

# Do you want to be on or off the ladder?

Summary report, prepared for:

## The Money Advice Service



Prepared by:

**Anthony Shephard, Helen Powell & Andy Wright**

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# Background

MAS have information on the website with regards to the renting or buying a home

The main objective of this discussion was to understand more about the associated cost concerns with becoming a home owner

Other insight objectives included:

- Perceived pros and cons of owning versus renting
- Ascertaining if members are happy with their current living situation
- Understanding whether members feel pressured to get onto the property ladder
- Assessing motivations to becoming a home owner

A discussion, complemented by a poll was held on the Tell MA community:  
92 members took part in the discussion  
Leaving a total of 161 comments  
42 responded to the poll



# Screen grab of discussion



This next discussion was inspired by our very own community member 'busylizzie' who commented that it would be a good idea for The Money Advice Service to have more information on the benefits of buying versus renting (in the new-ish forum Cash Confessions).

And this got us thinking about the reasons why people rent or buy and what the motivations are for both.

With that in mind ....

- *Do you rent or own your own home?*

## **RENTERS:**

- *What are the main reasons you rent?*
- *Do you want to buy your own home? Why / why not?*
- *Do you feel under pressure to get on the property ladder at all?*
- *Do you have any concerns or worries about taking the leap from being a renter to an owner?*

## **BUYERS:**

- *What were the main reasons you wanted to own your own home?*
- *What motivated you to get on the property ladder?*
- *Did you feel under any pressure to buy? Why?*
- *In terms of what motivated you to be a home owner, would you say it has lived up to your expectations? Why / why not?*

# Member profile

Of the 92 members who left a comment in the discussion:

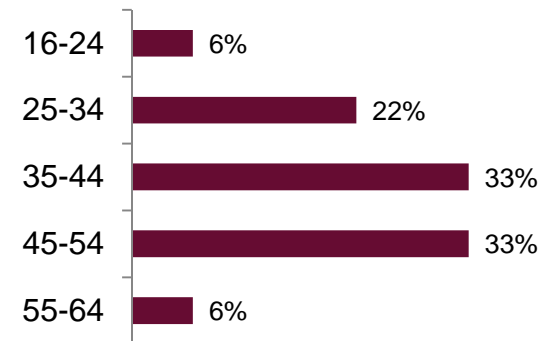


**Gender**



67% 33%

**Age**



**Customer type**



25%



75%

Segment type			
CUSTOMER	Starting out	3%	(n=2)
	Struggling family	1%	(n=1)
	Surviving family	1%	(n=1)
	Non Target	15%	(n=17)
NON CUSTOMER	Starting out	18%	(n=17)
	Struggling family	11%	(n=14)
	Surviving family	5%	(n=4)
	Non Target	45%	(n=36)

Insights...

# Buying versus renting was seen as a real subject of debate amongst members



*To many it is obvious that renting is best whilst to many others the opposite is true! **It's a real minefield of a debate this one!** Those with enough money behind them are considered fortunate enough to be able to buy but even this is not so obvious! **What if the house you buy requires far more work than you first thought?** Or turns out to be a money-draining 'investment' that never pays off?*

*(Male, 55-64)*

*With renting **you have the good and bad side of flexibility**, the downside being that even **if you're in a contract you can be served notice to leave at any point** with the landlord not having to give you a reason for this. **The reverse of this is also true though and it does mean that if you're not particularly happy in the house you're living in you only have to give notice** to move to another property you don't have the hassle of having to sell your property to find another one.*

*(Male, 35-44)*

*I have not moved around much and been lucky to have good neighbours so the potential lack of flexibility has not been an issue. On the downside **there are a lot of responsibilities and sometimes worries and potential financial pitfalls that come with owning a property** and keeping it maintained.*

*(Female, 45-54)*

*I bought my first house in 1988. It has been worth it in that the **cost per month is 50% cheaper than renting** and if you rent you never feel like it's really your own. But then when you get old, go in to a care home and your house gets sold off by the government to pay for your care is it still such a great deal? **All those years paying off a mortgage and some one just renting gets the same care treatment for free!***

*(Male, 55-64)*

## There was some evidence of some confusion around understanding of mortgages



***I don't really understand much about mortgages. I think without the help of the financial advice we would of been lost looking at all the interest rates and repayment options etc. I'd like to find out more about them for when we move again so we won't have to rely on the financial advisor again!***  
(Female, 16-24)

***There was a lot I didn't understand at the beginning. I looked at a lot of websites, banks and building society webpages [Nationwide has a helpful glossary of mortgage terms] and The Money Advice Service. I now understand a lot about them as they stand currently. I have no idea how to re-mortgage but I found a good guide on moneysavingexpert for if it ever comes up.***  
(Female, 16-24)

