What is a flexible ISA / ISA flexibility?

Before 6th April 2016, any money you paid into your ISA usually counted towards your annual ISA allowance.

Flexibility will allow you to withdraw and replace money without the replacement counting towards your annual ISA allowance. But not all ISAs are flexible so you will need to check with your ISA manager before making a withdrawal if you are unsure.

Replacement money has to be paid into your ISA before your ISA manager’s close of business on the 5th April following the withdrawal or it will count towards your annual ISA allowance.

Your ISA allowance is unchanged so you can only subscribe (pay in money that is not replacing a withdrawal) in the current tax year up to your ISA allowance.

When can I use flexibility?

Flexibility is available from 6th April 2016 but only where the terms and conditions of the ISA allow it. Flexibility is not available for Junior ISAs or within the Scheme Rules for Help to Buy: ISAs.

If you have an existing ISA the terms and conditions need to be changed to allow flexibility. If they have not been changed flexibility is not permitted.

Not all ISAs will be flexible. If you are unsure whether you can withdraw and replace money without it counting towards your ISA allowance, please check with your ISA manager before making a withdrawal.
How does it work?

Your ISA manager will track your payments and withdrawals in your flexible ISA.

The amount that will count towards your annual ISA allowance is the net balance of money paid in less money taken out.

Example (1) – Flexible ISA with 2016/17 subscriptions (ISA allowance £15,240):

- £10,000 paid in to ISA 6th April 2016
- £5,000 withdrawn from ISA 1st June 2016

Total ISA subscription £10,000
2016/17 ISA allowance remaining £5,240

Total ISA subscription £5,000
2016/17 ISA allowance remaining £10,240

How do I know if I have subscribed to my flexible ISA?

In each tax year (6th April to 5th April) you can split your ISA allowance across the three types of ISA (cash, stocks & shares and innovative finance) but you can only subscribe to one ISA of each type.

If the money you have paid in, less the money you have withdrawn has been above £0 at any point in the tax year you will have subscribed to that ISA in the tax year, even where your total subscription is now £0. This means you can’t subscribe to another ISA of that type in the tax year other than by transferring your original ISA into that new ISA, even if there is nothing left in it.

Example (2) - Flexible ISA with 2016/17 subscriptions (ISA allowance £15,240)

- £10,000 paid in to ISA 6th April 2016
- £10,000 withdrawn from cash ISA 1st June 2016

Total ISA subscription £10,000
2016/17 ISA allowance remaining £5,240

Total ISA subscription £0
2016/17 ISA allowance remaining £15,240

In this example you have subscribed to a cash ISA in the tax year and cannot subscribe to another cash ISA the same tax year.
Example (3) - Flexible ISA with 2016/17 subscriptions (ISA allowance £15,240)

Total ISA subscription £10,000
2016/17 ISA allowance remaining £5,240

Total ISA subscription £3,000
2016/17 ISA allowance remaining £12,240

Total ISA subscription £8,000
2016/17 ISA allowance remaining £7,240

In this example you have subscribed to a cash ISA in the tax year and cannot subscribe to another cash ISA in the same tax year.

If you only withdraw and then replace previous year’s ISA money in the tax year, you have not subscribed and can subscribe to an ISA of that same type in the tax year if you wish. See example 4 below:

Example (4) - Flexible ISA containing previous year’s ISA money with no 2016/17 subscriptions (ISA allowance £15,240)

Total ISA subscription £0
2016/17 ISA allowance remaining £15,240

In this example you have not subscribed to a cash ISA in the tax year so you can subscribe to this cash ISA or subscribe to another cash ISA in the same tax year.

What if I have withdrawn more than I have paid in to my flexible ISA?
If you have only withdrawn money from your ISA in the tax year or have withdrawn more than you have paid in, this will be recorded by your ISA manager.

You can only replace this money into the ISA with your original ISA manager. If you transfer the ISA you will lose the ability to replace any unused flexible replacement amount after transfer (see example 9).

Example (5) - Flexible ISA containing previous year’s ISA money with no 2016/17 subscriptions (ISA allowance £15,240)

Total ISA subscription £0
2016/17 ISA allowance remaining £15,240
2016/17 flexible replacement available £50,000

Total ISA subscription £0
2016/17 ISA allowance remaining £15,240
2016/17 flexible replacement available £45,000
In examples 5 & 6 there has been no ISA subscription in the tax year so you could still subscribe to any type of ISA.

If the money you have paid in, less the money you have withdrawn has been above £0 at any point in the tax year you will have subscribed to that ISA in the tax year, even where your total subscription is now £0 so you could only subscribe to the other types of ISA in the same tax year.

