



# Mobilising Retail Savings for Deeper Capital Markets:

UK Insights for the EU's Savings and Investment Union

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# Executive Summary

The European Commission's 2025 proposal for a Savings and Investment Union (SIU) aims to mobilise high levels of household savings across the EU and channel them into productive investment, supporting the bloc's competitiveness and strategic priorities. Central to this initiative is the introduction of tax-advantaged Savings and Investment Accounts (SIAs).<sup>1</sup>

**"The market value of investments in ISAs in the UK at the end of 2023 was over £430 billion."**

The UK has nearly 40-year experience with tax-advantaged investment accounts. They have evolved from Personal Equity Plans (PEPs) which were first introduced in 1987, up to the present day with Individual Savings Accounts, better known as ISAs. In that time, various Governments have experimented with different ways of designing the accounts – and they continue to try different things to this day.

The market value of investments in ISAs at the end of 2023 was over £430 billion, of which approximately £24.5 billion was directly invested in shares traded on a UK or EEA recognised stock exchange.<sup>2</sup>

While Barclays' experience of directly offering investment accounts is in the UK, the aims of the Savings and Investment Union to create deeper capital markets is of interest to our wider operations. In particular, we note the European Commission's objective of achieving greater levels of retail investment, leading to increased economic activity.<sup>3</sup>

This report analyses the impact of successive policy choices on account uptake, investor behaviour, and capital mobilisation. It provides evidence-based insights for policymakers, including those aiming to implement the European Commission's Blueprint for SIAs.

We map UK policy changes across four distinct periods between 1987–2024, using official data on account openings and subscriptions, adjusted for inflation and population growth. We then examine the effects of legislative reforms, market conditions, and parallel policy initiatives (such as pension auto-enrolment).

- 1 [Communication from the European Commission, Savings and Investments Union A Strategy to Foster Citizens' Wealth and Economic Competitiveness in the EU, March 2025](#)
- 2 [HM Revenue & Customs 'Annual savings statistics', 2024](#)
- 3 [European Commission Recommendation on Increasing the Availability of Savings and Investment Accounts with Simplified and Advantageous Tax Treatment, September 2025](#)

# Key insights for policymakers

- **Government-led promotion is critical:** The highest surge in account openings occurred between 1987-1999 when there was strong, coordinated Government action to promote share ownership, demonstrating the importance of public engagement and trust-building.
- **Pension auto-enrolment has little effect on investment account subscriptions:** The introduction of auto-enrolment for pensions did not reduce investment account subscriptions, suggesting these policy initiatives can be introduced independently of one another without reducing efficacy.
- **Product structure simplicity matters more to providers than individuals:** While reforms that enabled greater allocation to collective investments in the early 1990s did increase uptake, expanding the range of qualifying assets in 2001 did not boost account openings or subscriptions, suggesting that product structure is a bigger lever for providers than for individuals.
- **Market conditions have limited impact on existing investors:** Major market events (such as Black Friday in 1987, the dot-com bubble bursting in 2001, and the Global Financial Crisis of 2008) did not cause sharp declines in subscription rates, likely because investment accounts are often the first account used by investors and can offer diversification to reflect changing risk appetite.
- **Speculation about policy changes drives behaviour:** As seen in the period of biggest change when PEPs were replaced by ISAs at the end of the 1990s, anticipation of changes—such as the potential withdrawal of benefits—can prompt significant spikes in account openings, even if the changes do not materialise.
- **Policy changes take time to filter through:** There is often a significant lag between policy changes and observable shifts in behaviour, as individuals, account operators and product providers need time to adapt—especially when changes require operational adjustments. We see this consistently in the data.

## Drawing on these findings, this report makes the following recommendations for the EU and its Member States:

- |                                 |  |
|---------------------------------|--|
| <b>Policy recommendation 1:</b> | Savings and Investment Accounts should be introduced alongside other policy measures aimed at encouraging retail savers to become investors, such as a mass retail investing campaign.           |
| <b>Policy recommendation 2:</b> | The policy design of Savings and Investment Accounts should take into the account the likely behaviour of account operators and how they will compete to market the accounts.                    |
| <b>Policy recommendation 3:</b> | The existing product market for collective investments should be carefully considered and ensure a wide range of existing products qualify for inclusion in the Savings and Investment Accounts. |
| <b>Policy recommendation 4:</b> | The regime should be designed to operate regardless of market conditions.  |
| <b>Policy recommendation 5:</b> | Policymakers should use clear public messaging, and give individuals certainty in how they make long term investment decisions by avoiding making changes to the regime on a frequent basis.     |

# Gap analysis and research question

In his report 'The future of European Competitiveness', Mario Draghi highlighted financing as one of three building blocks the EU's new industrial strategy needed to rest on. He highlighted the need to better channel high household savings in the EU towards productive investment in the EU.<sup>4</sup>

The European Commission has responded to that challenge by putting forward the Savings and Investment Union – and more specifically proposing that Member States introduce Savings and Investment Accounts with simplified and advantageous tax treatment.<sup>5</sup> However, the decision as to whether to introduce these accounts and the precise model of account chosen is left to Member States, recognising that taxation is primarily a Member State competence.

Various Member States of the EU already have different forms of investment account- Sweden with ISKs, France with PEA, Hungary with TBSZ, ASK in Denmark, PIR in Italy and OST in Finland.<sup>6</sup> However, the European Commission Recommendation proposes ways in which accounts could be established that would maximise their uptake and help achieve the objective of boosting retail participation in capital markets. Beyond this, they recommend various ways to facilitate the provision of Savings and Investment Accounts across borders- for example by suggesting measures to avoid double taxation and ensuring transfers between investment accounts do not create taxable events.

The UK has experience of offering tax advantaged investment accounts dating back to 1987, and Barclays has been providing accounts throughout that time. They began by being called Personal Equity Plans and have since evolved into one form of Individual Savings Account (ISAs). As Individual Savings Accounts come in various forms, including those that are used for holding cash savings rather than investments, for the purposes of this report, we will refer to those accounts that are used for holding investments as 'Investment Accounts'. As the data below shows, these have resulted in significant amounts of investment by UK retail investors.

