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Investor / Saver

Spring Budget £5K UK ISA could bring new wave of clients.

The government hopes to entice new investors with a 'culture of investment in the country's vibrant markets' after the Chancellor's Budget rollout announced the new £5,000 UK ISA. This could potentially mean a new wave of clients interested in individual saving accounts after the enticing increase in allowance was introduced. Where the new ISA differentiates from the previous ISA -is that the new £5,000 allowance is separate from the usual annual limit. This means, potentially, that an individual's allowance could soar to £25,000 a year if used decorously. The new allowance, in addition to the existing ISA allowance, will provide a new tax-free savings opportunity for people to invest in the UK, while supporting British companies. Firms assisting people in putting money aside for retirement and advising them on how best to maximise their savings could see a new generation of savers tempted by a tax-free retirement pot. The Government claims the new ISA will provide individual investors with an additional opportunity to save whilst supporting investment in the country and benefiting from its growth. Alongside this, the UK ISA will also build on the government's Mansion House and Autumn Statement 2023 measures to reform the pensions market to unlock investment into high growth sectors and improve the competitiveness of the UK as a listing destination. The main objective for the new ISA changes are to support a 'culture of investment in the UK' and to give people the opportunity to invest and benefit from the UK's 'vibrant capital markets' and 'high-growth companies'. It will also support the wider work being done to increase the capital available for UK businesses and to support the competitiveness of UK equity capital markets.

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Investor / Saver

Gender investment gap widens.

When it comes to financial planning, there's a gender gap in the market. Yet, by 2025, more than 60% of the UK's wealth is expected to be in the hands of women. Not taking control of financial matters is a real issue for women. Not only are they missing out on opportunities to get their money working harder for them, they also risk losing a financial safety net if life doesn't go according to plan (divorce, redundancy, bereavement) and face a cash-strapped retirement. With women living longer than men – the Office of National Statistics predicts 79.4 years for males and 83.1 years for females – and the age at which women can claim the State Pension set to rise – it's a double whammy for women. Many are at serious risk of struggling financially when they reach their sixties if, for whatever reason, they're no longer able to work and have no other form of income. What's more, as the latest projections from the Office for National Statistics show that the number of people over State Pension age in the UK is expected to grow from 12.4 million in 2017 to 16.9 million in 2042, the government has announced plans to bring this timetable forward to age 68 between 2037 and 2039. As things stand, due to a number of factors – from having a longer life span to gender pay inequality and taking career breaks to raise a family – women are much more likely than men to find themselves financially vulnerable. According to a Global Women and Money Study 2021, women have 51% less in retirement savings. Modelling done by pension provider Nest suggests that the average woman working full-time in the UK could have a £41,000 gender pension gap at retirement. Based on the overall average UK wage, which includes part-time work, this gap widens to more than £70,000. Worryingly, according to a study carried out by UBS Wealth Management, more than half of women globally (58%) defer to their spouses to manage critical, long-term decisions. Reasons range from "my spouse never encouraged me" to "my spouse knows more" about the topic. While some of the challenges women face – such as having a greater life expectancy or the State Pension rules changing – are out of their hands, taking control of their finances is a proactive approach that women can and should adopt.

Property Owner

Landlord shake-up as taxes cut but reliefs scrapped.

Chancellor Jeremy Hunt has delivered a shake of property taxes in yesterday's Spring Budget, with a capital gains tax cut and the abolition of tax relief on holiday lets. The higher capital gains tax (CGT) rate on residential property, currently at 28%, will be reduced to 24%. CGT on property sales is paid on non-permanent residences such as buy-to-lets, second homes and holiday lets. The rate is higher than on other assets such as stocks, where higher rate taxpaying investors are charged 20%. Hunt said the Treasury and OBR analysis suggested a lower rate of tax would increase sales and boost revenue by increasing the number of sales. The CGT property rate will remain the same for basic rate taxpayers at 18%. Meanwhile, the furnished holiday lets (FHL) regime, which offers tax advantages to those who let out a property as a holiday home, will be abolished in April 2025. Hunt said this is because holiday lets reduce the availability of long-term rentals for residents. At the moment, landlords who use the furnished holiday lets regime can deduct the full cost of their mortgage interest payments from their rental income and potentially pay lower capital gains tax when they sell. About 127,000 properties in the UK are registered under the FHL regime. The combination of the two policies could be seen as another move to push private landlords out of the market. Many buy-to-let investors have turned to the holiday let market as a way to boost profits following the withdrawal of mortgage interest relief on residential lets. The removal of the relief, plus the further incentive to sell up and pay a lower CGT rate, could see rental properties come onto the market. However, those incorporated as a limited company will be unaffected. Budget documents said the two policies combined would raise £600mn by 2028-29. Experts said for those who are looking at property as an investment beyond their main residence, the CGT rate on residential property remains 4% higher than the rate applied to most other asset classes, meaning that property investments do need to return more in terms of capital growth to ensure post-tax returns are competitive with, say, a portfolio of stocks.

