

9 September 2026

Dear Chancellor

Enabling the building society and credit union sector to support growth in every postcode - Building Societies Association 2026 Budget submission

I am writing on behalf of the Building Societies Association (BSA) to set out a small number of practical Budget decisions that would enable building societies and credit unions to support good growth in every postcode.

Building societies and credit unions are rooted in the places they serve. Their purpose-led, member-owned model means that profits are retained and reinvested in lending, branches, services, innovation and local communities. At a time when the Government is focused on delivering growth in every part of the country, the mutual sector has a distinctive role to play.

The BSA has recently published a new strategy for sector growth, setting out the reforms needed from government, regulators and the sector itself, to help mutual lenders do more for consumers, communities and the wider economy¹. Ahead of the Budget, we would encourage the Government to take three immediate steps.

1. Freeze the proposed Cash ISA limit reduction

We urge the Government to freeze the proposed reduction in the Cash ISA subscription limit for two years and use that period to review whether this remains the right reform.

As currently designed, the changes would create complexity for consumers, operational cost for providers and a distraction for HMRC, while also reducing the funding available to deposit-taking institutions to support lending. Analysis shared with Treasury officials in 2025 indicated that reducing the Cash ISA limit to £15,000 could result in around 5,000 fewer mortgages being provided by building societies.

This reduced lending activity lowers economic activity more broadly, which has an estimated hit to Exchequer tax receipts, more than offsetting any increase in income tax receipts from savings interest².

¹ Finance for a Fairer Future, July 2026 <https://www.bsa.org.uk/about-us/bsa-strategy-for-sector-growth>

² Analysis for the BSA by former OBR officials found a cut to a £15k Cash ISA limit led to significant negative consequences for the mortgage market and wider economy. The reduction in funding and higher funding costs led

The proposed changes also coincide with other important reforms designed to improve customer outcomes in the same area, including Targeted Support, the retail investment campaign and changes to risk warnings. Pausing implementation would allow those initiatives to bed in before further changes are made to the ISA system.

There is also consumer concern. Survey evidence in 2025 found that 70% of Cash ISA savers opposed the cut, while 74% of Stocks and Shares ISA savers said it was important to them to have the ability to transfer into a Cash ISA³.

A freeze would simplify the development of the proposed First-time buyer ISA. It would also reduce avoidable implementation burdens for the industry and HMRC, which also have to implement other reforms such as Digital ISA reporting and the First-time buyer ISA. It would also give more time to consider how the ISA regime can best support both saving and investment more broadly.

2. Avoid increasing taxes on mutual lenders

We note recent speculation about higher taxes on banks. Larger building societies are currently within the scope of the bank surcharge and bank levy, and any increase in taxation on the banking sector would therefore affect parts of the mutual sector too. Building societies and credit unions rely on retained profits as their primary source of capital. Additional taxes on their profits would directly reduce the resources available to support new lending, investment in technology and innovation, and support for branches and local communities.

This is particularly important because mutuals are often regionally based. Their capital is not extracted for external shareholders and remains rooted in the locality - through lending, wages and employment, investment in branches, services and skills, and in local community causes and partnerships directly. Higher taxation would therefore risk weakening precisely the kind of locally rooted financial institutions that can help deliver inclusive growth, and be counter to the Government's commitment to double the sector.

We would therefore strongly encourage the Government to avoid any measures that would reduce the sector's capacity to lend, invest and grow.

3. Approach property tax reform with caution

The current system of property taxation introduces barriers and complexity and should be reviewed to make the housing market work more efficiently. However, there is considerable risk of unintended consequences in moving to any new system, and how to support those who lose out from any change are supported through transition needs careful consideration.

We would welcome the opportunity to work with HM Treasury on any future review to ensure that the consumer, lender and market impacts are fully understood.

to 5,000 fewer loans being made. This reduced activity lowered house prices and would have a negative impact on economic growth. Lower economic growth translates into a lower tax take. The analysis for a £15k Cash ISA limit was for GDP to be £3 billion lower over 5 years, reducing tax revenues by £1.1 billion. We would be delighted to re-share this analysis with HMT officials.

³ Opinion for the BSA. Opinion surveyed 2,050 UK adults online between 11-15 September 2025, weighted to be nationally representative.

These proposals would help building societies and credit unions do more to support savers, homeowners, first-time buyers and communities across the UK, while contributing to the Government's ambition for stronger and more balanced growth.

We would welcome the opportunity to discuss them with you and your officials ahead of the Budget.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sarah Harrison'.

Sarah Harrison CB MBE

Chief Executive

Building Societies Association