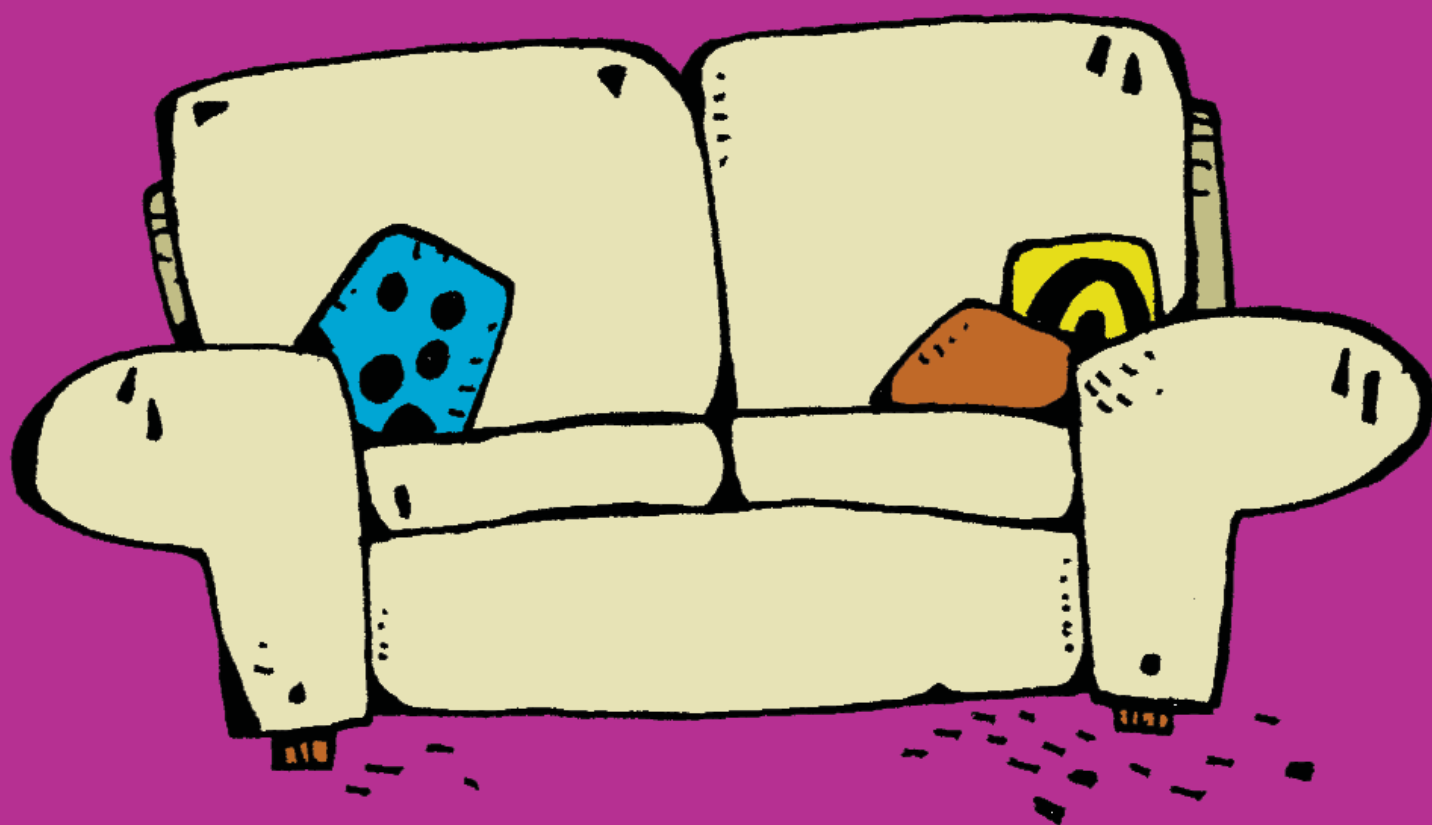


Sainsbury's Bank guide to reducing the cost of running your home



Sainsbury's Bank

Introduction

The cost of running a home is rising, but by understanding each cost individually and how these can be reduced, it could be possible to save thousands of pounds a year.

To do this, you need to ensure that you are paying a competitive rate on your mortgage; that you shop around for your gas and electricity; and also ensure you're not paying more than you need to on your home insurance. Independent research shows that by taking out home insurance with Sainsbury's Bank, you could save up to £124.99 on your existing premiums⁽¹⁾.

