



Treasury Committee

Lucy Rigby KC MP
Economic Secretary to the Treasury
HM Treasury

By email

23 February 2025

Subject: Proposed changes to ISAs

Dear Economic Secretary

Following the Chancellor's announced changes to ISAs in the Budget 2025, HM Treasury and HMRC are consulting on anti-avoidance measures regarding the new lower limit of £12,000 for contributions to Cash ISAs.

The proposed rules will seek to prevent cash-like investments from being held within a Stocks and Shares ISAs, introduce a charge on any interest paid on cash held in a Stocks and Shares or Innovative Finance ISA, and to ban transfers from Stocks and Shares ISAs and Innovative Finance ISAs to Cash ISAs.

Based on these proposed ISA reforms, the Committee has the following questions:

Consultation and policy rationale

1. Which ISA managers have the Treasury and HMRC consulted regarding the proposed changes to date?
2. Who else has been consulted?
3. Why has this age limit not been linked to any of the retirement ages already in the system, such as the State pension age? Did you take legal advice on this?



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Definition of 'cash-like' investments and interest charges

4. What tests have been considered to determine whether an investment is 'cash like'?
 - a) Will UK government securities (eligible for Stocks and Shares ISAs) be classified as 'cash-like' assets?
 - b) Will money market funds that are invested in UK Treasury bills and gilts (eligible for Stocks and Shares ISAs) be classed as 'cash-like'?
 - c) How much cash will need to be held in a multi-asset class managed fund for it to be considered 'cash-like'?
5. Will the exclusion of 'cash-like' investments only apply to new subscriptions or also cover existing investments?
6. What charging rates have been considered for interest paid on cash held in a Stocks and Shares or Innovative Finance ISA?
7. What consideration has the Government given to the holdings of cash necessary for the functioning of trading within Stocks and Shares ISA?

Cash limit strategy

8. Why does the Government want to provide the full annual ISA allowance for investing in cryptoasset exchange traded notes through an Innovative Finance ISA, but not cash?
 - a) What benefits to the UK economy arise from UK savers holding assets such as Bitcoin or Ethereum, but not cash?
 - b) What assessment has the Government made of the funding of UK banks and building societies from savers removing their Cash ISA holdings and investing them in non-UK assets such as cryptoassets?
9. Will the Government's desire for greater investment outside cash lead to changes to limits around premium bond holdings and subscriptions?
 - a) What would be the rationale for allowing people to save £50,000 cash tax free in premium bonds, but not in an ISA?



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Market disruption and operational implementation

10. What assessment has the Government made of the market disruption that will be caused by removing specific securities from ISA eligibility?
 - a) How long will the transition period be to allow assets that will become ineligible for a Stocks and Shares ISA to be sold, so as not to cause turbulence in the markets?
11. What assessment has the Government made of the operational challenges for ISA managers to prepare for the changes by April 2027?
 - a) How much time do ISA managers need to develop their systems and customer communications after legislation has been laid?
12. What assessment has the Government made on the impact of market competition if 'cash-like' investments are restricted and how Cash ISA providers might exploit the reduced competition by offering lower interest rates to savers?
13. How will the Government communicate which ETFs, UCITS or money market funds are no longer ISA eligible?

We look forward to those answers you can provide now, and an update as soon as possible on completion of your consultation.

In line with the Committee's usual practice, I will be placing this letter and your response in the public domain. I would be grateful for a reply by 10 March 2026.

Yours sincerely

Dame Meg Hillier MP
Chair of the Treasury Committee



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Annex

Asset eligibility within ISA wrappers

Stocks & Shares ISA	personal equity plan (PEP) investments
	shares
	securities issued by companies
	government securities
	core capital deferred shares (CCDS)
	securities issued by certain multilateral organisations
	units or shares in a UK undertakings for collective investments in transferable securities (UCITS)
	units or shares in a qualifying non-UCITS retail scheme
	shares and securities in qualifying investment trusts
	fractional interests
	units or shares in a recognised UCITS
	overseas fund regime (OFR)
	shares emerging from a Schedule 3 Save As You Earn (SAYE) option scheme or a Schedule 2 Share Incentive Plan (SIP)
	depository interests
	depository receipts, American depository receipts and American depository share
	cash
	units in a collective investment schemes specified as stakeholder products
life insurance policies that satisfy the ISA requirements	
policies of life insurance issued before 5 April 2004 that had previously qualified for the separate insurance component	
investments held in a PEP at 5 April 2008 that were qualifying investments under regulation 6(2)(m) of the Personal Equity Plan Regulations 1989 (but see PEP Investments)	
Cash ISA	Cash
Innovative Finance ISA	Peer-to-peer loans
	Crowdfunding debentures
	Alternative finance arrangements
	Less-liquid investments
	Cash
	Cryptoasset Exchange Traded Notes (cETNs)
NS&I	£50,000 in premium bonds (3.6% prize fund rate)
NS&I Direct ISA	£20,000 in cash (3.5% interest rate)