

# Lifetime ISA rules changed to help people whose incomes are affected by Coronavirus

People whose income has been affected by Coronavirus and who want to access their Lifetime ISA funds early will no longer face an additional withdrawal charge thanks to a temporary rule change, John Glen, Economic Secretary to the Treasury, announced today.

The move is part of the government's unprecedented package of support to help individuals, businesses and the economy during this difficult time.

The Lifetime ISA is intended to help younger people save for their first home or for later life. As with many other long-term saving products, withdrawing funds early or for unintended purposes normally incurs a charge.

But to help people who need to access to their money earlier as a result of the outbreak, the charge on unauthorised withdrawals will be temporarily reduced. This means savers will get back all the money they originally put in, subject to any investment losses incurred on stocks and shares Lifetime ISAs.

The Economic Secretary to the Treasury, John Glen said:

We know that some people are experiencing financial difficulties during these unprecedented times and we want to make it as easy as possible for people to access their savings, especially if it helps them avoid falling into high cost or unmanageable debt.

That's why we are reducing the withdrawal charge for Lifetime ISAs, so people can access their funds to help get them back on their feet. This is part of the wide range of support we have put in place to help people who have been affected by Coronavirus with their finances.

The Lifetime ISA offers a 25% bonus, paid monthly, on up to £4,000 of savings each year. The current charge is 25% of the amount withdrawn. This is to disincentivise people from using LISA funds, including the generous government bonus, for a purpose other than buying a first home or for later life as intended.

The Treasury will legislate for a temporary reduction in the LISA withdrawal charge to 20% between 6 March 2020 and 5 April 2021 (inclusive). This will mean account holders will only have to pay back any government bonus they have received, but will not pay the additional withdrawal charge of 5%.

The rule change will be backdated to 6th March, so anyone who has withdrawn

their money early since that date and paid a 25% charge will have the difference refunded.

It is important for people to weigh up their options when considering the use of savings at this time; further guidance on managing finances through this crisis can be found on the Money and Pensions Service website:

<https://www.moneyadvice.service.org.uk/en/articles/coronavirus-and-your-money>

## **Notes**

Illustrative Example (excluding any interest, investment growth or losses that might have accrued on the account):

Person A puts the maximum £4,000 into a LISA in a given tax year. They receive a 25% (£1,000) bonus so the balance would be £5,000.

Prior to the change, if they withdrew their funds early, they would be charged 25% of the balance, which recoups the bonus plus an additional charge (equivalent to 6.25% of the money they put in) to reflect the specific purposes of the account = £1,250, returning £3,750.

Now with the charge at 20%, the original £1,000 government bonus would be recouped but with no additional charge, returning the full £4,000 originally invested.

Further information available here:

<https://www.gov.uk/guidance/lifetime-isa-withdrawal-charge-reduced-to-20>

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