

ISA Transfers – how to help the system work faster and better

All Individual Savings Account (ISA) Managers are aware of the problems experienced by some customers in relation to the transfer of their Cash ISAs. The British Bankers' Association (BBA), the Building Societies Association (BSA) and the Tax Incentivised Savings Association (TISA) have worked collaboratively to address this industry issue, and have engaged a wide range of ISA Managers to identify issues that might be contributing to delays and to develop solutions. As ISA Managers implement these changes and work towards bringing in necessary electronic solutions, we hope that investors will experience a smoother, faster ISA transfer process and that this will overcome any issues related to potential missed interest.

It has become apparent that a number of factors are contributing to the delays experienced in the ISA transfer process. The working party has developed a set of Guidelines for the immediate term, to ensure that procedures and practices among ISA Managers are harmonised and to ensure that ISA Managers are communicating better with their customers. These Guidelines are to be used by all Cash ISA Managers and also by Stocks & Shares ISA Managers where a Cash ISA is being transferred in to them. Timescales have been specified for each part of the process and have been determined following input from many types of managers. Conforming to these timescales will mean that the whole transfer process will be a vast improvement on many of the current experiences. Some managers will be able to meet these timescales now, although it will of course take other managers some time to achieve the timescales recommended for some parts of the process.

Frequently Asked Questions – ISA Transfers

How do I transfer my ISA?

ISA investors should initiate an ISA transfer with the new ISA Manager. Once you have contacted your new Manager and filled out a Cash ISA Transfer Authority Form, they will then arrange the transfer for you, subject to the additional completion of their own specified account documentation, e.g. application &/or renewal forms.

Why do I have to go to an ISA Manager to transfer my ISA?

Under the present law, to avoid losing some or all of your tax relief, if you want to transfer your ISA you must get your new and existing ISA Managers to do this for you.

Are ISA Managers obliged to accept transfers?

ISA Managers are not obliged to accept transfers.

What am I allowed to transfer?

Investors can transfer their ISAs from one manager to another whenever they want.

Subject to your chosen ISA Manager's terms and conditions, you may transfer

- The whole current year ISA subscriptions (and any related income) and/or
- all or part of your previous years ISA subscriptions (and any related income).

If the ISA contains only current year subscriptions the entire account must be transferred.

Subscriptions to a Stocks and Shares ISA can only be transferred to another Stocks and Shares ISA. However, subscriptions to a Cash ISA can be transferred to another Cash ISA, or to a Stocks and Shares ISA.

Where current year subscriptions are being transferred from a Cash ISA to a Stocks and Shares ISA, the current year subscriptions are treated for all ISA purposes as if they had been made to the Stocks and Shares ISA. This means that the investor is regarded as never having subscribed to a Cash ISA. Within the overall subscription limit, therefore the investor may subscribe to a Cash ISA later in the current year (with the same or a different manager) without breaching the one-ISA-of-each-type-a-tax-year rule.¹

What happens if I want to transfer a current year ISA?

Under current HMRC rules, an investor may only subscribe to one ISA provider in any tax-year.

To prevent late rejections, ISA investors are requested, as part of the initial transfer request, to ensure they correctly notify the new ISA provider of any subscriptions already made in the current tax year.

The process for current tax year transfers is identical to previous tax year transfers; except that you have to transfer all of the subscriptions you have made in the current year together with interest earned by those subscriptions.

If an ISA is transferred in the same tax year it was opened, the original contributions still count towards the ISA investor's annual allowance but transfers from previous years will not count towards the current year's ISA allowance.

What information may be required to transfer my ISA?

- Name
- Address
- Date of birth
- National Insurance Number
- Existing Cash ISA account number
- Old Passbook/token (if any)
- Name and address of existing ISA Manager
- How much you want to transfer:
 - a) The entire balance
 - b) All of the current years subscriptions; and/or
 - c) All or part of the subscriptions from previous years, stating the amount.

Where information supplied by the new ISA Manager and information held by the existing ISA Manager differ, the transfer goes ahead subject to the existing ISA Manager being confident of the ISA investor's identity in line with guidance from HMRC in ISA Bulletin 2. This checking process occurs for the purpose of investor protection, to ensure that the ISA investor desires the transfer, and to allow the correct account to be transferred. This is a safeguard against fraud. To expedite the

¹ HMRC, <http://www.hmrc.gov.uk/ISA/transfer-isa.htm>

transfer process by ensuring that sufficient information is supplied to the existing ISA Manager, it is recommended that ISA Managers either use the attached model Client Transfer Authority Form (or ensure the same information is incorporated within their own forms). This form (or its equivalent) is to be completed by the ISA Investor, accepted and dated by the new manager and then forwarded to the existing ISA Manager (unless an electronic process has been agreed between the two managers).