Over the years, various policy choices have been made, reflecting different political priorities. While other studies, such as that by New Financial, have looked at the different types of investment accounts in use across different countries today,<sup>7</sup> this report aims to complement their approach by looking at the experience within a single country over a longer period. This allows for the examination of the effect different policy measures have had on one population over time, allowing us to reduce the effect investment culture has in showing how people react to different policy choices related to investment accounts.

**Research Question:**  
**How can the UK's nearly 40-year experience with retail investment accounts inform policies intended to unlock household savings?**

4 Draghi, M, [The future of European competitiveness](#), September 2024

5 European Commission Recommendation on Increasing the Availability of Savings and Investment Accounts with Simplified and Advantageous Tax Treatment, September 2025

6 New Financial, [Designing Savings And Investment Accounts In The EU](#), May 2025

7 New Financial, [Designing Savings And Investment Accounts In The EU](#), May 2025

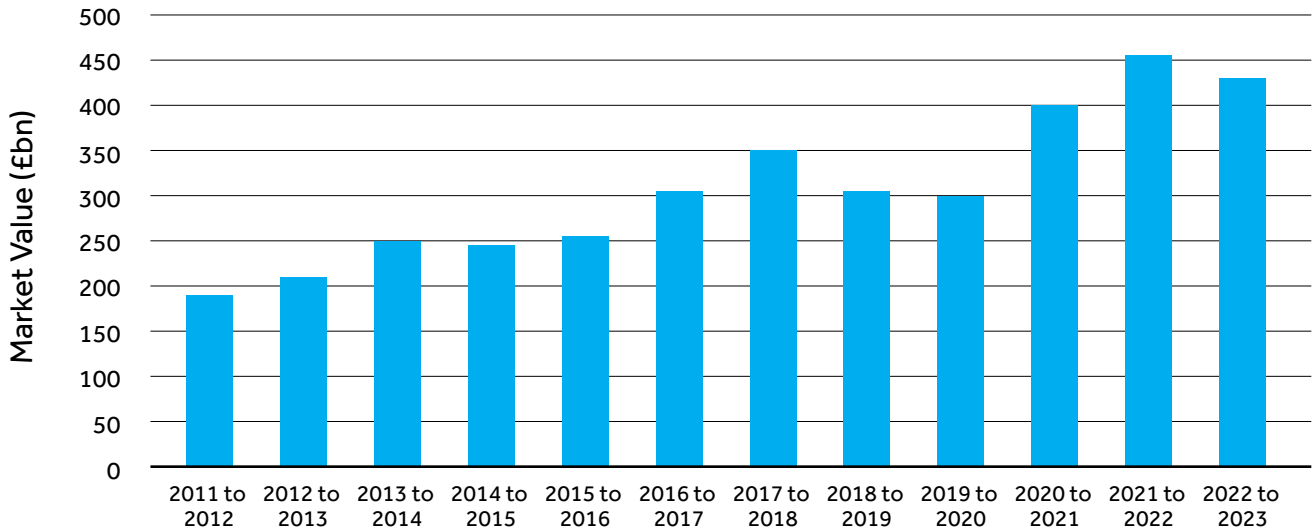


## European Commission Blueprint: European Savings and Investment Accounts 30 Sept 2025

Non-binding recommendation to Member States that they introduce European Savings and Investment Accounts based on a number of common principles:

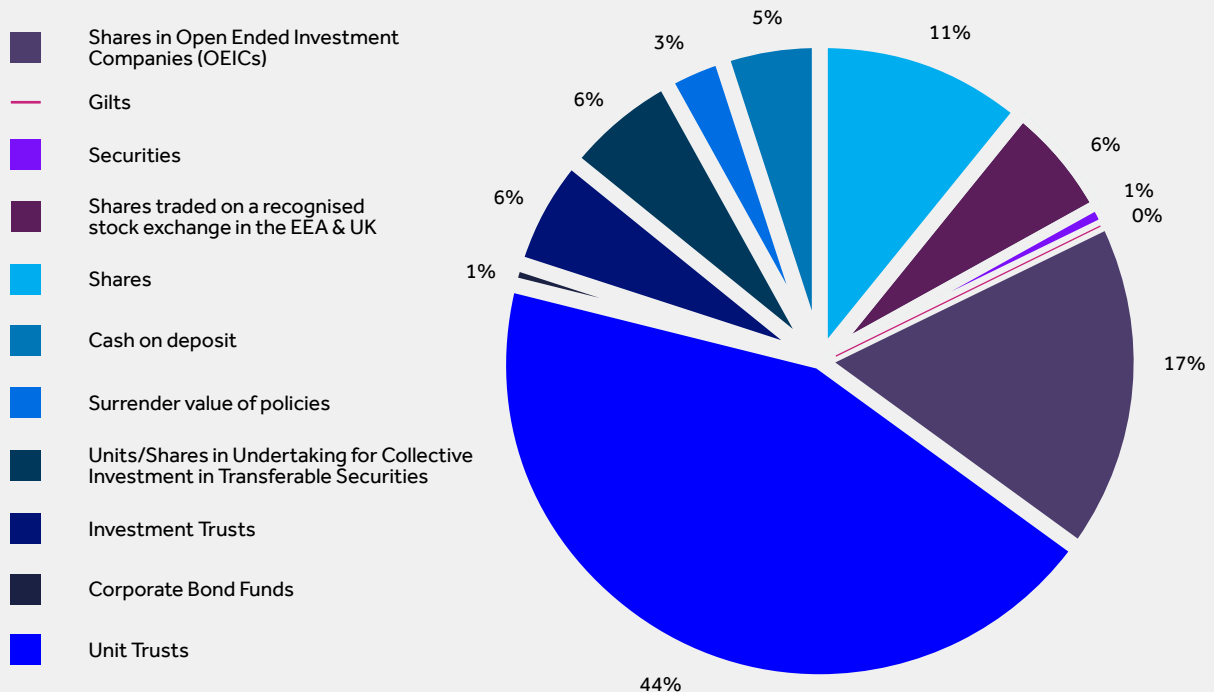
- 1. A wide range of authorised financial services providers** (such as banks, investment firms, neobrokers), including cross-border ones, should be able to offer SIAs, boosting competition and innovation.
- 2. Simplicity:** Providers should offer a simple, reliable and easily accessible user experience for retail investors, both online and offline, that makes the buying and selling of assets within an SIA seamless.
- 3. Flexibility:** Retail investors should be allowed to open multiple accounts, including with different providers, and should not be faced with excessive fees or cumbersome processes when transferring their portfolios.
- 4. Broad investment opportunities:** SIAs should offer investments in various products such as shares, bonds and investment funds, allowing citizens to diversify their portfolios across asset classes, issuers, manufacturers geographies and risk profiles, while excluding highly risky or complex products. SIA providers are encouraged to provide citizens with investment options that allow them to channel their investments into the EU economy to contribute to strategic EU priorities.
- 5. Tax incentives:** They are key in encouraging the SIAs and achieving broader retail investor participation. Tax incentives should be well targeted and simple for retail investors, SIA providers and tax administrations to understand and apply.
- 6. Simplified taxation process:** Streamlined tax procedures, including relying on SIA providers for tax declarations, can greatly benefit retail investors.

