



Fix Britain's broken Isa system and make it simpler at the Budget, Rishi Sunak is urged by savings campaigners and experts

- Isas turn 22 this year and the system has been widely panned as complicated
- This comes after the introduction of multiple new Isas by George Osborne
- The rules around paying into Isas also remain restrictive in some cases
- The Chancellor has been urged to simplify the system and act on proposals put forward in 2018 to bring all Isas under one umbrella

By [GEORGE NIXON FOR THISISMONEY.CO.UK](#) 

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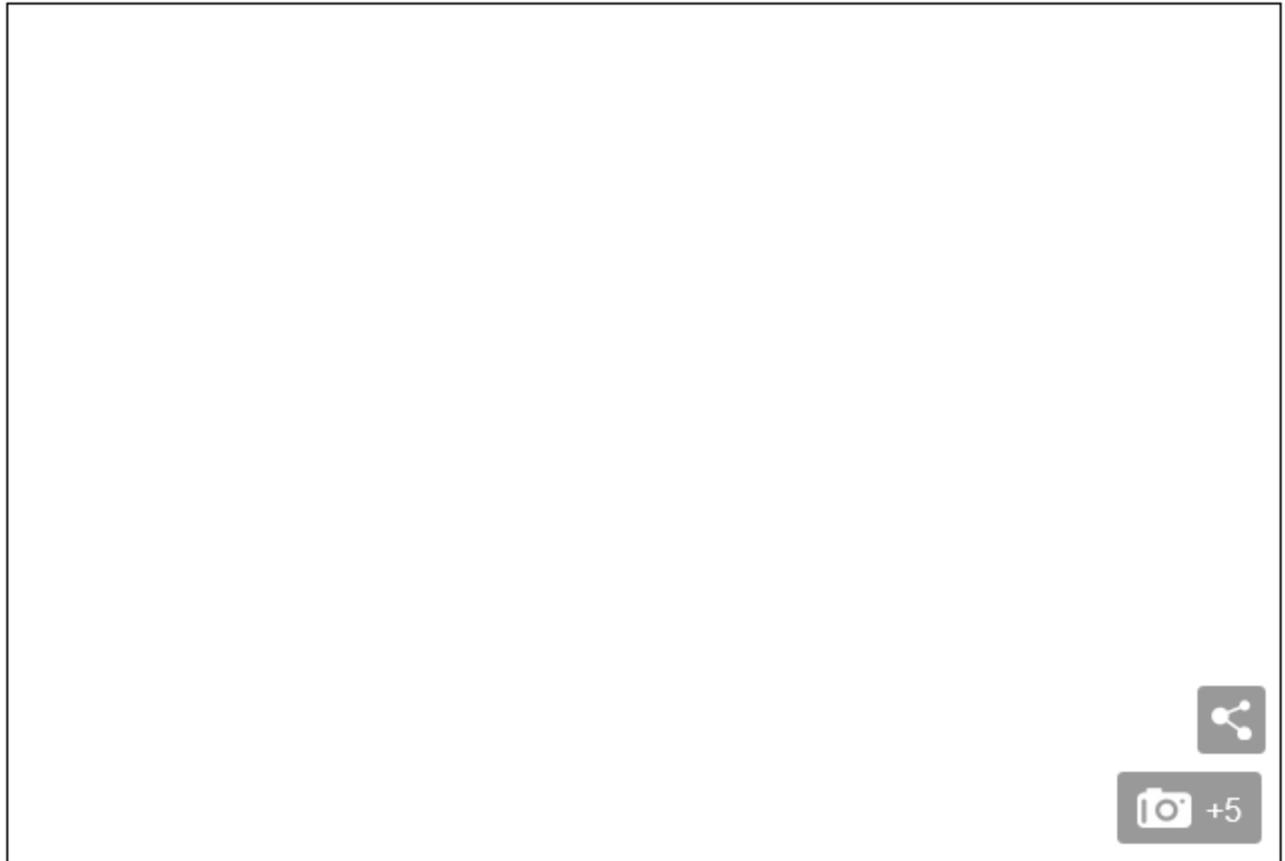
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The Chancellor should use next week's Budget to simplify the Isa system and scrap the trend of having one for 'almost every day of the week', savings industry experts have said.

Figures including Andy Bell, chief executive of DIY investment platform AJ Bell, and former pensions minister Baroness Altmann, told This is Money the tax-free savings system is far too complicated and all Isas should be brought under one umbrella.