To expedite the transfer process the Industry recommends ISA investors supply the new ISA provider with full and accurate details of the ISA they wish to transfer.

Are there Data Protection issues with sharing information?

Data Protection laws are in place to limit the information on individuals which companies share. However, in the case of transfers there are occasions when ISA Managers need to clarify some details relating to the account in question. Accordingly, the new Guidelines and model forms contain an information sharing authority, signed by the investor which enables ISA providers to supply investors' personal information on receipt of the appropriately signed authority.

ISA investors can assist ISA providers in communicating more efficiently with each other by assenting to this information sharing authority.

Will I need to provide any documentation?

Some existing ISA Managers require the return of account tokens (e.g., bond certificates) and account passbooks in order to update and cancel on transfer of the account. Requesting these tokens may obviously delay the ISA transfer process.

How long will it take to transfer my ISA?

The industry anticipates that the new Guidelines will mean that normally the whole process will be completed within 23 working days.

However, there are some instances which may make the process take longer. Some ISA Managers offer ISA products (usually stocks & shares ISAs) that give a 'cooling-off' period. In these instances, the transfer process cannot be started until the cooling off period has expired.

Also, some ISA Managers may impose their own restriction on transfers so it is important that the ISA investor takes account of the individual account terms and conditions applicable to their existing ISA. If the ISA being transferred has a notice period, it will be necessary for the new ISA Manager to ensure they are aware of the investor's wishes with regards to serving the notice period or allowing the application of the penalty.

ISA investors can assist the process by ensuring they indicate their intentions with regards to any notice period on their existing IS by completing the relevant part of the Client Transfer Authority Form.

How will I be kept informed of the process of my ISA transfer?

It is imperative that ISA investors are kept informed and given appropriate mechanisms to check on the progress of their ISA transfer. ISA Managers have agreed to improve the communication between themselves and their customers, notifying them of any delay in the transfer process.

How can I find out what has happened to the transfer of my ISA?

As part of the new Guidelines, all ISA investors should be informed of any delay.

If in any doubt however, the ISA investor should approach their existing ISA Manager to check on whether the transfer request has been received and actioned. If the transfer has been effected but a delay with the new provider is still evident, the ISA investor should approach the new ISA Manager to gain clarity as to what the delay is and when they could expect a resolution.

Will I be compensated for the delay in transferring my ISA?

If an investor feels they have been unduly disadvantaged by any delays in the transfer of the Cash ISA between providers they should follow the complaints procedure of the provider who has caused the delay.

Complaints referred to the Financial Ombudsman Service will be dealt with on an individual basis and be based on their own merits and disadvantage proven.

I am dissatisfied about the time taken to transfer my ISA, what can I do?

If, after checking with one or both providers, the ISA investor is still unhappy with the progress of their transfer, the investor should formally complain to the offending ISA Manager and follow the Manager's instructions with regards escalating their complaint to the Financial Ombudsman Service.

Wouldn't it be easier if I could be given an ISA certificate, and transfer the ISA myself?

The BBA, BSA and TISA believe that, for the most part, the transfer of ISAs between ISA Managers is the most efficient and secure means of transferring the funds. The proposed changes and clearer lines of responsibilities set down in the Cash ISA Transfers Guidelines should facilitate a faster and more transparent service and address the majority of issues currently contributing to ISA transfer delays

There has been a proposal that ISA investors wishing to transfer their ISA could be given the option of closing their account and obtaining a certificate to preserve the tax status of the withdrawn funds. It is proposed that the investor could then deposit the cheque and certificate with a new ISA manager.

The issuance of paper certificates carries a number of risks to both investors and HM Revenue and Customs. For instance, certificates could be lost, or tampered with for the purposes of committing fraud, the investor may decide they want to retain part of the transfer proceeds, there may be a mix of cash and re-registration of investments – the potential for complications is great.

HMRC have indicated that this proposal would require a legislative change, and have not indicated their support for such a measure.

Why can't the money be transferred electronically?

To ensure that the correct account and the correct funds are transferred, and that the ISA rules are not broken, it is important that sufficient information accompanies the transfer of money. It is acknowledged that electronic transfer of both information and funds is the optimum solution. Systems development will need to take place to enable ISA managers to do this, which will call for long-term development and investment. To help to reduce the expenditure - and ultimately the price a consumer pays for a financial product - system changes will be introduced gradually and not overnight. However, this change is an important development and a working party has been convened to put a process in place.