## Market Value of Funds in UK Investment Accounts 2011-2023



HM Revenue & Customs '[Annual savings statistics](#)', 2024, nominal values

## Proportion of Qualifying Assets in UK Investment Accounts 2022-2023



HM Revenue & Customs '[Annual savings statistics](#)', 2024

# Methodology

The UK has had a form of investment account in operation since 1987 and has made various policy choices at different times while the schemes have been operating.

We have mapped the policy changes introduced over time by looking at each piece of legislation that brought in the change.<sup>8</sup> Further we have considered the budget speeches by relevant Chancellors used to introduce significant regime changes to understand the motivation behind the policy changes. This has led us to divide the regime into four distinct time periods where different policies were in place.

We then used official Government data to see the effect of various policies, while putting them in the historical context of what else may have affected behaviour at the same time.<sup>9</sup>

Each year, individuals are given a new subscription allowance and account operators track the use of this subscription allowance to report it to tax authorities. The UK tax authority, His Majesty's Revenue and Customs (HMRC), publishes data on the number of accounts opened per year, and

the total amount subscribed per year. By converting the number of accounts opened per year into the percentage of adult population in the UK that year, and by converting the absolute total amount subscribed into June 2024 money, we control for inflation allowing us to make a year-by-year comparison. This allows us to make observations about the effect of specific policy choices in each of the four time periods on both individuals and capital markets.

The amount invested in previous years is outside of this data although account operators may keep allowances from previous years in one account structure rather than requiring individuals to open new accounts each year. We do not include data on these so-called legacy accounts in this report.

**“We mapped policy changes against the number of investment accounts opened and the total amount subscribed each year to assess their impact on savers and capital markets.”**

<sup>8</sup> The Personal Equity Plan Regulations 1989 [here](#) and The Individual Savings Account Regulations 1998 [here](#)

<sup>9</sup> HM Revenue & Customs 'Statistics on Personal Equity Plans (PEPs)', HMRC Website: Statistics Section, published before July 2006, version archived on 15 July 2006. HM Revenue & Customs 'Annual savings statistics', various

# Results

## Legislation and Key Features of Investment Accounts 1986-2024

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### Period 1: 1986 - 1999 Personal Equity Plans

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### Period 2: 1999-2008 Mini/Maxi ISA

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### Period 3: 2008-2014 ISA regime

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### Period 4: 2014-2024 New ISA (NISA)

# Legislation and Key Features of Investment Accounts 1987-2024

## Features of UK Investment Accounts that have stayed broadly constant between 1987 and 2024

A tax-exempt investment account, offered by private sector operators, that individuals can open and then choose investments to place within the account.

- Any dividends or interest earned are free from income tax.
- Any capital gains made on investments held are free from Capital Gains Tax (CGT)
- No tax on withdrawals
- The CGT exemption becomes more valuable over time since both income and gains are tax-free, meaning reinvested returns could compound more efficiently, enhancing long-term growth.
- Account operators are responsible for reporting to tax authorities not individuals
- Account operators must be authorised by the financial services regulator

## Detailed description of accounts

	Period 1		
	Personal Equity Plan (PEP)	Tax Exempt Special Savings Account (TESSA)*	Single Company Personal Equity Plan
Year	1987	1991	1992
Motivation	To encourage direct investment in United Kingdom equities... specially designed to encourage smaller savers, and particularly those who may never previously have invested in equities ( <a href="#">Nigel Lawson Budget 1986</a> )	To reward saving and encourage people to build up a stock of capital. ( <a href="#">John Major Budget 1990</a> ) *cash account	To encourage direct investment in individual companies. Typically used to hold shares in demutualised building societies, and privatised national infrastructure. ( <a href="#">Norman Lamont Budget 1991</a> )
Limit at introduction	£2400 of which only £430 could be invested in investment trusts or authorised unit trusts (remainder in single stocks).	Maximum subscription: £9,000 over 5 years Year 1: up to £3,000 Years 2-4: up to £1,800 per year Year 5: up to £600 (if full amounts were used in earlier years)	£3000, in addition to the £3000 allowance for a General PEP
Logistical operations	Initially had to be held for a minimum period of between 12 months and 2 years (end of the calendar year following which the investment was made). Individuals could only have one PEP account with one provider.	Individuals could only have one TESSA account with one provider, however could open a TESSA with a new provider after the 5 year period of the initial TESSA ended. Transfers from the original TESSA to the follow-on TESSA were permitted. Capital could be withdrawn at any time, but the associated tax relief would be forfeited unless it was held for 5 years. Interest could be withdrawn as it accrued up to the net-of tax level.	Individuals could have more than one single company PEP if each PEP was linked to a different company. Cumulatively they were subject to the same limit of £3000.