Since their launch in 1999, 'various changes and additions to the rules have made them unnecessarily complex', Mr Bell said, while Ros Altmann told This is Money there was 'almost one Isa for every day of the week.'



Chancellor Rishi Sunak has been urged to simplify the Isa system in next week's Budget

She added: 'Suddenly there is a Help to Buy Isa, a Lifetime Isa, a Junior Isa, all different types with all different limits.'

The tax-wrapper introduced more than two decades ago initially encompassed only cash and stocks and shares versions and was designed to be a simple savings product.

However, previous Chancellor George Osborne replaced Child Trust Fund with Junior Isas in 2011 and introduced Help to Buy, Innovative Finance and Lifetime Isas during his time in the Treasury, each of which had different annual allowances.

It means while savers have been handed a boost in the form of a far larger tax-free allowance of £20,000, this has to be split over an increasing number of Isa types.

And savers can still only pay into one of each type every year, which This is Money has repeatedly called on the Treasury to change.

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'The past few years has seen a number of changes which has made what was a simple product much more complex and confusing', James Blower, founder of The Savings Guru and an adviser to challenger savings banks, said.

Baroness Altmann, who was pensions minister between 2015 and 2016, added: 'The Treasury has this mindset that everyone loves Isas and they're simple, so let's have more of them. Then the simplicity is lost. All the bells and whistles that are added defeat the point.'

She singled out the Lifetime Isa, which allows savers to put away up to £4,000 a year to save for either a first home or for retirement as one example.

'The Lifetime Isa is a terrible hybrid product', she said, 'it's not a sensible way to save for retirement and confuses two very different goals.'



Former Chancellor George Osborne helped create a system where there was 'almost one Isa for every day in the week', which critics said had overcomplicated things

Cash Isas have also been hit by the introduction of the Personal Savings Allowance in 2016. This allowed basic rate taxpayers to earn up to £1,000 in interest a year tax-free, while higher rate taxpayers can earn £500.

Coupled with falling savings rates, with cash Isa returns at all-time lows according to Moneyfacts, the cash Isa has 'frankly been made pretty redundant', Baroness Altmann said.

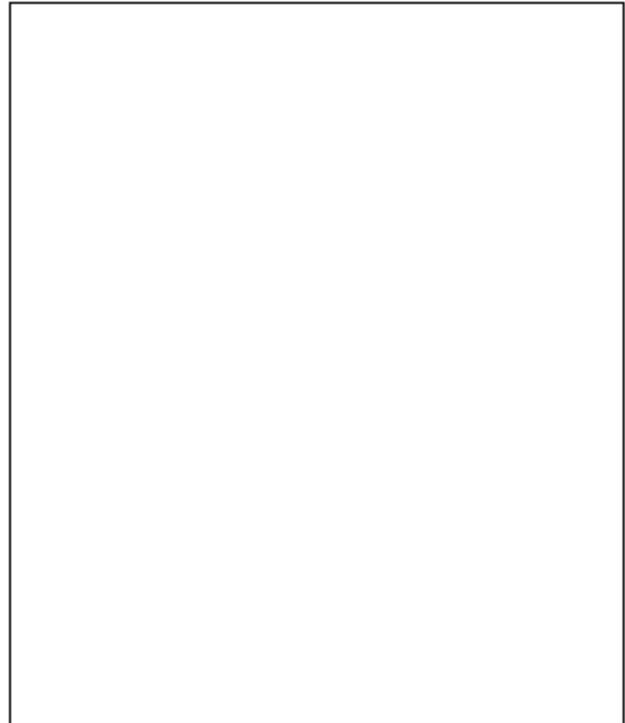
A survey by the Financial Conduct Authority found the cash Isa was the only savings product to become less popular between 2017 and 2020, with the percentage of savers holding one falling from 37 per cent to 36 per cent.

Some £4.8billion was withdrawn from them in the second half of last year, although the most recent figures from the taxman, covering the 2017-18 tax year, found they were still the most popular Isa opened.

George Osborne's successor as Chancellor, Philip Hammond, was **previously handed proposals to reform the Isa system** in 2018 by an 'Isa taskforce' put together by the Association of Accounting Technicians.

The panel's findings called for an 'Everything Isa' which would automatically register an account at a baby's birth, create a dashboard where people could see all their tax-free accounts in one place and scrap the £20,000 annual allowance in favour of a £1million lifetime allowance.

It called for the removal of the Help to Buy Isa, which was closed to new applicants in 2019, and the Lifetime Isa, and the folding of all remaining Isas into this 'Everything Isa.'



Cash Isas have become less popular in recent years
