

## ISAs - UK - November 2016

Report Price: £1995.00 | \$2431.91 | €2216.64

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.



“The ISA market is at a turning point. Overall contributions continue to grow driven by the stocks and shares sector of the market, but the number of accounts fell in the last tax year, as low interest rates undermine the incentive to save among many consumers.”  
 – **Jessica Galletley, Financial Services Analyst**

This report looks at the following areas:

- **Lifetime ISA could reduce contributions to pension savings**
- **Simplifications undermined by launch of new ISAs**
- **Personal Savings Allowance: the end of ISAs?**

During the 2015/16 tax year, the cash ISA and stocks and shares ISA markets performed very differently. The cash ISA market saw a 4% fall in contributions, whilst the stocks and shares ISA market grew by 20%. The low interest rate environment continues to be challenging for the cash savings market, with consumers lacking the incentive to save. Investments have benefited from this to some extent, as people are forced to look elsewhere in search of better returns for their savings.

However, the long-term future of the ISA market is in doubt, following the introduction of a Personal Savings Allowance (PSA). The PSA undermines the main tax-efficient advantage of saving in an ISA, by giving people a proportion of tax-free earnings on any savings income or interest, regardless of where their savings are held. Despite this, the ISA wrapper is still valued, and continues to be a key instrument used by the government to promote savings activity. Recent developments include the launch of the Innovative Finance ISA and the announcement of a Lifetime ISA.

This Report explores the ISA market, looking at how the market is performing and identifying the key opportunities and challenges it faces. It presents Mintel’s exclusive consumer research, which establishes consumer ownership of savings products, consumer savings priorities and planned uses of ISA savings. It examines consumer attitudes towards risk, and general attitudes towards ISAs and saving. It also explores consumers’ expected usage and awareness of the Lifetime ISA, and attitudes towards the product among the target 18-40 age group.

**BUY THIS  
REPORT NOW**

**VISIT:**  
store.mintel.com

**CALL:**  
EMEA  
+44 (0) 20 7606 4533

Brazil  
0800 095 9094

Americas  
+1 (312) 943 5250

China  
+86 (21) 6032 7300

APAC  
+61 (0) 2 8284 8100

**EMAIL:**  
reports@mintel.com

**DID YOU KNOW?**

This report is part of a series of reports, produced to provide you with a more holistic view of this market

# ISAs - UK - November 2016

Report Price: £1995.00 | \$2431.91 | €2216.64

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

## Table of Contents

### Overview

What you need to know  
Products covered in this Report

### Executive Summary

The market

Number of accounts continues to fall

Figure 1: Number of ISAs and amounts subscribed, 2009/10-2015/16

Growth forecast for cash ISA and stocks and shares ISA markets

Figure 2: Forecast of total adult cash ISA subscriptions, at current prices, 2010/11-2020/21

Figure 3: Forecast of total adult stocks and shares ISA subscriptions, 2010/11-2020/21

Personal tax allowance dis-incentivises ISA savings

Low rates drive interest in stocks and shares

Figure 4: Average monthly quoted cash ISA variable rate and fixed rate, January 2012-August 2016

Lifetime ISA set to launch in April 2017

Cross-selling is rife in the ISA market

Figure 5: Financial product ownership and cross-sales, July 2016

Companies and brands

High street banks and building societies dominate the cash ISA market

Figure 6: Ranking of cash ISAs providers, by proportion of ISA holders, April 2016

Fidelity is leading provider of ISA FUM

Figure 7: Top 10 investment ISA providers, by ISA funds under management, as of May 2016

Mixed approach towards Lifetime ISAs among providers

Innovative Finance ISA brings more firms into the market

The consumer

Nearly half of UK adults have an ISA

Figure 8: Savings product ownership, September 2016

Creating a savings 'buffer' is a priority...

Figure 9: Savings goals over the next five years, September 2016

...but ISAs are preferred for longer-term goals

Figure 10: Planned use of ISA savings, September 2016

Offering guidance could increase consideration of risk-based products

Figure 11: Attitudes towards risk with savings and investments, September 2016

People like the idea of the Lifetime ISA...

Figure 12: Awareness and interest in Lifetime ISAs, September 2016

...but the restrictions will put people off

Figure 13: Concerns about using a Lifetime ISA, September 2016

What we think

**BUY THIS  
REPORT NOW**

**VISIT:** [store.mintel.com](http://store.mintel.com)

**CALL:** EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

**EMAIL:** [reports@mintel.com](mailto:reports@mintel.com)

# ISAs - UK - November 2016

Report Price: £1995.00 | \$2431.91 | €2216.64

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

## Issues and Insights

Lifetime ISA could reduce contributions to pension savings

The facts

The implications

Simplifications undermined by launch of new ISAs

The facts

The implications

Personal Savings Allowance: the end of ISAs?