	<b>Period 2</b> Individual Savings Accounts (Maxi and Mini)	<b>Period 3</b> Individual Savings Accounts: Stocks and Shares ISA, Cash ISA	<b>Period 4</b> New ISA (NISA)
<b>Year</b>	1999	2008	2014
<b>Motivation</b>	To encourage the habit of saving among people who have never saved before. ( <a href="#">Gordon Brown Budget 1998</a> )	A new, simpler and more flexible regime. Building on the success of the ISA regime in developing and extending the saving habit and ensuring a fairer distribution of tax relief. ( <a href="#">Alistair Darling Budget 2007</a> )	To help savers by dramatically increasing the simplicity, flexibility and generosity of individual savings accounts ( <a href="#">George Osborne Budget 2014</a> )
<b>Limit at introduction</b>	£7000 of which only £3,000 could be held in cash	Total limit of £7,200 within which: Cash ISA: £3600 Stocks and Shares ISA: £7,200	Single limit of £15,000
<b>Logistical operations</b>	Individuals could choose whether to have one Maxi ISA or multiple Mini ISAs. - A Maxi ISA was with a single provider for the whole allowance to be invested although cash, investments and insurance elements could be held within it. There were fewer operators of this type of account. - Mini ISAs allowed individuals to split their allowances in a prescribed way across different operators: one Mini ISA for cash (£3,000), one for stocks and shares (£3,000), and a third for life insurance (£1,000).	Individuals could open one cash ISA and one Stocks and Shares ISA, however it was possible to transfer funds from a cash ISA into a Stocks and Shares ISA even from a previous years allowance, allowing individuals to adjust their savings and investment strategy over time. Reporting for ISA operators was reduced to annually rather than quarterly.	Individuals could open one cash ISA and one Stocks and Shares ISA with two different operators or open a single NISA with one operator offering both components. It was now possible to transfer between stocks and shares and cash interchangeably for the first time.

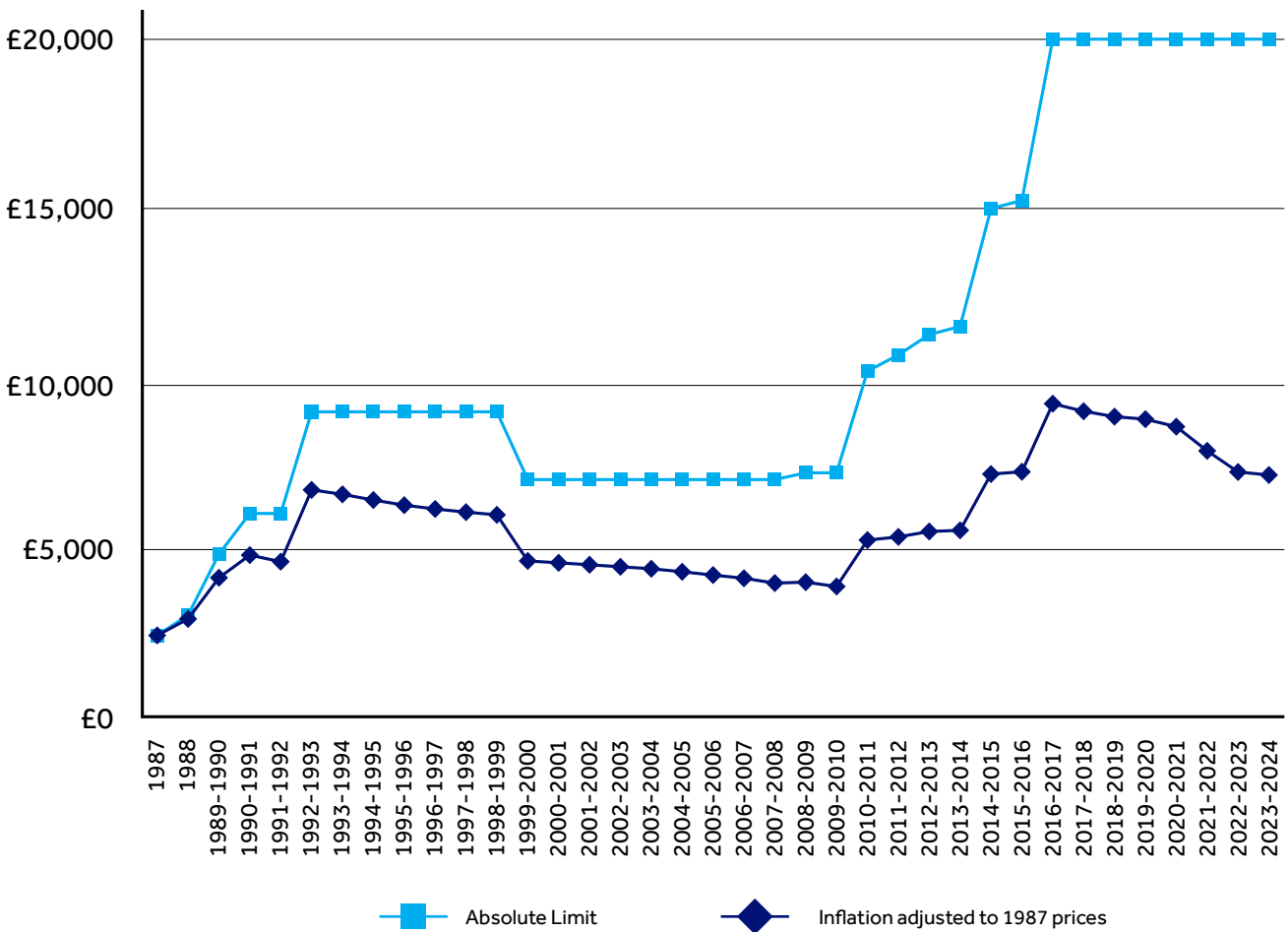
## Detailed description of qualifying assets for Investment Accounts<sup>10</sup>

