

A representation to Autumn Budget 2025 from the Building Societies Association

About the Building Societies Association

The Building Societies Association (BSA) represents all 42 UK building societies, including both mutual-owned banks, as well as 7 of the largest credit unions. Building societies and mutual-owned banks have total assets of almost £650 billion. They hold residential mortgages of over £485 billion, 29% of the total outstanding in the UK. They also hold over £485 billion of retail deposits, accounting for 23% of all such deposits in the UK. Building societies and mutual-owned banks account for 47% of all cash ISA balances. They employ around 52,300 full and part-time staff and operate through approximately 1,300 branches, a 30% share of branches across the UK.

This submission contributes to the decisions on ISA reform, where our analysis shows cuts to Cash ISA limits would be counterproductive to the Chancellor's aims, undermining the policy success of ISAs. However, Lifetime ISAs are a part of the ISA landscape that could be simplified.

We also comment briefly on some speculated tax reforms.

We would welcome the opportunity to give any more information or input on any policy areas that are being considered, as our members are keen to support the Government's ambition for greater inclusive growth across all parts of the UK.

Cash ISA reform

In her Mansion House speech in July the Chancellor set out her aims when considering ISA reform. These were:

- improved returns for savers, and
- more investment in the UK economy.

We support constructive steps that would achieve these goals, including:

1. The **retail investment campaign** to make people more aware of investing and better informed about risk, which was announced as part of the Leeds Reforms.
2. The FCA's proposed **Targeted Support regime**, including for consumer investments. We are engaging with the FCA on designing this regime, particularly in relation to the use case of getting more people to invest.
3. We also support other reforms to help consumers to better understand their options and risks involved, including the **review of risk warnings** and the FCA's proposed new product information regime for Consumer Composite Investments (CCI).
4. **Encouraging savers to shop around.** The building society sector launched UK Savings Week in 2022. One of the campaign's main objectives is to get existing savers to make sure their money is working as hard as it can be, as almost £300 billion is sitting in accounts not earning any interest. Our analysis shows that building society savers received £2.3 billion more interest last year than if they had been paid the average market rates.

5. Greater **incentives for retail investors to invest in UK companies**. We were not opposed in principle to the previous Government's UK ISA proposals, though understand the wider industry's concerns that those proposals were prohibitively complex.

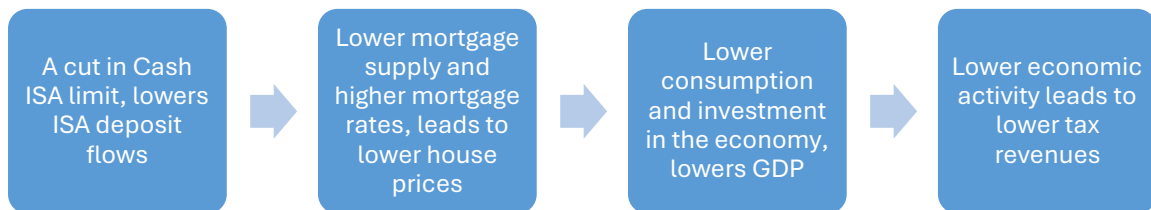
In contrast to these constructive measures, cutting the Cash ISA subscription limit will not achieve the Chancellor's aims.

This is for three main reasons:

1. The knock-on negative impact on the mortgage market and economic growth

Analysis we have conducted with the input of former OBR economists and HM Treasury policy officials indicates that cutting Cash ISA limits would, in isolation, have significant negative consequences for the mortgage market and wider economy. A cut to the Cash ISA limit from £20k to £5k would reduce mortgage supply by approximately 17,000 loans. This reduced activity would have a negative impact on the housing market and economic growth, potentially reducing GDP by £7 billion over 5 years, reducing tax revenues by £2.5 billion. As such, any net tax saving from reducing the Cash ISA limit is extremely doubtful once the knock-on effects are considered.¹

Knock-on consequences of a cut in the Cash ISA subscription limit:



A more substantial behavioural reaction to the cut to the Cash ISA limit would have much larger effects on the mortgage market, also flowing through to a larger hit on economic growth.

2. The added complexity from different limits for Cash ISAs vs Stocks and Shares ISAs

Different annual subscription limits for Cash and Stocks & Shares ISAs risk undermining the high degree of awareness of and confidence in the well-established ISA regime.

Before July 2014 there was a lower subscription limit for Cash ISAs than Stock & Shares ISAs. To prevent savers gaming this difference by putting the maximum into a Stocks & Shares ISA and then transferring it into a Cash ISA, transfers from S&S to Cash ISAs were prohibited. In addition, there were restrictions that prevented people from holding cash or cash-like products in S&S ISAs.

