# Reeves unveils radical ISA overhaul to boost UK equity investment



Chancellor Rachel Reeves is embarking on a significant overhaul of the UK's Individual Savings Accounts (ISAs) to stimulate greater investment in British equities and support domestic economic growth. Central to her plans is a proposal to require a minimum holding of UK-listed stocks within stocks-and-shares ISAs, potentially drawing on the model of the former personal equity plans (PEPs) that were available until 1999. This initiative aims to redirect savers’ funds from cash deposits—currently dominating ISA contributions—towards equity investments that could bolster the London Stock Exchange and British companies. Alongside this, the Treasury is considering introducing a stamp duty tax break on London-listed shares held within ISAs, reinforcing the tax advantages of these accounts and making UK equities more attractive compared to international stocks that currently face no such levy.

These measures are set to form the most radical adjustments to the ISA framework in over 25 years, reflecting a shift in policy focus toward fostering a stronger UK investment culture. Reeves is also contemplating halving the annual cash ISA allowance from £20,000 to £10,000 or even lower thresholds, encouraging savers to allocate more towards stocks and shares. However, the reduction in cash ISA limits has been delayed, facing pushback from financial institutions and consumer groups who caution about the wider economic implications. Building societies, in particular, warn that lowering the cash allowance could restrict their ability to fund mortgages and loans, potentially raising borrowing costs and hampering housing growth. With over £300 billion currently held in cash ISAs—accounting for 39% of building societies’ savings—a significant cut could disrupt the flow of capital essential for affordable lending.

The government has engaged with financial institutions and industry stakeholders to assess these reforms carefully, with discussions ongoing ahead of the forthcoming Autumn Budget where formal announcements are anticipated. Critics of the cash ISA limit reduction argue that such a policy might deter rather than encourage retail investment by alienating risk-averse savers who rely on cash ISAs for financial resilience. Alternative voices advocate for greater public education and support to build investor confidence, rather than imposing restrictive limits that could introduce confusion and uncertainty.

Experts within the City offer mixed views on the proposed ISA changes. Proponents, including senior figures from wealth management and investment banking, underscore the unfairness of taxing UK shares with stamp duty inside ISAs while exempting foreign equities, suggesting a tax carve-out could promote fairer competition and boost the domestic market. Others emphasise that modest tweaks like removing stamp duty from ISA-held UK shares could achieve substantial retail investing growth for a relatively low cost, estimated around £120 million annually by industry analysts. On the other hand, some caution that reviving proposals from the previous Conservative government—such as a new “Brit Isa” granting additional tax-free allowances exclusively for British companies—may not be the best approach given past criticisms of complexity and limited uptake.

Despite these differing perspectives, Chancellor Reeves has made clear her commitment to “get Britain investing again,” recognising the need for more robust equity participation to fuel economic expansion. This aligns with broader government ambitions articulated during her Spring Statement to simplify the ISA system and revive domestic stock market investment, reinforcing Labour’s electoral pledge to support UK companies through enhanced retail investor involvement.

As the debate continues, the ISA reforms stand as a pivotal component of the UK’s strategy to nurture a culture of investment, balancing the interests of savers, the financial sector, and the wider economy. Whether by adjusting the tax treatment of UK equities or recalibrating cash savings limits, the government’s challenge will be to implement changes that drive growth without disrupting the stability of key financial institutions or alienating everyday savers.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.ft.com/content/99b91223-aced-4262-b7ff-356cee84a185), [[2]](https://www.ft.com/content/99b91223-aced-4262-b7ff-356cee84a185)
* Paragraph 2 – [[1]](https://www.ft.com/content/99b91223-aced-4262-b7ff-356cee84a185), [[4]](https://moneyweek.com/personal-finance/cash-isas/uk-savers-cash-isa-reform), [[5]](https://moneyweek.com/personal-finance/reducing-cash-isa-limit-lending-difficult)
* Paragraph 3 – [[3]](https://moneyweek.com/personal-finance/cash-isa-limit-changes), [[6]](https://moneyweek.com/personal-finance/reeves-delays-cash-isa-cut)
* Paragraph 4 – [[1]](https://www.ft.com/content/99b91223-aced-4262-b7ff-356cee84a185), [[7]](https://www.morningstar.co.uk/uk/news/262611/rachel-reeves-pledges-cash-isa-reform-in-spring-statement.aspx)
* Paragraph 5 – [[1]](https://www.ft.com/content/99b91223-aced-4262-b7ff-356cee84a185), [[2]](https://www.ft.com/content/99b91223-aced-4262-b7ff-356cee84a185)