Period 1 (PEPs qualifying assets established then added to until 1997)	Period 2 (ISAs qualifying assets established then added to until present)
1987	1999
<ul style="list-style-type: none"> <li>• Ordinary shares issued by a company which is incorporated in the UK and quoted on the official list of a recognised stock exchange in the UK or dealt on the Unlisted Securities Market (this would now be an SME Growth Market)</li> <li>• Investments in an investment trust or an authorised unit trust (investment limit £420)</li> </ul>	<ul style="list-style-type: none"> <li>• Shares issued by a company wherever incorporated, officially listed on a 'recognised' stock exchange. HMRC produced a broad list of what was 'recognised'</li> <li>• Gilts and EEA Government bonds</li> <li>• Listed corporate bonds</li> <li>• Listed Investment Trusts (as long as not used for rental income)</li> <li>• UCITs, securities funds, or warrant funds (as long as 50% of the value of the securities would qualify for inclusion- to be judged on the date that they first became investments in the trust)</li> <li>• Savings related share options scheme</li> <li>• Cash deposited for the purpose of investment</li> </ul>
1989	2001
<ul style="list-style-type: none"> <li>• Increase of investment limit in unit trusts to £540</li> <li>• Conditions attached to authorised unit trusts and investment trusts: <ul style="list-style-type: none"> <li>• 75% of the value of the investment be held in ordinary shares issued by a company that is incorporated in the UK and quoted on a UK stock exchange or dealt on the Unlisted Securities Market</li> </ul> </li> </ul>	Explicit inclusion of shares on an EEA stock exchange
1990	2003
<ul style="list-style-type: none"> <li>• Fund of funds</li> <li>• Increase of investment limit in unit trusts to £2400</li> <li>• Condition attached to authorised unit trusts and investment trusts, <ul style="list-style-type: none"> <li>• 50% of the value of the investment be held in ordinary shares issued by a company that is incorporated in the UK and quoted on a UK stock exchange or dealt on the Unlisted Securities Market (this would now be an SME Growth Market)</li> </ul> </li> <li>• Allowance of £900 to be invested in unit trusts that are non-complying</li> </ul>	Qualifying assets widened to include all UCITS 95% rule introduced for UCITs- a '5 year test' that the investor is not certain (or near certain) of the return of 95% of his initial investment. (applied to the ISA manager's portfolio)
1995	2004
<ul style="list-style-type: none"> <li>• Corporate bonds</li> <li>• Preference shares and convertible preference shares</li> </ul>	Funds of funds schemes
1997	2005
<ul style="list-style-type: none"> <li>• 'Umbrella companies' – the equivalent of sub funds in Open Ended Investment Companies (OEICs)</li> </ul>	<ul style="list-style-type: none"> <li>• Allowed Non-UCITS retail schemes to qualify provided that the shares or units could be redeemed at least twice monthly</li> </ul>

10 The Personal Equity Plan Regulations 1989 [here](#) and The Individual Savings Account Regulations 1998 [here](#)

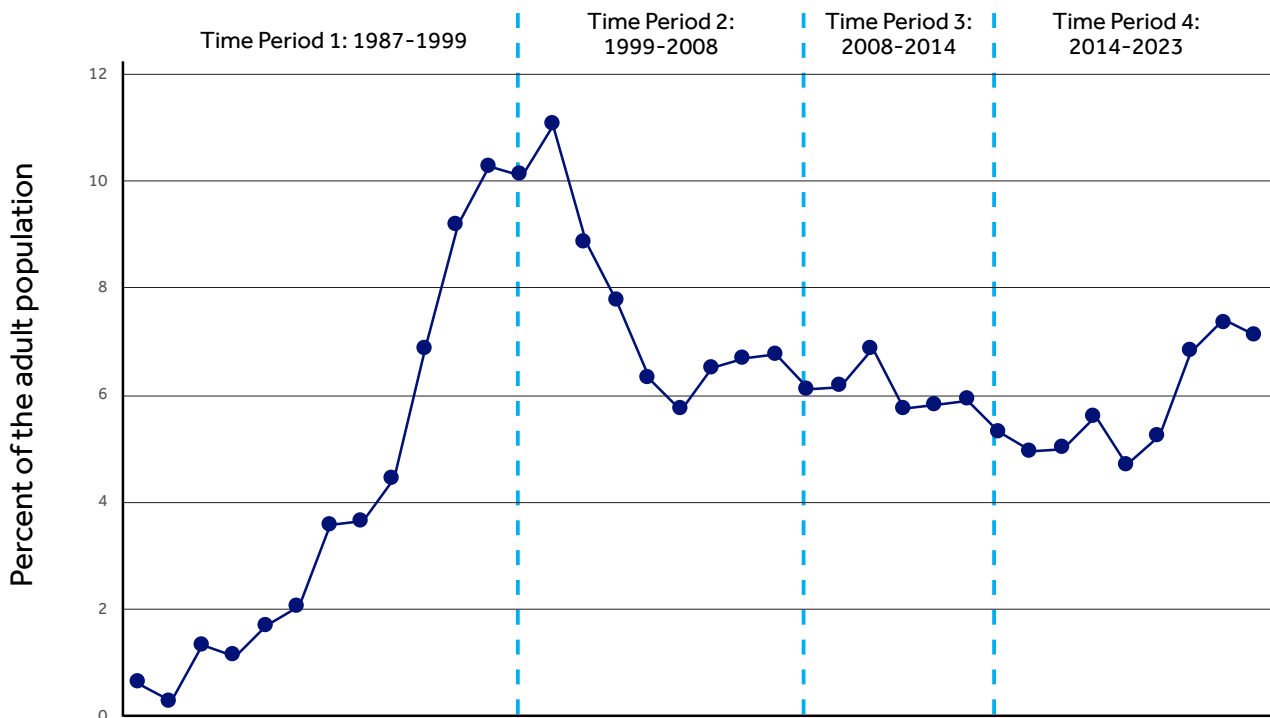
Period 3	Period 4
2008	2015
Bonds issued by multilateral institutions (as defined by the OECD)	Removed requirement that not more than 50% in value of the investments in an investment trust can be securities which do not qualify
	2023
	Expanded the definition of recognised UCITS to include more overseas collective investment schemes.
	Expanded Innovative Finance ISA eligibility to include alternative finance investments (e.g. Sharia-compliant products)
	2024
	Permitted fractional shares in ISAs - ISA managers must own the underlying whole share and ensure proportional pricing

