Leading on Investments and Savings

The Individual Savings Account (Amendment no. XX) Regulation 2017

January 2017

About TISA

TISA is a not-for-profit membership association operating within the financial services industry. The focus of our recommendations and actions is improved outcomes for consumers and UK plc with this approach leading to a stronger UK financial services industry.

TISA's growing membership comprises over 150 firms involved in the supply and distribution of savings and investment products and services. These members represent many different sectors of the financial services industry, including asset managers, insurance companies, fund managers, distributors, building societies, investment managers, third party administrators, consultants and advisers, software providers, financial advisers, pension providers, banks and stockbrokers.

TISA has a successful track record in working cooperatively with government, regulators, HMT, DWP and HMRC to improve the performance of the industry and the outcomes for the public. Effective policy and regulation and the creation of efficient industry infrastructure continues to be the major focus for our members. TISA is unique in that it represents the entire financial services industry, incorporating cross-sector policy, industry and technical expertise. Whilst we maintain a solid partnership with government, the regulators and wider industry, we remain independent and develop neutral views and opinions. This impartiality is reflected in our ability to drive development projects which improve industry performance and consumer outcomes, putting us in the unique position of being able to constantly challenge the status quo to bring about material improvement.

1. Regulation 4AA. TISA support the prioritisation of removal of over subscriptions where a Lifetime ISA is involved. This ensures the impact of the withdrawal fee is minimised.

2. 5DDA (3B) HMRC guidance has confirmed that bonus is earned on the date of death and will also be included in the valuation. Clarification that this should therefore say …accrued but not paid up to and including the date of death.

3. 10A – In order that more self-employed workers may benefit from the Lifetime ISA, TISA would recommend that the upper contribution age increased from 50. One option would be to link the age to the recognised normal retirement age. It would also therefore increase as the normal retirement age increase. The current 10-year gap between upper contribution age and the maturity age could be maintained.

4. 12B – In line with the above increase in upper contribution age, TISA recommends that the maximum age in which a Lifetime ISA can be opened, be increased from age 40 in order to bring more self-employed into eligibility. Again, it is proposed that the maximum age is linked to the normal retirement age.

5. 37.4 – Acceptable withdrawals with no charge. Following a survey with our members there is a strong support for additional acceptable withdrawals with no charge. This are Redundancy, Critical Illness and the purchase of the second home. The last one is included as it is felt that the step from getting the ladder to the purchase of the second property, which tends to coincide with other life-changing events, can be just as challenging as the first purchase.

6. 37.5 – percentage withdrawal charge. TISA believe that the proposed charge over and above the return of the bonus (and any growth if applicable) is excessive and will act as a deterrent for

investors. The proposed charge on the Investors money represents a 6.25% penalisation which in the current climate is an excessive amount. TISA believe the charge should simply be the return of the bonus (plus growth if applicable), i.e. 20% of the amount withdrawn.

7. 37.12 (a) – clarification that the words in the brackets, ‘to the extent that the plan manager has assets relating to the account, or directly or indirectly representing any of the payments, in its possession or control’ is the limit of its liability. The wording further down suggests jointly and severally liable. Members would like to make it clear that if they have acted in accordance with the regulation the limit of their liability are the assets held on behalf of the Investor.

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