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## Bibliography

1. <https://www.ft.com/content/99b91223-aced-4262-b7ff-356cee84a185> - Please view link - unable to able to access data
2. <https://www.ft.com/content/99b91223-aced-4262-b7ff-356cee84a185> - Chancellor Rachel Reeves is considering reforms to Individual Savings Accounts (ISAs) to boost UK share ownership. Proposed measures include requiring a minimum holding of British companies within ISAs and offering a stamp duty tax break for London-listed stocks held in these accounts. These initiatives aim to encourage investment in UK equities and support the growth of British companies. Additionally, the Treasury is contemplating reducing the annual cash ISA allowance from £20,000 to £10,000 to shift more savings into equity investments. The government is consulting with financial institutions and industry stakeholders to assess the potential impact of these changes.
3. <https://moneyweek.com/personal-finance/cash-isa-limit-changes> - Chancellor Rachel Reeves has reportedly delayed an expected announcement to reduce the cash ISA limit from £20,000 to £5,000, a reform initially anticipated at her Mansion House speech on July 15. While the overall ISA limit remains at £20,000, the government is evaluating changes to encourage greater investment in stocks and shares ISAs rather than cash ISAs, as part of efforts to bolster retail investment and the UK stock market. The Treasury is consulting industry stakeholders before making any moves, with a formal announcement likely during the Autumn Budget. Proponents argue that reallocating ISA funds into equities could support the underperforming London Stock Exchange compared to US markets like the S&P 500. However, critics, including financial experts and analysts, warn that limiting cash ISAs may deter rather than encourage retail investment, especially among risk-averse savers. The proposed reform represents a significant potential shift in the UK's savings landscape, the biggest since ISAs were introduced in 1999, but uncertainty remains over its impact and implementation timeline.
4. <https://moneyweek.com/personal-finance/cash-isas/uk-savers-cash-isa-reform> - Between April and June 2025, UK savers deposited £21.5 billion into cash ISAs, a £2.2 billion increase year-on-year, according to Bank of England data. This surge was driven by fears of an impending reduction to the annual cash ISA limit, rumored to be cut from £20,000 to as low as £4,000. The speculation intensified ahead of Chancellor Rachel Reeves’s Mansion House speech on July 15, where no changes were ultimately announced. April 2025 saw the highest deposits at £14 billion, up significantly from £11.7 billion the previous year. May and June saw minor fluctuations, but deposits remained higher overall. Analysts suggest savers were protecting their tax-free savings allowances amid economic uncertainty and potential policy changes. Although reforms were not implemented, the government is still considering an overhaul of the ISA system to boost investment in the stock market. Experts remain divided on how best to encourage investing, with some advocating for public education and innovation over simple cuts to cash ISA limits. The debate continues on whether to maintain current structures or merge cash ISAs with stocks and shares ISAs to foster a stronger investing culture.
5. <https://moneyweek.com/personal-finance/reducing-cash-isa-limit-lending-difficult> - Mortgage and loan providers, represented by the Building Societies Association (BSA), have voiced strong opposition to potential government plans to reduce the cash ISA limit from its current £20,000. In an open letter to Chancellor Rachel Reeves, the BSA emphasized that cash ISAs are not only crucial for individual tax-free saving but also serve as a major funding source for financial institutions, enabling affordable lending for mortgages and business loans. A proposed reduction to as low as £4,000 is seen as a threat to credit availability, housing growth, and broader economic stability. Financial leaders, including Chris Irwin of Yorkshire Building Society and Cecilia Mourain of Moneybox, argue that cutting the limit would discourage saving, disrupt capital supply, and increase borrowing costs. With over £300 billion held in cash ISAs—comprising 39% of all building societies’ savings balances—a limit cut could hinder the government’s goal of building 1.5 million new homes. While the Treasury has not confirmed any changes, Reeves has expressed interest in promoting a stronger culture of investing, potentially encouraging equity-based ISAs over cash savings. The final decision may be revealed in Reeves' Mansion House speech on July 15.
6. <https://moneyweek.com/personal-finance/reeves-delays-cash-isa-cut> - Chancellor Rachel Reeves has postponed plans to reduce the cash ISA limit, previously expected to be announced during her Mansion House speech on July 15, 2025. The proposed cut aimed to encourage investment in stocks by potentially lowering the portion of the £20,000 annual ISA limit that can be saved in cash to as little as £5,000. However, the reform triggered significant pushback from consumers and financial institutions, including strong opposition from the Building Societies Association, which warned that such a change could raise borrowing costs and restrict access to credit by disrupting a key source of mortgage funding. Instead of immediate action, Reeves is likely to focus on an awareness campaign to promote equity investments. Despite the delay, a cut remains a possibility and may be revisited in the Autumn Budget later in the year, indicating ongoing discussions within the Treasury. Experts stress that a broader cultural and educational shift is needed to foster investment-minded behavior among savers, beyond altering ISA limits. The government's goal is to boost UK economic growth by steering more savings into the underperforming stock market, but achieving this will require more than simple policy changes.
7. <https://www.morningstar.co.uk/uk/news/262611/rachel-reeves-pledges-cash-isa-reform-in-spring-statement.aspx> - In the Spring Statement, Chancellor Rachel Reeves announced plans to reform Individual Savings Accounts (ISAs) to balance cash and equity investments. The government aims to encourage savers to invest more in equities to achieve better returns and support the growth of UK companies. The Treasury is working with the Financial Conduct Authority to provide targeted support and build confidence among investors. The current ISA limit remains at £20,000, with £9,000 for Junior ISAs and £4,000 for Lifetime ISAs. The proposed reforms are part of a broader strategy to simplify the ISA structure and promote investment in UK equities, aligning with Labour's election campaign commitment to boost the domestic stock market.