

ISAs - UK - September 2012

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“The ISA market is relatively mature which makes further market growth in volume terms challenging for providers. The cash ISA market in particular is hampered by low interest rates, while the stocks and shares ISA market is currently fighting against consumer fears about the stock market. However, a desire to maximise ISA allowances will see the ISA market continue to grow in value terms year on year.”

– Stephanie Seenan – Financial Services Analyst

In this report we answer the key questions:

- How will the ISA market cope with the end of Baby Boomer contributions?
- How can workplace ISAs work alongside occupational pensions?
- How will the RDR change the stocks and shares ISA market?
- Has the Junior ISA failed?

ISAs are not immune to the difficult economic climate, as the number of people subscribing to ISAs fell by around 7% in the 2011/12 tax year. However, despite the decline in ISA holders, the market held up well in terms of actual contributions. For those able to save, it seems that ISAs continue to offer an attractive savings proposition. Cash ISAs dominate the market, with more than 11 million accounts subscribed to in 2011/12, compared to fewer than 3 million stocks and shares ISAs. Ongoing uncertainty and instability in the stock market is doing little to encourage risk-averse UK consumers to make the most of their investment ISA allowance.

However, stocks and shares ISAs have overtaken pensions in terms of contribution levels in the 2010/11 tax year and Junior ISAs (JISAs) have entered the marketplace to further extend the wrappers offerings. Cash ISAs are one of the simplest products on the market and many consumer financial advice services promote their use. Stocks and shares ISAs are a useful vehicle for nervous or novice investors to dabble in the stock market. Both cash and stocks and shares ISAs offer the consumer many benefits and saving incentives and this straightforwardness is the key driver behind the popularity of ISAs.

This report examines ISAs and their place in the market, considers competing products and factors influencing the market. The size of both the cash and stocks and shares ISA markets is examined and the provider share of the cash ISA market is calculated. Consumer behaviour and attitudes towards ISAs are also considered in order to build a thorough picture of the ISA market in 2012 and onwards.

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