### Subscription limit for Investment Accounts 1987-2024

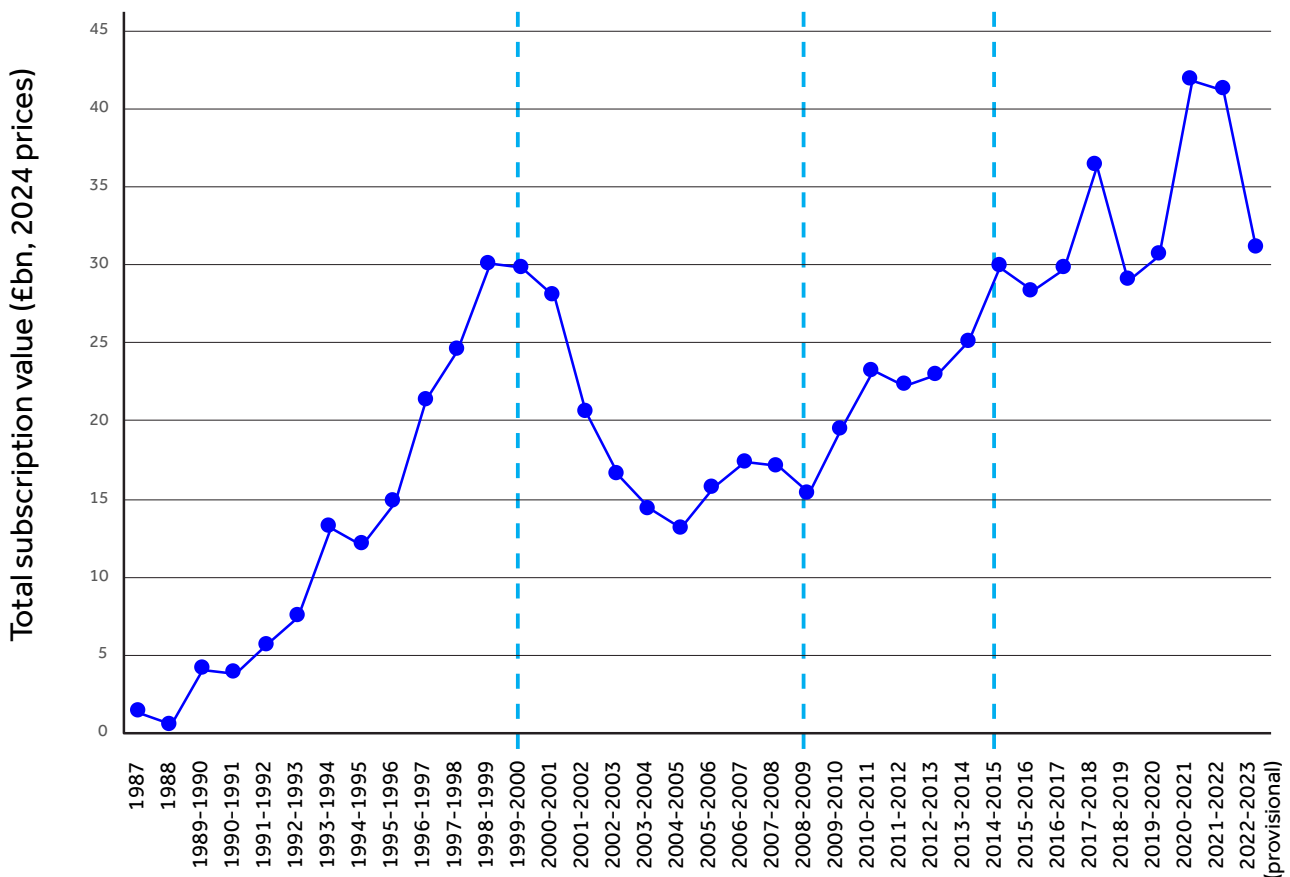


# Impact: Account Openings and Amount Invested

No. of Investment Accounts opened each year 1987-2023



Total amount subscribed to Investment Accounts annually (adjusted for inflation) 1987-2023