Investment / Saver

British ISA will be created 'to encourage investment in UK firms.

Jeremy Hunt has confirmed that the government will create a tax-free British Isa as part of efforts to encourage more investment in UK companies and offset anxiety over foundering interest in London's stock market. The chancellor's heavily trailed scheme to create a British Isa – or individual savings account – could allow consumers to plough up to £5,000 into UK businesses, including stocks and debt, without having to pay capital gains tax on any money made on those investments. The move will support similarly well-publicised plans – originally announced during the autumn statement in November – to sell a portion of the government's remaining 32% in NatWest Group to consumers this summer. In his budget speech, Hunt said the sale was part of efforts to "create opportunities for a generation of new retail investors to engage with public markets". The government is aiming to return NatWest to private ownership by 2026, almost two decades after its £46bn taxpayer bailout during the 2008 financial crisis. The chancellor added that the UK government's savings bank, NS&I, would launch British Savings Bonds that would guarantee a fixed interest rate for UK savers for three years. The British Isa will add to the existing stocks and shares Isa available to UK consumers, which gives account holders the ability to invest up to £20,000 tax-free, but without any restrictions on where companies they invest in are based. The plans had been pushed by "200 representatives from the City and our high growth sector", the chancellor said, and would "encourage more people to invest in UK assets" while boosting the competitiveness of UK stock markets. He said the new Isa would "ensure British savers can benefit from the growth of the most promising UK businesses, as well as supporting those businesses with the capital to expand." However, consultation documents said it may also allow tax-free investments in UK government bonds, which could divert money intended for UK companies.

All

Jeremy Hunt scraps HMRC plans to close phone lines for six months a year.

Jeremy Hunt has ordered HM Revenue & Customs to ditch plans to shut its phone lines over the summer each year. The chancellor told the tax office to "pause" the changes, which would have seen taxpayers forced to use online services rather than call the self-assessment helpline. HMRC announced changes to its self-assessment, VAT and PAYE helplines to encourage people to go online first, following trials over the last year. The revenue body is now engaging with its stakeholders about how to meet the needs of all taxpayers, including small businesses. A Treasury source told the FT: "Encouraging customers to self-serve online wherever possible is the right thing to do, but that cannot be at the detriment of the general public and the vulnerable who need access to the helplines to support them with tax matters. That's why ministers have halted this change immediately." Following the announcement, chairwoman of the Treasury Select Committee, Harriett Baldwin, said the move to online services should not be "forced on taxpayers". HMRC chief executive Jim Harra said that making best use of online services allows HMRC to help more taxpayers and get the most out of every pound of taxpayers' money by boosting productivity. She said that helpline and webchat advisers will always be there for those taxpayers who need support because they are vulnerable, digitally excluded or have complex affairs. She added, though that the pace of this change needs to match the public appetite for managing their tax affairs online. The latest statistics show that nearly one million calls went unanswered in January, with the Public Accounts Committee saying that HMRC's customer service had hit an "all-time low".

Retired

Thousands of UK women owed pension payout after ombudsman's Waspi ruling.

Thousands of women, potentially hundreds of thousands, are owed compensation because of government failings related to the way changes to the state pension age were made, a long-awaited official report has said. The Parliamentary and Health Service Ombudsman (PHSO) said those affected should be compensated. But the recommended payouts of between £1,000 and £2,950 a person fall far short of the £10,000-plus that campaigners were calling for. Depending on the numbers affected, the total bill could still end up being in the billions of pounds – more than £10bn if all women born in the 1950s were compensated. However, the ombudsman cannot compel the government to pay compensation, and said the Department for Work and Pensions (DWP) had clearly indicated it would "refuse to comply", which was "unacceptable". As a result, the PHSO said it was "taking the rare but necessary step of asking parliament to intervene". The prime minister's spokesperson indicated Downing Street would be taking time to consider the report, but declined to say whether compensation would be paid by the government, or whether an apology would be issued. Campaigners claim that almost 4 million women born in the 1950s had their retirement plans "plunged into chaos", with many thousands of pounds out of pocket after the DWP increased the state pension age from 60 to 65, and then to 66. Some say they received only 12 months' notice of a six-year delay to their pension. The ombudsman has been investigating the matter for several years, and in an initial report in July 2021 it found the DWP guilty of maladministration in the handling of the changes. On Thursday, the PHSO issued its final report, which said "thousands of women may have been affected by DWP's failure to adequately inform them that the state pension age had changed". It added that the department's handling of the changes "meant some women lost opportunities to make informed decisions about their finances. It diminished their sense of personal autonomy and financial control." Campaigners for the Women Against State Pension Inequality (Waspi) group, which formed in 2015, had called for the ombudsman to recommend the highest possible amount of compensation (£10,000 or more). However, the report said that looking at the sample of complainants' cases, it would recommend compensation of between £1,000 and £2,950 to reflect a "significant and/or lasting injustice that has, to some extent, affected someone's ability to live a relatively normal life". The total number of women who could in theory be due compensation is unclear. The report said compensating all 3.5 million-plus women born in the 1950s at its recommended payout level would cost between £3.5bn to 10.5bn in public funds.

