

## **How the self-employed are getting back on track**

According to the 2022 Simply Business SME Insights Report, half of small businesses are planning to increase their prices to help get them through the rest of the year

The self-employed community and small businesses across the UK have faced a wave of major economic shocks recently in the form of Brexit, the pandemic and the cost-of-living crisis.

However, as businesses are recovering from the pandemic, the report added that many are emerging with confidence. Nearly three-quarters (71 per cent) of small business owners remain confident about business prospects over the next six months. This is in stark contrast to confidence levels reported in July 2020, when one in five small businesses didn't expect to survive another lockdown.

Being self-employed and operating an SME often go together as this involves the inclusion of company directors, individual partners or anyone not in a salaried employee position. Being self-employed also applies to sole traders, freelancers and contractors. With the rise of the gig economy, more people have the ability to generate multiple income streams which can also fall under the self-employed umbrella.

From a mortgage market perspective, there was a perceived risk premium attached to those with a self-employed status. This may be the case for some lenders, but others are looking beyond this to generate a host of responsible and competitive options for a variety of self-employed people to secure a mortgage which they previously thought may have been out of reach.

It's wise to point out that some challenges remain, especially from an affordability standpoint, as evident in the latest Mortgage Broker Tools (MBT) Affordability Index which showed that only 65% of self-employed mortgage enquiries were considered affordable at the end of 2022. This was said to be the lowest level since MBT started recording the data in 2020 and is down from 75% in April 2022.

It's not just the self-employed who are currently having affordability issues, the Index also outlined that affordability is being squeezed across the market, with only 71% of all enquiries being considered affordable in November 2022, down from a peak of 80% in January 2021.

On a positive note, the sustained emergence of the specialist residential sector has made it accessible for those with a self-employed status or irregular income to obtain a mortgage, largely through those lenders who incorporate a manual underwriting process.

Lenders who can consider multiple and complex income streams, missing PAYE and self-employed income opens the door for more borrowers. Affordability criteria vary by lender, so it's important to research which lenders will take 100% or 50% of which types of income into account, as some may be able to offer the required loan amount when others are not.

Follow us on [LinkedIn](#) or [Twitter](#) for more news like this

<https://www.simplybusiness.co.uk/downloads/sme-insights-report-202>

[Self-employed affordability drops to new low: MBT | Financial Reporter](#)