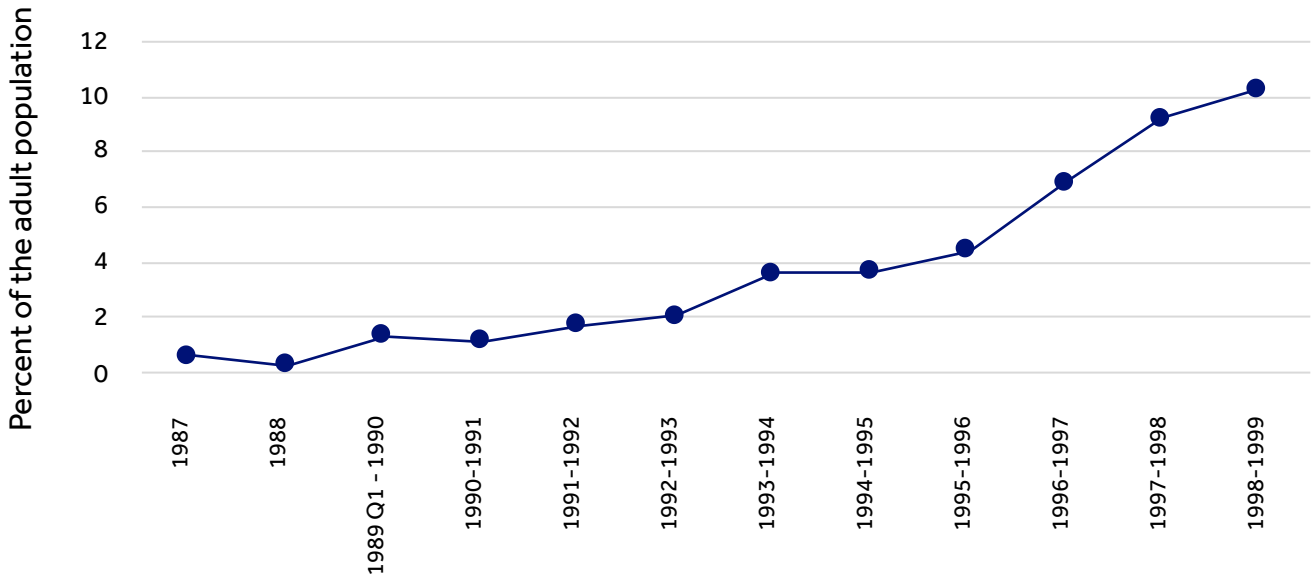


Note- between 1987 and 1989 accounts were opened on an annual basis Jan- Dec. From 1989 onwards the accounts were aligned to tax year 6 April-to 5 April. Q1 1989 is therefore included alongside 6 April 1989-5 April 1990.

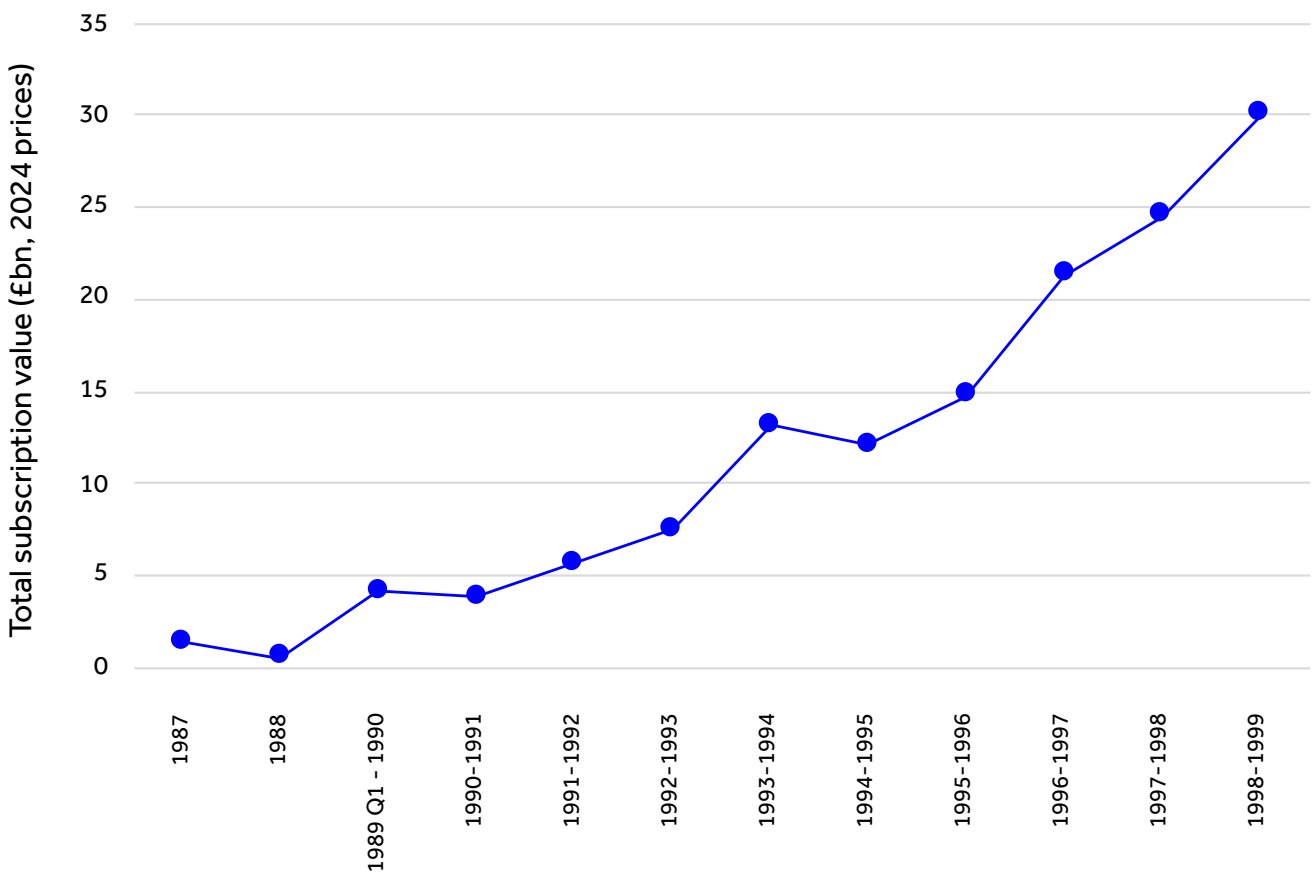
## Period 1: 1986-1999 Personal Equity Plans

