

Rt Hon Rachel Reeves MP

5 February 2025

Dear Chancellor

Cash ISAs

I am writing to put on record how strongly we disagree with the recently reported calls from City firms to restrict Cash ISAs (*City firms urge Rachel Reeves to curb Cash ISAs, Financial Times, 31 January 2025*). We urge you to maintain this important savings incentive.

Cash ISAs are a long-established cornerstone of the UK savings landscape, that are well understood and upon which many people rely.

Figures from HMRC show that over 18 million people have a Cash ISA. Almost half (47%) of Cash ISAs are held by people with incomes of less than £20,000 a year, and the average savings balance is just under £13,400¹.

Launched in 1999, the Cash ISA built on other tax-exempt savings products. UK savers are now familiar with the concept and the ISA name is widely recognised. Today, Cash ISAs form a key part of many people's savings, whether that is for their emergency buffer, saving towards a dream holiday, or protecting some of their wealth from changes in the stock market.

The implication made by many of those calling for curbs on Cash ISAs is that the savings are lying idle and not supporting economic growth. But banks, building societies, credit unions and other providers use the deposits to fund loans to households and businesses. Substantially reducing the role of Cash ISAs would have knock-on impacts on the price and availability of these loans if providers had to replace the funds from other sources.

Of course investing in equities and other assets makes sense for many people to help them to achieve their longer-term financial goals. I note that HMRC figures show that there is £431 billion held in Stocks & Shares ISAs, more than the £294 billion in Cash ISAs. Rather than restricting choice by curbing Cash ISAs, we should be looking to educate and inform savers so that they understand the pros and cons of savings and investment decisions and the risks involved. We welcome that the FCA is currently researching the barriers consumers face when investing.

Helping people to save, to build their financial resilience and make the most of their money, is key to the organisational purpose of building societies and credit unions. In

¹ ISA Statistics, 2021/22 tax year. 18 million Cash or Cash+S&S, other figures Cash ISA only, published September 2024

2023, building societies paid £3.6 billion in interest on savings in Cash ISAs to encourage this saving.

This purpose is also why our sector launched the UK Savings Week campaign in 2022 which is helping more people to engage in saving: 26% of people who were highly engaged with the campaign last year started saving for the first time.

Cash ISAs help consumers to achieve their savings goals. They play an integral role in the UK savings market, and have done for many decades. They represent a policy success upon which we should seek to build, rather than to curb.

Best wishes,



Robin Fieth
Chief Executive