Example (7) - Flexible ISA containing previous year’s ISA money with 2016/17 subscriptions (ISA allowance £15,240)

In this example you have subscribed to a cash ISA in the tax year so you cannot subscribe to another cash ISA in the same tax year.

What happens if I make a withdrawal from an ISA that is not flexible?

Any money paid into a non-flexible ISA will count as an ISA subscription towards your ISA allowance regardless of any withdrawals made. If you are unsure whether your ISA is flexible, check with your ISA manager before you make a withdrawal.
Example (8) – Non flexible ISA with 2016/17 subscriptions (ISA allowance £15,240)

In this example it will not be possible to replace the full £7,000 withdrawn as the ISA is not a flexible ISA so each payment counts as a subscription.

**Who keeps track of my ISA allowance and what I have subscribed?**

It is still your responsibility to keep track of how much of your annual ISA allowance you have used in the tax year and now you will need to take into account any withdrawals that you have made from a flexible ISA.

You can ask your ISA manager(s) to confirm what your remaining ISA allowance is with them at any time. But remember your ISA manager will not know about any money you have paid into any ISAs held with another ISA manager.

**What can I withdraw?**

All flexible withdrawals have to be made in cash so if you have a stocks & shares ISA or an innovative finance ISA you might need to sell investments to raise money before you withdraw it but you should make sure your ISA is flexible before you sell any investments or make a withdrawal.

Any fees that are charged to your ISA do not count as a flexible withdrawal, nor do transfers to another ISA or any money removed at the request of HM Revenue & Customs.

For more details of withdrawals that do not count as flexible withdrawals you will need to check your flexible ISA terms and conditions as they can vary between ISA managers.

**What happens if I close my flexible ISA?**

If your ISA manager allows you to, you may be able to re-open your ISA and replace any withdrawals you had not replaced when you initially closed your ISA however the replacement would have to be within the same tax year the withdrawal was made. You will need to check with your ISA manager or your flexible ISA terms and conditions as they can vary between ISA managers.
What happens if I transfer my flexible ISA?

If you want to transfer money you’ve subscribed to a flexible ISA in the current tax year you must transfer all of it. For money saved in previous years, you can choose to transfer all or part of your savings. You will need to contact the ISA manager you want to transfer to and fill out an ISA transfer form to move your ISA.

Where you are transferring a current year ISA (an ISA with subscriptions in the current tax year) – the old manager will tell the new manager how much of your ISA allowance you have used. That is the amount paid in, less the amount withdrawn. If the amount you have withdrawn is more than you paid in - for example, you have withdrawn some income or interest credited to the account, your old ISA manager will give your new ISA manager a total ISA subscription of £0 to show you have not used any of your ISA allowance in the ISA being transferred to them. You will not be able to replace any unused flexible replacement amount with the new manager without it counting towards your ISA allowance.

Where you are transferring all of a previous years ISA (an ISA with only previous year’s subscriptions), any withdrawals not replaced at the time of the transfer cannot be replaced with the new manager without counting towards your current year’s ISA allowance. But you can make replacements with your old manager if they keep your ISA open. Not all ISA managers will keep your ISA open so you will need to check with your ISA manager or your flexible ISA terms and conditions as they can vary between ISA managers.

Example (9) - Flexible ISA containing previous years ISA money with no 2016/17 subscriptions (ISA allowance £15,240)

- £8,000 withdrawn from ISA 6th April 2016
- £5,000 paid in to ISA 1st June 2016

Total ISA subscription £0
2016/17 ISA allowance remaining £15,240
2016/17 flexible replacement available £8,000

If this ISA is transferred, the old ISA manager will give the new ISA manager a total subscription of £0 meaning the opportunity to make a further £3,000 flexible replacement will no longer be available.

The new ISA manager can accept subscriptions up to the value of the ISA allowance remaining (£15,240). You may be able to replace the £3,000 with the old ISA manager if they allow you to and keep your ISA open after the transfer.

Example (10) - Flexible ISA containing previous year’s ISA money with 2016/17 subscriptions (ISA allowance £15,240)

- £5,000 withdrawn from cash ISA 6th April 2016
- £10,000 paid in to cash ISA 1st May 2016

Total ISA subscription £0
2016/17 ISA allowance remaining £15,240
2016/17 flexible replacement available £5,000

Total ISA subscription £5,000
2016/17 ISA allowance remaining £10,240
2016/17 flexible replacement available £0
If this ISA is transferred, the old ISA manager will give the new ISA manager a total subscription of £5,000. The new ISA manager can accept subscriptions up to the value of the ISA allowance remaining (£10,240).

Where you transfer only some of a previous years ISA any withdrawals not replaced at the time of the transfer can be replaced with the old manager without counting towards your ISA allowance.