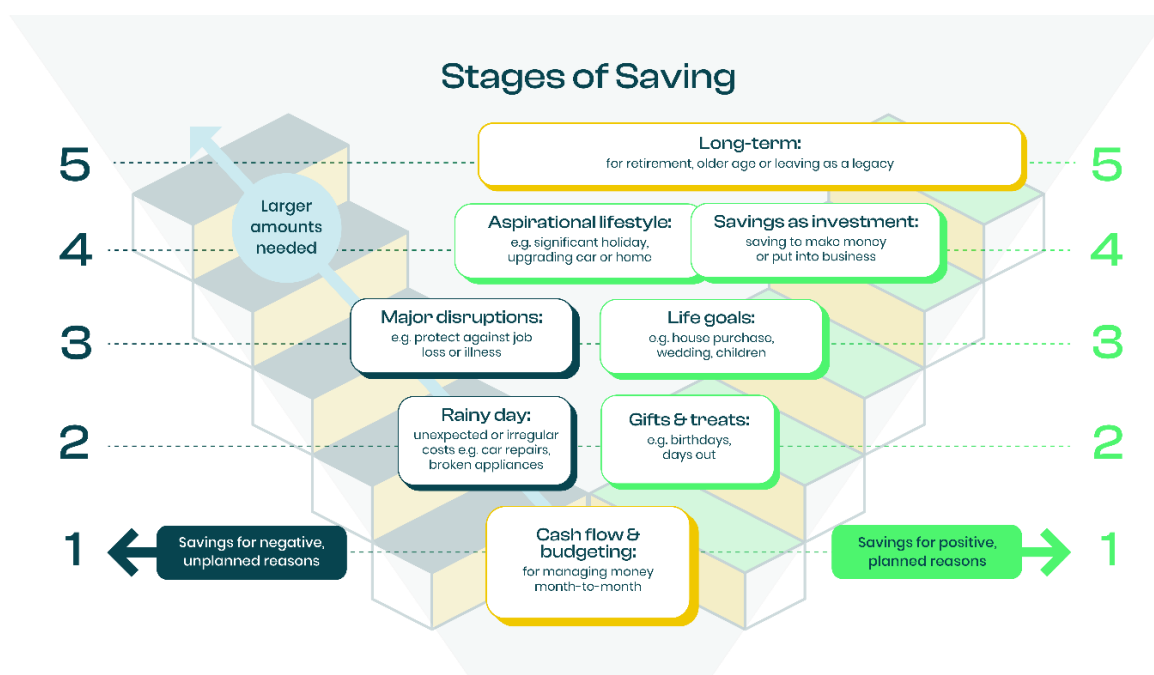
¹ We have previously provided the detailed research and analysis that supports these points to HM Treasury officials, and attach these as appendices to this submission.

If we return to a situation where there are different limits, similar restrictions might have to be reintroduced. This would introduce complexity and reduce flexibility for consumers and could put them off saving or investing in the first place.

A survey of current Stocks & Shares ISA investors found that 74% said that being able to transfer from a S&S ISA to a Cash ISA was important to them. 56% of current Cash ISA savers also said this option was important².

People might want to use this flexibility as they manage their investments through the cycle, or as they approach retirement and want to reduce the risk to which they are exposed, or as they pull together their house deposit and want certainty around how much they can put down when they go house-hunting. The Opinium survey gives a ballpark estimate of 1.9 million people currently using their Cash ISA for managing money drawn down from their investments.

It shouldn't be a case of savings versus investment. We commissioned research from the University of Bristol that showed the different roles that savings and investment play for people at different stages of their life³. The research also tracked how people's holdings of financial products develop over time. The findings demonstrate that having a basic savings account is a precursor to holding more sophisticated products in the future, even after controlling for factors such as income. Basic savings do seem to set a foundation for future holdings of Cash ISAs, investments and pensions. And Cash ISAs seem to be a forerunner for homeownership. In this way building savings can be a step towards investing, rather than counter to it.



3. Implementation challenges

If the Cash ISA limit is cut there will be a number of changes that need to be made to HMRC and provider systems. These will depend on seeing the final rules as soon as possible.

² Opinium, online survey of 2,050 adults 11-15 September 2025, weighted to be nationally representative.

³ https://www.bristol.ac.uk/media-library/sites/geography/pfrc/documents/The_role_of_savings_in_building_longer_term_financial_security.pdf

It would be very difficult, if not impossible, for many providers to make the changes by 6 April 2026. If providers cannot make the changes in time they may have to temporarily withdraw from the market until the systems can be developed, reducing consumer choice.

A key part of any implementation will be communicating the change to savers to ensure they understand the new arrangements. If consumers are confused or wary of breaching limits they may be put off saving or investing.

Lifetime ISAs

One area of the ISA landscape which could benefit from simplification is the Lifetime ISA (LISA). As the Treasury Committee recently identified, the LISA combines two purposes into one product: saving for a first home deposit, and for retirement. This dual purpose led to a number of complexities in the product design.

We propose focusing the LISA solely on saving for a first-time buyer deposit for new accounts. This would continue to support other Government objectives including the building of 1.5 million additional new homes, while simplifying the product for consumers.

As part of this reform, we propose removing the penalty element of the LISA withdrawal charge by reducing the withdrawal charge for unauthorised withdrawals to 20% rather than 25%. This way if a saver has to withdraw the money they lose the Government bonus, but are not penalised by losing their own savings. We also call for the house price threshold to be raised, to at least £585,000 to reflect the increases in house prices since the LISA was introduced.

Bank Taxes

There has been considerable media speculation in recent months that taxes could be raised on the banking sector, either directly or indirectly through requiring the Bank of England to change its policy on remunerating reserves. A number of building societies are already liable for the Bank Surcharge and Levy, and could become further liable under some of the speculated reforms. However, we believe that additional taxes on the banking industry, including our members, would hinder lending to households and businesses and therefore suppress investment, economic activity and growth. The Government's Financial Services Growth & Competitiveness Strategy recognises that "The financial services sector has a central role to play in delivering a decade of national renewal. It is one of the largest and most productive sectors of the economy – accounting for around 9% of UK economic output and providing 1.2 million jobs in every part of the UK." We call on the Chancellor to continue to support the financial services industry to help to grow the economy.

Property Taxes

There has also been considerable speculation in recent months about various reforms to property taxation. Given our members' role in lending to support property buyers, we have read these with interest. We believe there is scope to improve the taxation of property to make the housing market work more efficiently, but that there is also a considerable risk of unintended consequences in moving to any new system. If property tax reform is being considered, we would welcome the opportunity to share our sectors' expertise and experience to help to make any reform as effective as possible.