LLOYDS

PRESS RELEASE

Nearly a quarter think all savings are tax free

- **Lloyds finds 24% of people think all their savings are tax free, regardless of the type of account used to save**
- **Over half can't identify the current ISA allowance**
- **Lloyds wants to help people understand ISAs and think 'ISA first' for building a savings pot**

New research from Lloyds has found nearly a quarter (24%) of UK adults think all their savings are tax free, regardless of the type of account and amount saved.

Every tax year, people can save and invest up to £20,000 tax-free, as long as the money is saved in an ISA. By holding money outside of an ISA, people could be missing out on potential tax-free growth and returns on their savings or investments.

Overall, awareness of ISAs is good, with over four in five (86%) people saying they know what an ISA is. In addition, data from the banks' customers found ISA balances had increased by 25%* during 2024, with an average balance of £14k*.

Despite this, 55% of people couldn't identify the current ISA allowance, even after confirming they knew what an ISA was. On top of this, 23% of ISA holders haven't made any additions to their ISA this tax year.

With tax year end fast approaching on the 5th April, Lloyds is helping the UK understand ISAs, and encouraging people to think 'ISA first' when saving, utilising their allowance to maximise their potential return ahead of tax year end.

Simon Caddick, Savings Director, Lloyds Bank said: "We're passionate about empowering people to take control of their finances. It's key that people feel they have the knowledge to make good, solid financial decisions – particularly as there are lots of options for different savings needs. Our message is simple as we approach the end of this tax year – think 'ISA first' to avoid losing money from your hard-earned savings. It's a great way to start, and build, a savings pot for up to £20,000 each tax year, and, crucially, it's tax free."

What people could be missing out on

The rate of tax paid on savings outside of an ISA depends on which tax band someone falls into.

Lloyds has looked at examples of the tax people could pay this tax year if they're saving outside an ISA, at 4%.

Taxpayer band	Personal Savings Allowance	Income Range	Tax on £10k savings in a non-ISA paying 4%	Tax on £20k savings in a non-ISA paying 4%	Tax on £50k savings in a non-ISA paying 4%	Tax on £100k savings in a non-ISA paying 4%
Basic rate at 20%	£1000	£12,571 to £50,270	No Tax	No Tax	£200	£600
Higher rate at 40%	£500	£50,271 to £125,140	No Tax	£120	£600	£1,400
Additional rate at 45%	£0	Over £125,140	£180	£360	£900	£1,800

Simon Caddick explains: What is an ISA and why is tax year end important?

"An ISA - or Individual Savings Account - is a tax-free savings or investment account available in the UK with an annual allowance of £20,000 each tax year.

"The money saved in an ISA will grow in line with the interest rate paid by the ISA provider and the saver won't have to pay any tax on the money earned, unlike non-ISA savings accounts. When a new tax year starts on 6 April, the contribution limit resets and a further £20,000 can be added to the account, over the new tax year.

"If savings are held in a 'regular' savings account, then tax is due on interest above the saver's personal savings allowance. That means different things for different people - for every £100 of interest earned over the personal savings allowance, a basic rate taxpayer will pay £20 in tax, while a higher rate taxpayer it's £40. Over time the tax bill can add up."

Skittish savers

The Lloyds research found there are a range of barriers that prevent people from getting started with ISA saving. The most common was not feeling like there is enough money in the household budget to put any aside (55%), followed by a feeling that ISAs meant money is 'locked away' (15%) and that ISAs are 'too complicated' (12%).

Concerns were slightly different for stocks and shares ISAs, with people saying they didn't want to put their savings at risk (61%) and that they didn't know enough about saving in this way (29%).

Saving into an ISA is simple, you can open one within a matter of minutes with as little as £1 and, with a Cash ISA, have the option to have instant access to your money if you need it, or lock it away for a set period of time.

Simon Caddick explains: The different types of ISAs

Cash ISA
"This is a popular ISA, offering lower growth and lower risk, but the balance is secure. There are also lots of options available – if savers can lock their money away for year and won't withdraw funds, higher rates are available.

Stocks and shares ISA
"If savers want to take a little more risk, with the aim of getting a higher return, they could invest in a stocks and shares ISA. These allow savers to hold a range of investments, with any income or gains made free from UK income tax and capital gains tax. Investing in a stocks and shares ISA for at least five years helps smooth out market movements.

"It's worth remembering that investments can go down as well as up. Most providers offer stocks and shares ISAs – including Lloyds Bank through Ready Made Investments. People can either choose from three different levels of risk based on what they feel comfortable with, or pick their own investments, while managing their own level of risk.

Innovative finance ISA
"We get a little more niche with this one – in simple terms, an innovative finance ISA is where savers can invest in peer-to-peer lending and crowdfunding projects. It's much riskier that the likes of a cash ISA or stocks and shares ISA but returns are likely to be higher.

Lifetime ISAs
"These have been around since 2017 and are there to help people save for their first home or retirement. Savers could earn a Government bonus of 25% on the savings but can only use part of their ISA allowance each tax year. The lifetime ISA allowance is currently £4,000 and savers can only withdraw the funds to buy their first home or support retirement when they reach 60 or over – but savers need to beware there's an exit charge of 25% for withdrawing funds for any other reason.

Junior ISAs

“The Junior ISA is specifically designed for children and a great way to help them get into a savings habit. There’s an annual savings limit of £9,000 but they’re exempt from the individual £20,000 savings limit, meaning a saver could max out their personal annual allowance and still save into the junior account for their child on top.“

Ends

Notes to editors

*Lloyds Banking Group savings and investment data is at December 2024 month end (December 2023 month end used for YoY comparisons). Analysis of primary account holders based on active customers. Data excludes all youth savings and under 18s.)

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2212 adults. Fieldwork was undertaken between 13th - 14th February 2025. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

Tax examples for illustrative purposes only.

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