self-employed, allowing them to save for later life and also into a separate 'rainy day' fund for emergencies.
4. For government to commission a 2022 review of the state of self-employed savings, to fully understand the barriers and challenges facing this cohort in the post-pandemic economy. Pension utilisation amongst the self-employed was already far below that of employees before the pandemic began – it is now at critically low levels and shows no sign of abating in the face of inflationary pressures on the cost of living.
5. Government should embed planning for later life into its guidelines throughout the self-employed journey. Government should consider how it can give more visibility to the importance of setting up a personal pension as early as possible in a self-employed career by revamping its guidance for those considering self-employment.

IR35:

1. Government should urgently review the impact of the off-payroll working (IR35) reforms in both private and public sector. The review must be chaired by an independent body and must consider the financial impact of the reforms on individuals and businesses.

Methodology

The results are based on the responses of 625 freelancers who replied to an online survey between 21 September and 4 October. The composition of the survey's respondents was: 29 per cent female and 69 per cent male, with an average age of 49 years. They have been freelancing for an average of 12 years and work across a range of occupations in the top three highly skilled Standard Occupational Classifications (SOC) 1-3. In terms of legal business form, 68 per cent were limited companies and 26 per cent sole traders. The data was analysed to look at a range of breakdowns including gender, age, legal form, length of self-employment and region.

About IPSE

IPSE is the largest association of independent professionals in the UK, representing freelancers, contractors and consultants from every sector of the economy. It's a not-for-profit organisation owned and run by its members. We believe that flexibility in the labour market is crucial to Britain's economic success, and dedicate our work to improving the landscape for the freelance way of working through our active and influential voice in Government and industry. IPSE aims to be the principal and definitive source of knowledge about freelancing and self-employment in the UK. We work with leading academic institutions and research agencies to provide empirical evidence about evolving market trends. This research supports our work with Government and industry and delivers key market intelligence to help our members with business planning.

About CMME

The CMME Group is a leading mortgage and financial advisory service specialising in the needs of independent professionals; Contractors, Self-employed, Freelancers, Interim Managers and Directors – people who often have more complex income and finances than their PAYE counterparts. CMME believes the way people choose to work should not limit their financial options, working directly with banks, building societies and other providers to change the way they view this valuable and significant segment of the UK workforce.

Recognising the importance of financial wellbeing, CMME expanded its advice to address the additional needs of personal and family protection, pensions, savings and investments. Clients benefit from a holistic view of their finances ensuring that their mortgage solution is optimised alongside their other financial choices, creating a long-term solution for those who choose to work independently.

With a team of knowledgeable and experienced professionals, The CMME Group has helped over a hundred thousand independent professionals as an established mortgage broker over the past 17 years and is proud to continue to fight their corner so clients gain fair access to financial services and achieve the financial wellbeing they deserve.

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