The facts

The implications

## The Market – What You Need to Know

Number of accounts continues to fall

Growth forecast for cash ISA and stocks and shares markets

Personal tax allowance dis-incentivises ISA savings

Lifetime ISA set to launch in April 2017

Cross-selling is rife in the ISA market

## Market Size and Forecast

Number of accounts subscribed to continues to fall

Figure 14: Number of ISAs and amounts subscribed, 2009/10-2015/16

Cash ISAs continue to hold greater share of the market

Figure 15: Number of ISAs and amounts subscribed, segmented by component type, 2009/10-2015/16

Stocks and shares see average subscription rise by 28%

Figure 16: Average subscription per account, 2009/10-2015/16

Stocks and shares ISAs see biggest rise for cash on deposit

Figure 17: Value of funds held in adult ISAs, by type of investment, 2012/13-2015/16

Cash ISA market forecast to reach £71.5 billion

Figure 18: Forecast of total adult cash ISA subscriptions, at current prices, 2010/11-2020/21

Figure 19: Forecast of total adult cash ISA subscriptions, at current prices, 2010/11-2020/21

Stocks and shares ISA market forecast to reach £30.9 billion

Figure 20: Forecast of total adult stocks and shares ISA subscriptions, 2010/11-2020/21

Figure 21: Forecast of total adult stocks and shares ISA subscriptions, 2010/11-2020/21

The impact of the EU Referendum vote

Figure 22: Post-Brexit alternative market scenarios for the value of total adult ISA subscriptions, at current prices, 2015/16-2020/21

Figure 23: Detailed Post-Brexit scenarios for the value of total adult ISA subscriptions, at current prices, 2015/16-2020/21

Forecast methodology

## Market Drivers

Savings ratio continues to fall

Figure 24: Household savings ratio, Q1 2011-Q2 2016

**BUY THIS  
REPORT NOW**

**VISIT:** [store.mintel.com](http://store.mintel.com)

**CALL:** EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

**EMAIL:** [reports@mintel.com](mailto:reports@mintel.com)

## ISAs - UK - November 2016

Report Price: £1995.00 | \$2431.91 | €2216.64

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Rising cost of living will affect people's ability to save...

...whilst low interest rates mean those who can lack an incentive

Figure 25: Bank of England base rate and CPI (monthly % change) – UK, January 2011-August 2016

Brexit vote has had little impact on confidence

Figure 26: Financial confidence index, January 2009-October 2016

Low rates drive interest in stocks and shares

Figure 27: Average monthly quoted cash ISA variable rate and fixed rate, January 2012-August 2016

Help to Buy terms cause confusion

### Regulatory and Legislative Changes

Personal tax allowance dis-incentivises ISA savings

Cash savings market study follow-up

Lifetime ISA set to launch in April 2017

Innovative Finance ISA investment range expanded

ISA annual subscription limit set to increase

### Channels to Market

Cross-selling is rife in the ISA market

Figure 28: Financial product ownership and cross-sales, July 2016

People with a higher savings value present an opportunity for alternative providers

Figure 29: Cash ISA ownership and cross sales, by value of total savings and investments, July 2016

Investment experts preferred for stocks and shares

### Companies and Brands – What You Need to Know

High street banks and building societies dominate the cash ISA market

Mixed approach towards Lifetime ISAs among providers

ISA providers abandon new rules

ISA advertising spend rises for the first time since 2011/12

### Market Share

High street banks and building societies dominate the market

Figure 30: Ranking of cash ISAs providers, by proportion of ISA holders, April 2016

Investors prefer specialist providers

'Other' providers increase share

Figure 31: Top 10 investment ISA providers, by ISA funds under management, as of May 2016

### Competitive Strategies

Mixed approach towards Lifetime ISAs among providers

Innovative Finance ISA brings more firms into the market

ISA providers abandon new rules

Improving personal financial management to increase savings

### Advertising and Marketing Activity

BUY THIS  
REPORT NOW

**VISIT:** [store.mintel.com](http://store.mintel.com)

**CALL:** EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

**EMAIL:** [reports@mintel.com](mailto:reports@mintel.com)

## ISAs - UK - November 2016

Report Price: £1995.00 | \$2431.91 | €2216.64

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

### ISA advertising spend rises for the first time since 2011/12

Figure 32: Total above-the-line, online display and direct mail advertising expenditure on ISAs, by component type, 2011/12-2015/16\*

### Press no longer dominates adspend

Figure 33: Total above-the-line, online display and direct mail advertising expenditure on ISAs, by media type, 2015/16\*

### Cash ISA spend growth propelled by some key spenders

Figure 34: Top 10 recorded above-the-line, online display and direct mail advertisers of cash ISAs, 2011/12-2015/16

### Aviva tops list for stocks and shares ISA spend

Figure 35: Top 10 recorded above-the-line, online display and direct mail advertisers of stocks and shares ISAs, 2011/12-2015/16

### Nielsen Ad Intel coverage

## The Consumer – What You Need to Know

Nearly half of UK adults have an ISA

Creating a savings 'buffer' is a priority...

...but ISAs are preferred for longer-term goals

Offering guidance could increase consideration of risk-based products

People like the idea of the Lifetime ISA...

