

ISAs - UK - August 2009

Report Price: £1500 / \$3000 / €2250

What is this report about?

The ISA market has seen steady growth over the past few years, which has boosted balances. Over 18 million UK adults hold cash or investments in ISAs – assets that are collectively worth over £220 billion. However, a much larger number have savings held outside the ISA wrapper, indicating that there is still scope to expand the market.



Key issues covered in the analysis

- Some 16 million people have a savings account but not a cash ISA – an enormous opportunity for ISA providers looking to expand the market.
- Less than a quarter of those who own cash ISAs invested the full £3,600 last year.
- Despite widely varying rates on cash ISAs and the raft of market-beating offers launched every ISA season, less than one in ten cash ISA holders transferred their account to a new provider last year.
- One in six of those who withdrew money from their cash ISA didn't realise that they wouldn't be able to pay it back in during the same tax year – signs that many don't fully understand the product.
- Instant access and risk-free savings remain the main things that people look for when investing – equity ISAs will remain a tough sell for most people.
- There are signs that the banks are regaining ground lost to the building societies and NS&I, with competitive rates overcoming dwindling fears over the stability of the high street banks.

Scope of the report

An individual savings account (ISA) is effectively a 'wrapper', which can hold a range of investments, providing tax benefits (ie all investments held within an ISA are exempt from income and capital gains tax). ISAs were launched by the UK government in April 1999 to replace tax-exempt special savings accounts (TESSAs) and personal equity plans (PEPs). They were created as part of an ongoing government strategy to encourage people to save.

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