All

UK inflation falls to 3.4%, but rents rise at record pace.

UK rental costs have increased at the fastest rate on record as the housing market continues to be impacted by constricted supply and higher interest rates. The average UK rent increased by 9% in the 12 months to February, up from 8.5% in January, the Office for National Statistics (ONS) said. It is the highest annual percentage change since the UK data series began in January 2015. Private rent inflation was highest in London, at 10.6%, and the lowest in the North East at 5.7%. The average monthly rent in the UK is now £1,238, which is £102 higher than 12 months ago. However, average house prices decreased by 0.6% in the 12 months to January 2024. In England, they decreased by 1.5% as they also did in Wales by 0.8% but increased in Scotland by 4.8%. The rent increase of 9% is significantly above the 3.4 per inflation rate and indicates that tenants are still being hit with enormous cost increases. In England and Wales, 5m households are private renting, according to the last census. Commentators say the UK housing market's structural problem of a lack of supply is still the primary driver in rent increases. In some respects, it's a fundamental issue of supply, we have not been building enough homes for decades and that's all kind of homes. It's not just about the number, it's about building many more genuinely affordable social homes. Analysis shows there is a four million homes shortage over a decade, and we are nowhere near building the number of affordable homes that we need. The average rent in the UK is now a fifth higher than pre-pandemic in February 2020. With inflation falling and earnings growth cooling experts believe we can expect some better news on the horizon, and indeed market data on rental prices for new tenancies has seen slower growth in recent months. However, even if we begin to see rental price growth cooling, private renting will still remain by far the least affordable, least secure and lowest quality housing tenure. A further mitigating factor could be the slowdown in the housebuilding sector due to high interest rates, higher costs for raw materials and lower demand. Financial experts have argued that another issue is the costs that have been passed on to buy-to-let landlords as their fixed-rate mortgages expired and they have started new deals paying much higher monthly premiums. These costs have been passed onto tenants.

Investor / Saver

Global growth expectations hit two-year high as fund managers diverge on potential AI bubble.

In a monthly Global Fund Manager Survey, sentiment in March was the most bullish it had been since January 2022, with the measure rising to 4.6 from 4.3 in February. As the growth outlooks improved, two-thirds of fund managers claimed it was "unlikely" the global economy would experience a recession in the coming 12 months. Yet 62% said they would expect a 'soft landing'; while 23% believed there would be no landing – up from 5% in October 2023 – and just 11% said there would be a 'hard landing', significantly less than in October 2023 when 30% expected the outcome. At the same time, higher inflation and geopolitics were the two biggest risks perceived by fund managers, with 32% and 21% citing these, respectively. The risk of a credit event, however, decreased from 16% in February to 11% in March, with US commercial real estate viewed as the most likely source. Yet the proportion of investors wanting companies to prioritise returning cash to shareholders has reached a high not seen in nearly a decade (25%), a level last recorded in July 2015. According to the survey, long Magnificent Seven has remained the most crowded trade (58%), followed by short China equities (14%), long Japan equities (13%) and long bitcoin (10%). However, while the Magnificent Seven continue to crowd trades since rallying towards the end of 2023, investors are split on whether AI stocks are in "a bubble". Around 40% of fund managers claimed AI stocks have entered a bubble, while 45% stated the contrary. With macroeconomic expectations improving, managers' equity allocation hit a net 28% overweight, the highest since February 2022, while allocation to cash fell marginally to a net 5% overweight from 6%. On a relative basis, the survey found investors were the most overweight in equities compared with cash since November 2021. In terms of allocation, the survey also discovered a "big month-on-month rotation" into emerging market stocks, registering the largest jump since April 2017. The allocation to Eurozone and EM came at the expense of US equities, consumer and tech, the survey found. This was likely thanks to a more positive outlook for Europe, as the European iteration of monthly survey discovered a net 21% of managers had forecast better European growth, the first positive read in two years. Some 64% expected further near-term gains for EU equities, while 88% projected upside over the next 12 months – the highest level since January 2022. On the absolute position front, investors were overweight healthcare, stocks, tech, and Japan, while underweight UK, utilities, REITs and materials.