***When I took my first mortgage out I found it so confusing, mainly due to people not being able to explain it to me.***  
(Female, 45-54)

***I understand the basics but the small print is the one to watch. Although I think nowadays the mortgage providers are bit more upfront or should I say they have to be more upfront. It can still be a minefield.***  
(Male, 45-54)



# Buying was perceived as a very 'British thing to do'



*I suppose buying your own house is **something British**. I was always told put your money in bricks and mortar and **when I started on the property ladder thirty years ago the only thing you rented was from the Council.***

*(Male, 45-54)*

Though this was sometimes viewed negatively

*We are a **nation that is obsessed with home ownerships** as if to prove they have somehow **'made it'**.*

*(Female, 45-54)*

*I think there **used to be more of a stigma attached to renting** but that has changed. I have friends who rent. **In France everyone rents. It's partly a culture thing in the UK.***

*(Female, 35-44)*





## And some did feel under pressure to own their own home



Though this pressure was often 'internal' – and was exacerbated by friends and family owning their own homes



***The pressure mostly comes from our friends** who are already buying houses and settling in one place. Or in group situations when people talk about their mortgages and then ask "When are you going to buy a house of your own?" **I guess a bit of it comes also from what my partner and I expect from our lives.** We would obviously like to buy a house to live in and have as a financial investment. I would say it makes us feel a bit behind or that we are doing our life "wrong" because we don't already have a house. **But we shrug it off because it would be the wrong choice for us to buy a house now when we don't know what the future holds.***

*(Female, 16-24)*

***I feel pressure from my family** as all my parents and grandparents own their own homes but **they bought at a time when house prices were more affordable.** I would not be able to afford to buy a home at the size we need for my family in the area we currently live in.*

*(Female, 35-44)*

*I do **sometimes feel pressured** to become a home owner; **especially as it seems all our friends and family have their own homes.** But there is nothing I can do about that at the moment.*

*(Female, 35-44)*

## Some stressed the desire to become an owner, though saving to achieve this was “impossible”



***I rent simply because there is no other option available.***

*£16,000 a year is not enough to save for a deposit even if I could go on working until 100! Anyone who is lucky enough to start saving enough probably has to keep going as the **prices are rising faster than wages.***

*(Male, 35-44)*

*House prices are so expensive at the moment and **unless a miracle happens** and I get an incredibly well paid job **we'll be renting forever.***

*(Female, 16-24)*

*I think we will probably **be renting forever unless there was any drastic changes** to our income.*

*(Female, 25-34)*

*The current economical situations plus house prices and the process of mortgage all makes it really **hard nowadays to own a house.** The rent for properties makes it **impossible to save much.***

*(Female, 25-34)*



## Being affordable once a home was purchased was also a barrier



*I don't really have any concerns or worries about taking the leap from being a renter to an owner in fact I think I'll prefer it. **Just when I'm able to afford it.***  
(Female, 16-24)

*I rent because **I don't think I'll be able to afford the bills on my own** if I bought a house.*  
(Male, 25-34)

*We rent because **we don't have the money to start to buy a house yet.** We are looking into buying our own home so we have a **secure roof over our heads** and investment for the children as they get older.*  
(Female, 25-34)

*The only reason I rent is because the last time I enquired about a mortgage there was **no way I could afford the monthly re-payments.** This was five years ago and even then it would have been **double what I pay in rent today.***  
(Female, 45-54)



## Timing was pivotal in becoming an owner – some got on the ladder at exactly the right time



*I do appreciate how fortunate I was to get on the property ladder **all those years ago** as I **wouldn't be able to afford** the size house I am living in if I was **to buy it today**.*

*(Female, 35-44)*

*I **started on the property ladder 32 years ago** and wanted to know if things got bad financially I would still have a roof over my head. I **think it is very different now to when I first started**.*

*(Female, 45-54)*

*I have never rented and was **lucky enough to have got on the property ladder years ago before prices really started to rise considerably**. If I had left it even a couple of years later I don't think I would have been able to afford and **wonder how on earth people are supposed to be able to afford the deposit these days!***

*(Female, 35-44)*

*I made a point of **buying a house that was well within my budget**. I had been told I could afford a mortgage up to £40,000 and the house I bought only cost £24,300 so I was not in any way stretched to pay the mortgage each month. Bear in mind this was **back in the late 1980s when that much money could and did buy me a 2 bed semi-detached** home with separate garage and front and back gardens.*

*(Male, 55-64)*



## A key motivator in becoming an owner was to not be paying “dead money” to a landlord



*The main reason I wanted to own my own home was that it seemed to make financial sense - **why pay out thousands and thousands of pounds in rent and not own anything** when I could pay possibly a lesser sum and then have a house to show for my efforts? **It just seemed a no brainer** to me.*

