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Investment industry dismayed at talk of ISA lifetime allowance cap

By David Thorpe

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Any government plans to cap the amount that can be held tax-free in an ISA at £100,000 have been condemned by a range of investment industry participants.

Adrian Lowcock, chief investment officer of Hargreaves Lansdown dismissed the idea, which was reported by the *Sunday Telegraph* to be under discussion by the Treasury.

It would lead to investors 'bearing the risk of investing but not necessarily sharing in the rewards’, he said.

The plans are said to be driven by concern about the prospect of people holding assets worth more than £1 million tax-free in an ISA.

The current annual ISA allowance is £11,520, with no lifetime cap on how big your ISA holdings can grow. Lowcock contended that the number of individuals who would have an ISA holding more than £1 million is ‘in the tens’.

Martin Bamford, who runs independent financial advisory firm Informed Choice, remarked that any plan for such a cap ‘sends a very negative signal to investors'. He added, 'The government should be encouraging us all to save for the future.’

However, Bamford played down the likelihood of such a cap actually happening in the near term. 'There is always speculation about cuts or abolition of tax-free cash [for pensions], and while it might happen one day, investors shouldn’t rush into action.'

Patrick Connolly, head of communications at independent financial adviser Chase De Vere, is equally scathing about the prospects of a cap.

He commented that ‘people don’t trust pensions, they do trust ISAs. Why would any government want to change something that is gaining momentum and working?’

Connolly continued, ‘It's well known that as a nation we are not saving enough. The population as a whole distrust pensions, due to the constant meddling and rule changing of politicians.' He expressed concern that the same fate could befall ISAs in future, should the rules be changed or a cap introduced.

Independent financial adviser Jonathan Davis condemned the idea, telling What Investment that it’s yet another political smokescreen from the primary problems of our tax and spend quasi Marxist political system. It’s yet another indirect tax hike.

If they impose it they will likely allow existing ISAs with more than £100k to continue.

It’s a waste of time and energy for political ends.

Instead they should be focussing on how much they’re spending and far less on increasing direct and indirect taxes.'