

19 June, 2025



Cash ISA shake up would hit ordinary savers hardest and put healthy savings habits at risk

"I'm not keen on risk and I don't want to be forced into a Stocks and Shares ISA," says Brian, a 61-old Cash ISA saver from County Durham.

Older savers with modest balances will be hit hardest by proposed changes to the Cash ISA allowance, according to analysis of customer data by Newcastle Building Society.

Proposed changes to the Cash ISA regime would have the biggest negative impact on ordinary savers, with older people worse off and potentially pushed towards inappropriate higher-risk investments.

The UK's 7th biggest building society says there is a 'misguided' assumption that Cash ISA savers could just as easily and comfortably invest in the stock market as save in a Cash ISA.

Proposed reforms are thought to include a reduction in the annual allowance from £20,000 to £4,000 as part of a government bid to encourage savers to put more money into Stocks and Shares savings accounts, to boost investment in UK companies.

But according to analysis of customer data, Newcastle Building Society says the typical Cash ISA customer is a modest saver, from a low-to-middle income household, who relies on traditional savings as they build towards, or manage their retirement.

And for this reason, they argue it would be inappropriate to push Cash ISA customers towards higher risk, longer term options, including more complex savings products.

The Society's data reveals that its ISA customers are typically older or approaching retirement, with two-thirds (67%) over the age of 60, and around 50% beyond the state retirement age.

Of those aged over 60, almost half (45%) are likely to be living in down-sized accommodation, and those in the 45-54 age range are typically working families with moderate savings balances.

The vast majority (79%) of all Newcastle Building Society ISA customers have balances under £50,000, with many older savers managing on a budget, having placed their trust in accessible tax efficient savings in their later years.

Brian Stobbs, a customer at Newcastle Building Society's branch in Consett, County Durham, said: "I've been a loyal Cash ISA saver since the 1990s, and am proud to say that in more recent years I've been able to make full use of my tax-free limit. My ISA provides the access and freedom myself and my wife Kathryn want to be able to enjoy our retirement on our terms.

"I'm not keen on risk and I don't want to be forced into a Stocks and Shares ISA where my money could be gambled on the markets, or feel like I'm bank-rolling the economy. Forcing me into a risky product undermines everything a Cash ISA stands for."

Andrew Haigh, chief executive at Newcastle Building Society, said: "Restricting Cash ISAs in the hope that savers will be enticed towards higher-risk products which may not be suited to their needs or risk appetite, could have serious negative consequences for many of our customers.

"There are some misguided assumptions about the people who choose to save their money in a Cash ISA that need to be corrected. Typical Cash ISA customers have relatively modest savings. And whilst few Cash ISA customers are unlikely to be able save to the annual ISA limit every year, many accumulate their ISA savings over time and rely on the higher limit for strategic planning – using windfall events such as inheritance, redundancy, or property downsizing to build a source of financial security and wellbeing in later years.

"This financial resilience demonstrates the success of the Cash ISA, and is exactly what policymakers should be encouraging, supporting healthy savings behaviour through advice and information rather than limiting choice and accessibility."

John Clayton, 63, lives in Wigton, Cumbria with his wife Vivien and uses Cash ISAs with Newcastle Building Society to help supplement their retirement income. John said: "As we're not yet old enough to receive our state pensions, the interest from our Cash ISAs is essential. We carefully manage our finances, and the certainty of a fixed return is important to us.

"I think it's wrong that the Government is effectively nudging people toward the stock market. It's people's own hard-earned money and I believe that this decision should rest with them – not be influenced by Government policy that steers them down one route. It's insulting to people to take the choice away from them."

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For further information on Newcastle Building Society, please contact:

Chris Hoy – External Communications Manager

M: 07483 452 461

E: chris.hoy@newcastle.co.uk

Jeremy Mountain – External Communications Lead

M: 07977 290 598

E: jeremy.mountain@newcastle.co.uk

About us

Newcastle Building Society is the UK's 7th largest building society with 32 branches across the North East, Cumbria and North Yorkshire. A branch in Manchester city centre will open later this year under the Manchester Building Society brand. The Society has assets of more than £6.5bn. It has been there for its members for over 160 years. Financial Advice is provided through its Newcastle Financial Advisers Limited subsidiary. Newcastle Financial Advisers has consistently been awarded Top Rated Firm status by VouchedFor - the UK's leading review site for Financial Advisers.

We help people to own their home, to save and to plan their finances through our range of products and services. We believe in the role of the high street at the heart of our communities and we're proactive in making financial information and financial advice accessible across our regions.

We're dedicated to helping our communities make positive changes; since 1995 the financial support through grants and donations from the Newcastle Building Society Community Fund at the Community Foundation to benefit local causes has surpassed £1.8m.

As a leading local employer, we're committed to growing our region's talent and being a great place to work where people can realise their potential. We hold Platinum IIP. We are a Real Living Wage employer and were the first building society in the UK to become an accredited Living Pension employer in 2024. We have been named Regional Building Society of the Year for eight consecutive years (2017–2024) by What Mortgage? and Best Overall Personal Finance Brand at the Personal Finance Awards 2023/24 and 2024/25. In 2024 Newcastle Building Society became the first UK business to receive international accreditation for mutual value measurement, recognising our ongoing commitment to creating value for our members and communities.