Investor / Saver

ISAs gain popularity as fixed-rate balances boom.

Cash ISAs are gaining significant popularity as savers take advantage of rising fixed-rate product pricing and tax benefits, new data shows. The popularity of fixed-rate ISAs primarily fuelled the surge in adult cash ISA balances. In a notable shift, the amount of cash held in fixed-rate variants surpassed that of instant access ISA accounts for the first time in available CACI data (since January 2018), particularly evident in the final three months of the year. Overall, fixed-rate ISA balances increased by a staggering 76% by the end of the year. Commentators observed that last year marked the return of the ISA season, with much of that money heading into fixed-rate accounts as savers took advantage of increasing interest rates. As savings rates increased across the market, more people became exposed to tax as their returns breached their Personal Savings Allowance. One-year fixed-rate products were by far the most popular option for savers and the good news is that their product is likely to be maturing into a higher rate environment, meaning they should be able to achieve better returns if they move to a new ISA product. In the fixed rate sector:

- **Virgin Money's** Fixed Rate Cash ISA Exclusive (Issue 10) takes the top spot for one-year fixes with an Annual Equivalent Rate (AER) of 5.25%. There is no minimum investment amount to get started, interest is applied annually, and earlier access will be subject to 60 days' loss of interest.
- **OakNorth Bank** places just behind with its Fixed Rate Cash ISA offering an AER of 5.06%. Savers can open an account with just £1 and interest is paid monthly. Early withdrawals are subject to 90 days' loss of interest.
- **Aldermore** follows with an AER of 5.05% on its One Year Fixed Rate Cash ISA. The account requires a minimum deposit of £1,000 to open and interest is paid on maturity. Similar to OakNorth, early withdrawals are subject to 90 days' loss of interest.
- **Castle Trust Bank** is also offering an AER of 5.05% on its one-year fix and recently earned a Moneyfactscompare.co.uk "excellent" rating. Savers need a minimum deposit of £1,000 to invest and interest is paid on maturity. Earlier access to funds in this account will also be subject to 90 days' loss of interest.
- Finally, **Kent Reliance** places fifth on the list of high interest accounts with its Cash ISA One Year Fixed Rate offering an AER of 5.03%. The account can be opened with a minimum deposit of £1,000 and interest is paid on maturity. Early withdrawals will be subject to 90 days' loss of interest.

Investor / Saver / Estate Planner

Unravelling the non-dom tax policy.

The Treasury disbanded a unit tasked with offshore and non-dom tax policy weeks before announcing significant changes in the budget to the way foreign residents are taxed, sources have said. The unit, which comprised technical experts on offshore tax issues, included specialists on non-dom policy. These officials would, according to the sources, have been expected to help manage the implementation of a replacement for non-dom status. It is understood officials fear the Treasury is ill-prepared for an onslaught of lobbying from the wealth advisory industry, which is already seeking to overturn or shift the abolition of the tax break. One City law firm that specialises in advising clients with complex offshore tax affairs, told staff they expected a rush to "safeguard" benefits of the status – such as creating offshore trusts while claiming the status in order to avoid UK inheritance tax – before changes are put in place, according to an internal memo. A second law firm told staff advising on offshore matters not to book leave for the first three months of 2025. Jeremy Hunt said non-domicile status and the tax breaks linked to it would be abolished from April 2025. Under the regime, residents with links to another country who claim they plan to eventually leave the UK can avoid tax on any income and gains from assets held outside Britain. But they must still pay tax on any income they receive in the UK. The tax break, a legacy of colonial times, has saved some of the country's wealthiest individuals millions in tax. The rules on who can claim to be non-domiciled are relatively vague. A ready reckoner used by HMRC is often whether or not someone's father was born overseas. Tax experts have long argued the break means high net-worth individuals are in effect incentivised not to onshore their wealth. Non-doms must stop using the status for income tax purposes after they have been resident for more than 15 of the past 20 years. It is optional and must be proactively claimed by an individual on a so-called remittance basis. Those wanting the breaks must pay an annual fee of £30,000 if they have lived in the UK for seven of the past nine tax years, rising to £60,000 a year if they have lived in the country for 12 of the past 14 years. Some non-dom tax breaks will survive the overhaul. For example, those currently claiming the status will be able to avoid UK inheritance tax by putting their overseas assets in a trust. This can be an extremely valuable boon that outlasts short term income-based wins. After publication, a Treasury spokesperson declined to discuss any movement of experts at the department but said there was no such formal unit, and it had therefore not been disbanded.

Past performance is not a guarantee to future performance. You may get back less than invested.

Thresholds percentage rates and tax legislation may change in subsequent Finance Acts and reliefs from taxation are subject to change. The FCA does not regulate tax advice.

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