This guide provides an overview of the main costs associated with owning and running a property and looks at how each of these could be best managed.



Mortgages

The mortgage market is extremely competitive and offers are constantly changing. There is great flexibility in terms of how much money you can borrow, the interest rate you pay and the features available. You can for example, fix the rate of interest for a period of time, track the Bank of England rate or even take repayment holidays.

As property prices have risen, it has meant that many people have had to borrow more and therefore incur higher mortgage repayments. There are some 9.46 million people⁽²⁾ with mortgages, each paying around £6,620 in 2005/06, which collectively is £62.62 billion. This compares with around £5,054.40 and £49.58 billion in 2003/04.

However, many homeowners are paying too much in mortgage repayments because they have not shopped around to find a more competitive rate. For example, some are simply paying their lender's standard variable rate (SVR), this can mean they end up paying considerably more on their mortgage repayments.

The standard variable rate is the rate of interest a mortgage account defaults to whenever a fixed, capped or discount period comes to an end or if there is no special arrangement in force. The average mortgage holder could significantly reduce their repayments if they ensured that they had a competitive deal. It is therefore important to know when your fixed or discounted period is coming to an end and consider shopping around or approaching your provider for a new deal.

There are a number of points to consider when deciding whether or not to switch mortgages:

- Check your existing mortgage to see if there are any penalties for switching
- Consider what type of mortgage is best for you
- Take any switching/set-up fees into account
- See if your current lender can offer you a better deal
- Use the internet to do your research and/or speak to a mortgage broker

You can use the internet to research the best deals or ring round to discuss different options. National newspapers also carry best-buy tables which are worth a look. There are also a number of mortgage brokers who can search the market on your behalf.



Property maintenance

In 2005/06, the average home spent around £400 a year on maintenance and repair, including central heating, painting and decorating. Collectively, this equated to around £9.93 billion⁽²⁾.

The average home also spent a further £1,321 on alterations and improvements such as installing new bathrooms and kitchens. This equated to around £32.75 billion⁽²⁾.

Much of this expenditure is financed through credit and given this there are considerable opportunities here to save money. Indeed, home improvements are one of the most popular reasons for taking out a personal loan from Sainsbury's Bank. In the excitement and commotion, people can often forget to shop around for competitive finance offers and this can cost them thousands of pounds in unnecessary repayments. Indeed, some people wrongly think that they can only obtain a loan from the bank or building society they have their current account with, or that they will provide the best deal instead of shopping around to find the most competitive loan available.

Sainsbury's Bank's personal loan rates currently start from a competitive 6.5% APR typical.

The bank also offers a credit card with one of the longest deals on introductory rates for purchases at 0% p.a. for the first 10 months. The typical variable APR on purchases is 15.9%⁽³⁾.

If you are planning to borrow money for home improvements, choosing the right credit option could save you a considerable amount of money

Shopping around is a practice you should extend beyond obtaining your credit, as everything from home improvements to household repairs can vary in price. However, you must of course ensure that you don't compromise the level of quality you require in favour of price.



Council tax

In 2006/07, the average council tax in England was around £1,056 a year, and for 2007/08, it is now £1,101⁽⁴⁾. In Scotland, the average council tax for Band D last year was around £1,129⁽⁵⁾ and for 2007/08, it has risen to £1,151.

The council tax you pay depends on a number of factors. For example, the average council tax per dwelling in London is currently around £1,167 but £919 in the Metropolitan areas⁽⁴⁾. The amount you pay will also depend on the value band of your property and how many people live there.

Depending on your circumstances, you might be able to claim council tax benefits, which are means-tested and vary according to age, income, savings and the council tax band your property falls into. Many people are not claiming these even though they are entitled to them. Contact your local council to find out if you are eligible.

Council tax bands vary depending on area and type and size of house, it's therefore a factor that shouldn't be overlooked when moving house.

Utility bills



Utility bills can account for a significant part of the overall household budget.

Water and sewerage

In 2005, the average water and sewerage bill was £294 but by April 2007, but it is now £312⁽⁶⁾. The reasons given for this include the need to protect essential services for the future by putting more money into maintaining pipes, sewers and treatment works and protecting rivers and coastal waters with a major programme of environmental schemes.

Gas and electricity

The current average annual gas bill in the UK is £595 and for electricity, it is £383⁽⁷⁾. However, prices are now starting to fall through for example new gas importation pipelines that are now coming on stream and which are helping to reduce prices. This increase in gas supplies coupled with lower oil prices and a mild winter has led to a fall of approximately 50% in wholesale gas prices since June last year.