...but the restrictions will put people off

## Savings Product Ownership

Nearly half of adults own an ISA

Figure 36: Savings product ownership, September 2016

Cash ISAs are the most popular form of ISAs

Stocks and shares ISAs are much less common

Figure 37: Savings product ownership, by value of savings and investments, September 2016

ISAs should be a first-choice savings product

Figure 38: Repertoire of different types of savings and investment product ownership, September 2016

## General Motivations for Saving

Half are saving for emergencies/ unexpected events

Figure 39: Savings goals over the next five years, September 2016

Lifetime ISA will struggle to attract retirement savings

Stocks and shares ISAs more popular among those with longer-term savings goals

Figure 40: Savings goals over the next five years, by savings product ownership, September 2016

## Planned Use of ISA Savings

ISAs used for a combination of short and long-term goals

Figure 41: Planned use of ISA savings, September 2016

Lifetime ISA could attract a significant proportion of ISA savings

Figure 42: Planned use of ISA savings, by age, September 2016

Stocks and shares ISAs dominated by retirement savings

Figure 43: Planned use of ISA savings, by ISA product ownership, September 2016

People would benefit from clarifying their ISA savings goals

**BUY THIS  
REPORT NOW**

**VISIT:** [store.mintel.com](http://store.mintel.com)

**CALL:** EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

**EMAIL:** [reports@mintel.com](mailto:reports@mintel.com)

## ISAs - UK - November 2016

Report Price: £1995.00 | \$2431.91 | €2216.64

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 44: Repertoire of planned use of ISA savings, September 2016

### Attitudes towards Risk

Majority are unwilling to take risks with their savings

Figure 45: Attitudes towards risk with savings and investments, September 2016

Target financially confident Millennials

Figure 46: Agreement with the statement 'I would be interested in taking more risk but need some guidance to do so', by age, September 2016

Innovative Finance ISA will attract high-value savers

Figure 47: Agreement with the statement 'I'm interested in exploring alternative finance products that could offer a better return (investing in peer-to-peer lending, crowdfunding)', by value of savings, September 2016

### Attitudes towards ISAs and Saving

Instant access is an important account feature

Figure 48: Attitudes towards ISAs and saving, September 2016

There is an opportunity to increase active ISA contributions

Figure 49: Attitudes towards ISAs and saving, by ISA product ownership, September 2016

Alternative ISA holders find them complicated

Low interest rates pose an opportunity for the stocks and shares market

### Awareness and Expected Usage of the Lifetime ISA

The majority have heard of the Lifetime ISA

Figure 50: Awareness and interest in Lifetime ISAs, September 2016

24-27-year-olds are a prime target

Figure 51: Awareness and interest in Lifetime ISAs, by age, September 2016

Providers need to communicate benefits among the self-employed

Figure 52: Awareness and interest in Lifetime ISAs, by working situation, September 2016

### Attitudes towards Lifetime ISAs

Lifetime ISA provides cross-selling opportunity

Figure 53: Attitudes towards Lifetime ISAs, September 2016

Is it appropriate to save for a home and retirement together?

Lifetime ISAs pose a threat to pension contributions...

Figure 54: Considerations for savings in a Lifetime ISA, September 2016

...but the restrictions will be off-putting for many

Figure 55: Concerns about using a Lifetime ISA, September 2016

### Appendix – Data Sources, Abbreviations and Supporting Information

Abbreviations

Consumer research methodology

### Appendix – Value of Savings

Figure 56: Value of savings and investments, September 2016

### Appendix – Market Size and Forecast

Best- and worst-case forecasts for cash ISA subscription value

**BUY THIS  
REPORT NOW**

**VISIT:** [store.mintel.com](http://store.mintel.com)

**CALL:** EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

**EMAIL:** [reports@mintel.com](mailto:reports@mintel.com)

## ISAs - UK - November 2016

Report Price: £1995.00 | \$2431.91 | €2216.64

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

---

Figure 57: Best- and worst-case forecasts for total adult cash ISA subscriptions, at current prices, 2015/16-2020/21

### Best- and worst-case forecasts for stocks and shares ISA subscription value

Figure 58: Best- and worst-case forecasts for total adult stocks and shares ISA subscriptions, at current prices, 2015/16-2020/21

### Cash ISA volume forecast

Figure 59: Market forecast for number of adult cash ISA subscriptions, 2010/11-2020/21

Figure 60: Best- and worst-case forecasts for total number of adult cash ISA subscriptions, 2015/16-2020/21

### Stocks and Shares ISA volume forecast

Figure 61: Market forecast for number of adult stocks and shares ISA subscriptions, 2010/11-2020/21

Figure 62: Best- and worst-case forecasts for number of adult stocks and shares ISA subscriptions, 2015/16-2020/21

### Forecast Methodology

---

**BUY THIS  
REPORT NOW**

**VISIT:** [store.mintel.com](http://store.mintel.com)

**CALL:** EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

**EMAIL:** [reports@mintel.com](mailto:reports@mintel.com)