

# Consumers Missing Out On £191 Billion In Tax-Free Savings By Not Taking Out An ISA

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- The number of people saving into a cash ISA is set to fall by 9% this year, with just over half of Brits (54%) planning to put money into one[1]
- One in ten (11%) say it is not worth putting money aside because of low interest rates[1], while one in five (19%) say they can't afford to save into an ISA[2]
- More than four in ten (43%) are now using their current account as their main way of saving[3]
- Those who are saving, plan to set aside £121 less in their cash ISA this year - only 38% plan to use their full ISA allowance[4]
- By failing to take advantage of this year's cash ISA allowance, Brits will lose out on £191 billion in tax-free savings[5]
- Switching ISAs has also fallen by 8% as banks make it increasingly difficult to transfer in past years money[6].

Just over half (54%) of Brits plan to save into a cash ISA this tax year[1] - compared to 63% last year - according to new research from uSwitch.com, the independent price comparison and switching service. One in ten (11%) consumers blame low interest rates - claiming that it is not worth putting the money into a cash ISA[1] - while a fifth (19%) say that they can't afford to save into one[2].

While the base rate has remained at a historic low, but steady - the average cash ISA rate this year has fallen - down to 1.64% from 1.87% this time last year. These poor rates have clearly deterred consumers from investing in an ISA with 43% using their current account as their main way of saving[3]. Nationwide's Flex Direct Account pays 5% AER on savings, while Santander's 1 2 3 Current Account offers up to 3% AER as well as 1% cashback on household bills paid by direct debit.

The average amount consumers are planning to save into a cash ISA this tax-year has decreased by £121 - down from £3,723 last year, to £3,602[4] - and less than four in ten (38%) are intending to take full advantage of their allowance of £5,760[4]. This is not surprising - with households struggling to stay afloat amidst the rising cost of living, savings are often the first to take a hit. However, it means that 23 million UK adults are failing to benefit fully from this tax-free allowance, losing out on £191 billion in tax-free savings collectively[5]. What's more, less than four in ten (37%) savers are planning to increase their contributions to match next year's new ISA limit of £5,940[7].

Despite the fact that fewer consumers are saving into a cash ISA, over a third (34%) of consumers recognise it's important to take advantage of the full allowance[2]. As a result, three quarters of Brits (75%) are willing to make sacrifices to max out their ISA allowance, with 10% prepared to sacrifice a holiday and a fifth (19%) happy to cut out daily luxuries[8]. Over a fifth (22%) would sacrifice a new car or home improvements in order to save the full amount[8].

With so many consumers prepared to sacrifice something in order to save, it's not surprising that almost two thirds (64%) will shop around for the best rates in order to maximise their savings[9]. More than six in ten (62%) have switched at least once to get a better rate[6] - but switching providers has decreased by 8% this year as banks make it harder for consumers to move their money between ISAs.

Jafar Hassan, personal finance expert at uSwitch.com, says:

"This ISA season is yet again proving to be a damp squib, with dismal rates unlikely to spark a fire under savers. Even locking away your money won't give you much to shout about with very few short-term, fixed-rate cash ISAs offering more than the tax-free 1.75% savers can earn with easy-access accounts.

"Unfortunately we haven't seen the usual battle between banks and building societies to offer the best rates and lure savers, and as we near the end of February far fewer new cash ISA savings accounts have been launched compared to previous years. To make matters worse, many of the top deals on both cash ISAs and taxable accounts have disappeared in recent weeks - the Post Office has closed its Premier Cash ISA to new savers and Virgin Money has cut the rate for new savers on its Cash ISA.

"Luckily, current accounts are offering consumers a lifeline. With rates of up to 5%, it's no surprise that savvy savers are turning their backs on ISAs and putting any money they can into a current account, where it will work much harder for them.

"Although it's been a slow start to the 2014 ISA season, better rates may emerge in the coming weeks and it's important that consumers shop around to find the right ISA or savings plan to suit their needs. At a time when households are struggling more than ever to make their money go further, making their savings work as hard as possible is crucial."

For more information visit [www.uSwitch.com](http://www.uSwitch.com) or call 0800 093 0607.