People can also reduce their energy bills by shopping around for the best deal. This helps explain why Ofgem, the energy regulator, claims that over four million customers changed energy supplier last year.

Sainsbury's Energy has teamed up with EDF Energy, one of the UK's leading energy suppliers, to help customers save money on their energy bills. At www.sainsburysenergy.com you can use a 'savings calculator' to see how much you could save by switching both your gas and electricity to Sainsbury's Energy.

As well as saving money by switching suppliers, you can also cut your gas and electricity bills by making your home more energy efficient to minimise the amount of fuel you burn. This could include using low energy light bulbs, not leaving appliances on stand-by and insulating your hot water tank.

Home insurance

The average home spends around £255⁽²⁾ on household insurance but again, the premiums vary considerably between different providers. Indeed, with Sainsbury's Bank you could save up to £124.99⁽¹⁾.

However, when buying insurance it is essential to look at the quality of cover as well as price. Sainsbury's Bank offers high quality comprehensive home insurance at a fair price. It offers a range of benefits including unlimited buildings cover and the ability to transfer claim-free years and new for old replacement on contents. Other benefits include:

- Unlimited buildings cover
- Unlike some home insurers, Sainsbury's Bank does not apply charges for customers paying their premiums by direct debit
- Maximum standard no-claims discount is 30%. If protected NCD is paid for, this rises to a maximum of 40%⁽⁸⁾
- Cover for accidental damage - even by pets⁽⁹⁾
- 10% discount when buying online
- Additional 5% when purchasing buildings & contents insurance

To find out more about Sainsbury's Bank home insurance call **0800 731 7978** or log onto **www.sainsburysbank.co.uk**

Conclusion

The costs associated with running a home are varied, and unfortunately they are on the rise.

Area of cost ⁽¹⁰⁾	2007 (estimated costs)	2004/05 (estimated costs)	Estimated percentage difference between 2004/5 and 2007
Mortgage	£6,620 ⁽²⁾	£5,928 ⁽²⁾	12%
Alterations and improvements	£1,358 ⁽²⁾	£1,232 ⁽²⁾	10%
Council tax	£1,101 ⁽⁴⁾	£967 ⁽⁴⁾	14%
Gas	£595 ⁽⁷⁾	£469 ⁽⁷⁾	27%
Maintenance and repairs	£411 ⁽²⁾	£385 ⁽²⁾	7%
Electricity	£383 ⁽⁷⁾	£321 ⁽⁷⁾	19%
Water and sewerage	£312 ⁽⁶⁾	£274 ⁽⁶⁾	14%
Home insurance	£255 ⁽²⁾	£260 ⁽²⁾	-2%
Total	£11,035	£9,836	12%

Mortgage repayments can account for around 60% of the total annual costs of running a home, followed by the money spent on alterations and improvements, which accounts for nearly 12.3% of the cost. Gas and electricity bills can be significant but these can be reduced by shopping around.

When it comes to the cost of running a home, people need to make sure that they are getting the very best deals available, not just on home insurance but the collective running costs, everything from your mortgage to gas supply. It has never been easier to shop around; a little research could result in significant savings, and finding a competitive deal does not mean that you have to compromise on service. It is possible to have an excellent service at a very competitive price.

Sources:

- (1) Savings based on independent telephone research by Consumer Intelligence Ltd who compared 150 risks across 31 companies from Jan - March 2007. 10% of customers achieve a saving of £124.99.
- (2) Based on figures the Office of National Statistics Family Spending report 2006 edition
- (3) Credit available subject to status to UK residents aged 18 or over from Sainsbury's Bank, Pitreavie Business Park, Dunfermline, Fife, KY99 4BS
- (4) Based on figures from the Department of Local Communities and Local Government March 2007
- (5) Convention of Scottish Local Authorities (Cosla).
- (6) Based on figures from OfWAT, 2007
- (7) Based on figures from Ofgem, 2007
- (8) Maximum standard NCD is 30%. Only eligible for higher NCD and NCD protection after payment of small additional premium and only available after 5 years. This will enable the customer to make one claim in any year without losing their NCD.
- (9) This is optional and requires an additional premium.
- (10) Different Sources - Office of National Statistics; OfWAT; Ofgem; Department for Communities and Local Government, also figures from the Office of National Statistics Family Spending report 2006 edition and the current rate of inflation (2.8%) taken from the Bank of England website, 27th March 2007.

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