*(Female, 35-44)*

*I've been on both sides of the coin and **when I used to rent I was so frustrated that someone was making a lot of cash from me and it felt like dead money.** On top of that, it made me feel insecure because I could have been given notice to leave and thinking long term I didn't relish the thought of paying rent until my last breath so I took the plunge and bought a small but comfortable house. This will be paid for in eight years so **I can enjoy my retirement without the thought of having to pay rent.***

*(Female, 35-44)*

*I enjoy **the freedom ownership bestows** in respect of how you can decorate and use your property. I also love that when you own your own **gaff you're not paying 'dead' money to a landlord** who may or may not keep the property in a reasonable state of repair or charge a fair amount of rent.*

*(Female, 35-44)*



# The sense that money was being thrown 'down the drain' was also influential in owners getting onto the ladder



*I think renting is **just dead money**. You're lining someone else's pocket .  
(Female, 25-34)*

*To pay rent seems like **pouring money down the drain** and I'm so glad we made that decision 20 plus years ago because now **our mortgage payments are a lot lower than friends**.  
(Female, 45-54)*

*Renting has always felt to me like **money down the drain** as you have **nothing to show** for all that cash flowing out of the door. At least **with ownership** there is a point in time when **that asset will become yours**.  
(Female, 35-44)*

*The main reason we wanted to get our own home is so we have something solid and **something that's ours** rather than renting with the risk of being kicked out at a month's notice. **Renting is also chucking money away** as you will never own anything.  
(Female, 16-24)*



# Owners also viewed their homes as a nest egg for future generations



*I felt that **continuing to rent was actually 'dead' money** and I would have nothing to work for. Buying a property is the biggest investment you will make in your life and as I bought at the right time I **now have lots of equity in the property which my Daughter and Granddaughters will inherit.***  
(Female, 45-54)

*It is lovely now to know we can do things to improve the house or garden that we want to do without having to ask someone else first. **Also that if anything terrible happened to either of us, the house gives some security to our family** as we own it.*  
(Female, 45-54)

*Aside from rent kind of being like 'dead money', it would be great to be the owner of a house for security reasons and also to be able to **pass down to my children one day.***  
(Male, 25-34)



## And there was potential to add value to this investment



Owning our own home has lived up to my expectations. **It allows you to decorate and improve the house** to your taste and **if you add value to the house you will one day benefit** from the money you spent when you come to sell it. I feel proud of my house because it is ours. **I don't know whether I would feel so emotionally attached to a rented property.**

(Female, 25-34)

I have been a home owner for over 14 years now. Before then I was paying rent for a few years and saved for deposit and major upfront costs. **It was a good capital investment at that time** so I bought my own place rather than paying rent. **The value of the house is now over double.**

**Overall, I am pleased with my investment.**

(Male, 45-54)

Long term **buying is more economical than renting** and property values only seem to increase.

(Male, 45-54)

The value of my house has **increased more than I expected.**

(Male, 35-44)





## A key benefit of buying was the ability to transform a place into a 'home'



*I did not like renting, **it felt like dead money** and the **house never felt like home**. It was a beautiful house in a secluded lane with great views, gardens etc. **but it just was not ours!** I wanted to buy a property, to feel like I had a home - **somewhere to make into our own place**. I wanted to decorate it and it was a place to put down roots and have a family.*

*(Female, 35-44)*

*It's a lot more work than I expected but now that **a lot of the work has been done it's incredibly satisfying**.*

*(Female, 16-24)*

*If I had the option though **I would rather buy a house than rent as I would like the house to be mine** and to do what I wish with it whereas there would be **restrictions with renting**.*

*(Female, 16-24)*

*The main reason I wanted to own my own home is so that I can call it my own. **I can do whatever I like with it and I can make it mine**.*

*(Female, 35-44)*



*I think I have **improved my house and increased its value** which is rewarding. I like being able to alter the house as I see fit. My friend's **rental property has wooden windows and they are in a poor state** - she desperately wants them replaced but the **landlord is refusing** at the minute. She wants to keep the property looking smart and finds this very frustrating - **not sure I would want to live like that**.*

*(Female, 35-44)*

Although owners had to pay for any home repairs, they had the final say (both in terms of costs / repair options)



*I enjoy being a homeowner - anything goes wrong I need to deal with it but I have a choice of how to deal with it and depending on my budget can choose if I go with budget or premium. **With a landlord you often don't have the choice** and have to go with what they can afford. **I am also now paying less on a mortgage than I was on paying rent in the previous houses I'd lived in - and at the end of it all the house will be mine!***  
(Male, 35-44)



*Since owning my house my boiler broke but it was **me who chose the new one**. I've had a landlord buy a combi boiler before which I couldn't stand but **at least this time it was my decision!***  
(Female, 25-34)