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Notes to editors

1. When asked 'Do you intend to save into a cash or investment ISA in the current tax year?' 44% said 'Cash ISA only'; 10% said 'Cash and Investment ISA'; 6% said 'Investment ISA only'; 11% said 'No, I don't think the current rates are worth it'; 12% said 'No, I don't plan to use my tax free ISA allowance'; 18% said 'I haven't thought about it'. Therefore 54% of UK adult population have a cash ISA. 54% intend to save into a cash ISA in the current tax year, this was a 9% decrease on last year's figures of 63%.

2. When asked 'Thinking about your attitudes towards cash ISAs which of the following statements is most true for you?' 34% said 'It's important to always take advantage of the tax benefit and save the full amount'; 17% said 'It's important to take out an ISA each year but not essential to save the full amount'; 19% said 'It's important to take advantage of an ISA, but I can't afford to'; 7% said 'ISAs are nice to have but are not something I think are important to take advantage of'; 9% said 'I think other savings products are better value than a cash ISA'; 1% said 'I don't think it is important to take advantage of this tax benefit.'

3. When asked 'Which of the following do you currently use for your savings? Please tick all that apply' 43% said 'current account.'

4. When asked 'How much have you or do you intend to save in your cash ISA for the current tax year?' The average amount was £3,602. The average amount last year was £3,723 - £121 less. 38% said 'I intend to save the full ISA allowance of £5,760.'

5. Based on the following calculations:  $[(\% \text{ of those with a cash ISA} \times \text{number of UK adults}) \times (\text{maximum allowance} - \text{average balance})] + [(\% \text{ without an ISA} \times \text{no. of UK adults}) \times \text{maximum allowance}] = [(0.54 \times 50,200,000) \times 2158] + [(0.56 \times 50,200,000) \times 5760] = 191,435,645 = \text{£191.4 billion}$

6. When asked 'Have you ever switched your ISA to get a better rate of interest?' 62% said 'Yes'; 30% said 'No'; 8% said 'No, this will be my first ISA'. Last year, 70% said they had switched their ISA rate before.

7. When asked 'How much do you plan to save in your cash ISA in the next tax year (6th April 2014 - 5th April 2015)?' 37% said 'I intend to save the full ISA allowance of £5,940'.

8. When asked 'What would you sacrifice in order to save the full cash ISA allowance?' 43% said 'Saving into another savings account'; 10% said 'a holiday'; 8% said 'home improvements'; 16% said 'a luxury treat'; 14% said 'a new car'; 19% said 'daily little luxuries'; 4% said 'household essentials'; 25% said 'Nothing - I am not prepared to sacrifice spending on other things'; 14% said 'I don't know'.

9. When asked "Thinking about picking a cash ISA, how do you generally decide which one to take out and save into?" 64.4% said 'I shop around for the best rates'.

10. Research carried out online with the uSwitch.com Consumer Opinion Panel in January 2014 amongst a sample of 1,613 GB adults.?

11. About uSwitch.com

uSwitch.com is a free, impartial, online and telephone-based comparison and switching service, helping consumers compare prices on gas, electricity, water, heating cover, home telephone, broadband, digital television, mobile phones and personal finance products including mortgages, credit cards, current accounts and insurance. In 2010 uSwitch.com celebrated ten years of saving customers money.

uSwitch.com is the first comparison website to achieve the Plain English Campaign's Internet Crystal Mark, which is recognised as a standard that a website has clear language, is accessible and easy to use, and has been tested on a sample of its users.

uSwitch.com is dedicated to helping consumers save money whether they have internet access or not. It

offers a dedicated call centre, manned by uSwitch customer service representatives, as well as a freepost 'Send us your bill' service, whereby customers can post their latest energy bills with their telephone number to FREEPOST USWITCH, to get a free call back from a dedicated customer services representative. The service is also available via fax and email. Consumers should fax 0203 214 8417 or email [CustomerServices@uswitch.com](mailto:CustomerServices@uswitch.com) with their postcode and usage details. uSwitch.com's address is Notcutt House, 36 Southwark Bridge Rd, London, SE1 9EU.

uSwitch.com is backed by LDC, the leading UK mid-market private equity house, and Forward Internet Group Limited, a privately funded collection of internet-based businesses focused on consumer engagement and innovation

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