## For some renters, they viewed their rented home as secure as a real “home”



***I rent and I like it this way. I feel I am secure in my property and that it's my home and because I feel this way I don't feel any need to get onto the property ladder.***  
(Female, 35-44)

***Even when I was working full-time I wouldn't have been able to get a mortgage or afford to buy in the area I want to live. I'm retired now and I'm just happy that certainly for the foreseeable future I can afford to live where I want in a privately rented property.***  
(Female, 55-64)

***It is never your own place as such but, as a tenant, my landlord is responsible for major repairs / maintenance. I have my own furniture and I put up my own curtains, pictures etc. to make it as much as possible "my home".***  
(Female, 55-64)



# The benefits of renting from the Council were highlighted



Security, having repairs paid for and rent being cheaper than renting privately were noted

*I live in a **Council house** and as I'm unemployed and disabled my rent is paid through housing benefit. In an ideal world I would have a job and will be able to afford a deposit / mortgage on my own place but my current circumstances mean that **I could never afford this and it is a distant far off wish.***

*(Female, 25-34)*

*I now actually **rent from the Council** so get the **benefit of a lower rent amount and I can still decorate as I could if I owned the home** so in away this is the **best of both worlds.***

*(Male, 35-44)*

*We currently **rent our home from the Local Authority** and have done for the past 12 years. We work and the rent is **much lower in our area than renting privately.** We currently pay £420 pcm. My sister rents exactly the same house privately up the road and her rent is currently £675 pcm. As it is a Council property we are **secure tenants and do not have any pressure that we will lose our home.***

*(Female, 35-44)*

*I'm **fortunate enough to live in social housing** so all repairs are done for me. **I don't have to keep money aside in case the roof leaks or the boiler breaks** or anything like that which is a good thing - I couldn't do that, **I just don't have the money.***

*(Female, 45-54)*

*We live in a Council property and **don't have any money to buy a house or flat** so we are **happy as we are at the moment.***

*(Female, 25-34)*



# The key benefit of renting was the cost of unexpected repairs would be covered by a landlord



*My main worry would be having to arrange all the care of the house myself. **It has been handy having the landlord pay for a new shower and plumbers!***  
(Female, 25-34)

*At least if you're renting **you can get help if things go very wrong.***  
(Female, 35-44)

*I imagine a mortgage would be more money than what I pay out on rent so that would put me off. Also then if we had to pay to fix / replace a boiler or something major like that I imagine it would be hard to find large amounts like that.*  
(Female, 16-24)

*I rent because, as I do not own the house, **if there are any major repairs I am not responsible** for them so it is a **huge weight off my shoulders.***  
(Female, 25-34)



# Summary...

# Food for thought (1)



- **The topic of buying versus renting proved to be a very debateable topic, with some members leaving very passionate and case making comments**
  - It was clear that there are both pros and cons to being a renter or a buyer and members were aware of this. How can MAS ensure they are recognising (and providing relevant information) whether renting (council or private) or owning (either outright, shared ownership, home-buy etc.) is the most suitable option for an individual?
  - There was a lack of understanding around mortgages amongst some members, with some feeling they had not been given a clear explanation. There were also some concerns about the information contained within the small print. How can these people be identified and how can MAS offer additional help and guidance to support these?
- **Ultimately being a home owner or a renter boiled down to affordability, both in terms of getting together a deposit and then keeping up with the ongoing mortgage repayments and costs associated with being a home owner**
  - For renters the main benefit was the landlord / council covering the cost of repairs within the home
  - For buyers being able to transform the home as they saw fit, it being an investment (and not dead money) and although having to pay for the cost of repair, having the choice on how to repair and at which price point were noted as the main benefits

## Food for thought (2)



- **It was noted that buying a home was very ‘British’ thing that was engrained within us**
  - Comparisons were made with our European neighbours who tend to rent
  - Having this engrained within us often leads to us putting pressure to become a home owner on ourselves, which was often exacerbated by family and friends owners
  - Depending upon financial capability being a home owner in the long term is not an affordable option for many. How can MAS help people in such situations relieve the pressure from themselves? Can the positives of being a renter be reiterated?
- **For some members the timing in terms of getting on to the property ladder was crucial, with many feeling that they had got on the ladder when prices were lower**
  - The housing market has seen many fluctuations over the years and recent news suggests mortgage rates will be low from spring 2015
  - How can MAS keep check of the fluctuations within the market and keep the public in the know, informing them when is a ‘better’ time to buy relatively and keeping people up-to-date with the latest market news?
  - There is a lot of information on the MAS website relating to buying / renting a home. Some may find this level of information overwhelming (particularly those with less knowledge and experience) and there is a need to click in and out of numerous web pages. Is it possible to create one web page or link with all of the key information ‘at a glance’?
  - Can MAS create some case studies to bring peoples experiences of being a renter / home owner to life?