1986	<ul style="list-style-type: none"><li>• PEP Introduced</li><li>• 1 year minimum holding period</li><li>• Ordinary shares issued by a company which is incorporated in the UK and quoted on the official list of a recognised stock exchange in the UK or dealt on the Unlisted Securities Market</li><li>• Investments in an investment trust or an authorised unit trust (investment limit £420)</li></ul>
1988	<ul style="list-style-type: none"><li>• Clarified individual eligibility</li><li>• Clearer definitions of qualifying investments (e.g. to cover rights issues and corporate actions)</li><li>• Requirements upon plan managers including transfer provisions, reporting and record keeping as well as inspection by tax authorities</li></ul>
1989	<ul style="list-style-type: none"><li>• Removed the minimum holding period, and consequently the need for plan managers to maintain separate portfolios for different tax years.</li><li>• Change in conditions attached to authorised unit trusts and investment trusts:<ul style="list-style-type: none"><li>• Increase to £540 that could be invested in unit trusts</li><li>• 75% of the value of the investment could be held in ordinary shares issued by a company that was incorporated in the UK and quoted on a UK stock exchange or dealt on the Unlisted Securities Market</li><li>• Specific provisions for rights issues</li></ul></li></ul>
1990	<ul style="list-style-type: none"><li>• Expanded to include fund of funds</li><li>• Change in conditions attached to authorised unit trusts and investment trusts,<ul style="list-style-type: none"><li>• Increase to £2400 to be invested in unit trusts</li><li>• 50% of the value of the investment could be held in ordinary shares issued by a company that was incorporated in the UK and quoted on a UK stock exchange or dealt on the Unlisted Securities Market</li><li>• Allowance of £900 allowed to be invested in unit trusts that were non-complying</li></ul></li></ul>
1991	<ul style="list-style-type: none"><li>• Introduction of single company PEPS</li><li>• Included 'qualifying EC shares' which–<ul style="list-style-type: none"><li>• have been issued by a company which is incorporated in an EU Member State other than the United Kingdom, and</li><li>• are officially listed on a recognised stock exchange in an EU Member State</li></ul></li></ul>
1997-99	<ul style="list-style-type: none"><li>• 2 year Government consultation on replacing PEPs and TESSAs with ISAs</li></ul>

## No. of Investment Accounts opened each year 1987-1999



## Total amount subscribed to Investment Accounts annually (adjusted for inflation) 1987-1999



## Key points from the data

- **There is a dip in the number of accounts opened from 1987 to 1988. In the first year the accounts were introduced, 270,000 accounts were opened, however by year 2 only 120,000 accounts were opened.**

- **Significant changes to how the accounts were administered were brought in by 1989. We can see a slow rise in accounts opened and total amount subscribed following this (see box 1).**

- **From 1995 to 1999 we see the steadiest increase over the whole period (1987-2024) although there were few policy changes specifically during this time. However, there was considerable public speculation prior to the 1997 election on the investment account regime followed by a broad consultation on significant changes to the regime.**

### Other factors at play

- 1986 saw the 'Big Bang' of deregulation in financial markets in the UK. This was accompanied by the "Tell Sid" public information campaign encouraging retail investors to participate in the Government share sale of British Gas.<sup>11</sup> More broadly, Government privatisation programmes increased the availability of publicly listed shares.
- 19 October 1987 saw the 'Black Monday' stock market crash.
- Some of the increase in the number of accounts opened in 1997-98, and on into 1999, reflects shares received as part of the conversion of several building societies into banks which were transferred into general and single company PEPs. The subscription amounts included reflect the price investors paid for them, usually zero. This means our data shows a higher number of account openings than otherwise would have been, while not affecting the amount subscribed.
- Three large privatisations occurred during the period (British Steel 1988, Water Utilities 1989, and Electricity companies 1990) – these predate the largest amount of account openings and subscriptions to PEPs but could explain the drop in 1991 of fewer accounts being subscribed to.
- From 1997 onwards there was political discussion on whether Labour would continue the PEP regime that could have caused people to open accounts before the benefit was lost. Although Labour had made a political commitment to keeping the regime there was considerable discussion and uncertainty over the following years during consultation. This uncertainty appears to have led to an increase in the number of account openings, possibly driven by concern that the regime was going to be abolished or the benefits reduced.

11 Barclays ['A New Message to Tell Sid'](#), UK Unlocked, April 2025

## Box 1: Parliamentary debates on the impact of the 1987/8 Reforms

Concerns highlighted in first few years of Personal Equity Plan operation included:

- High drop off in number of new account openings from year 1 to year 2 (Personal Equity Plans, HC Deb 8 July 1986, vol 101)
- Discussion of how many were first-time investors vs existing investors (Personal Equity Plans, HC Deb 8 July 1986, vol 101)
- Concern that only investing in one company was not seen as creating a shareholder democracy (Finance Bill, HC Deb 8 July 1987, vol 119)
- Account operators withdrawing from the market due to high cost of administration— e.g. reclaiming tax on dividend payments (Personal Equity Plans, HC Deb 10 May 1989 vol 152, Budget Resolutions and Economic Situation, HC 15 March 1989, vol 149)

*"In the first year of the scheme, 270,000 schemes were started. As the hon. Gentleman said, in 1988, only 120,000 schemes were taken out. That was a setback but considering that there had been the biggest correction to the stock market since 1929, it was not all that surprising or disappointing.*

*Nevertheless, it was clear from discussions at the end of last year that a number of managers wanted changes in the administration of the scheme and felt that some requirements were unnecessary and added to the cost of administration. Unit trust groups keen to market the idea found that it was uneconomical to offer unit trust—only PEPs with a limit of £540 a year. That is why we introduced changes increasing the overall limit to £4,800 and substantially increasing the annual limit on a unit or investment trust to £2,400. The philosophy behind those changes was that we had increased the overall limit for direct investment in shares, that unit and investment trusts were a good way to get into the market and that we wanted a total limit that was economic for plan managers."*

1989 Financial Secretary to the Treasury, Norman Lamont (Personal Equity Plans, HC Deb 10 May 1989 vol 152, Budget Resolutions)

### Investment Account Operator

- Easier administrative arrangements
- Fewer requirements to pass on information
- Higher subscription limit meaning more potential market

### Product/Collective investment scheme provider

- Lower threshold for meeting qualifying asset requirements (on assumption investment levels would be higher)
- Higher allocation to collective investment meaning more potential market

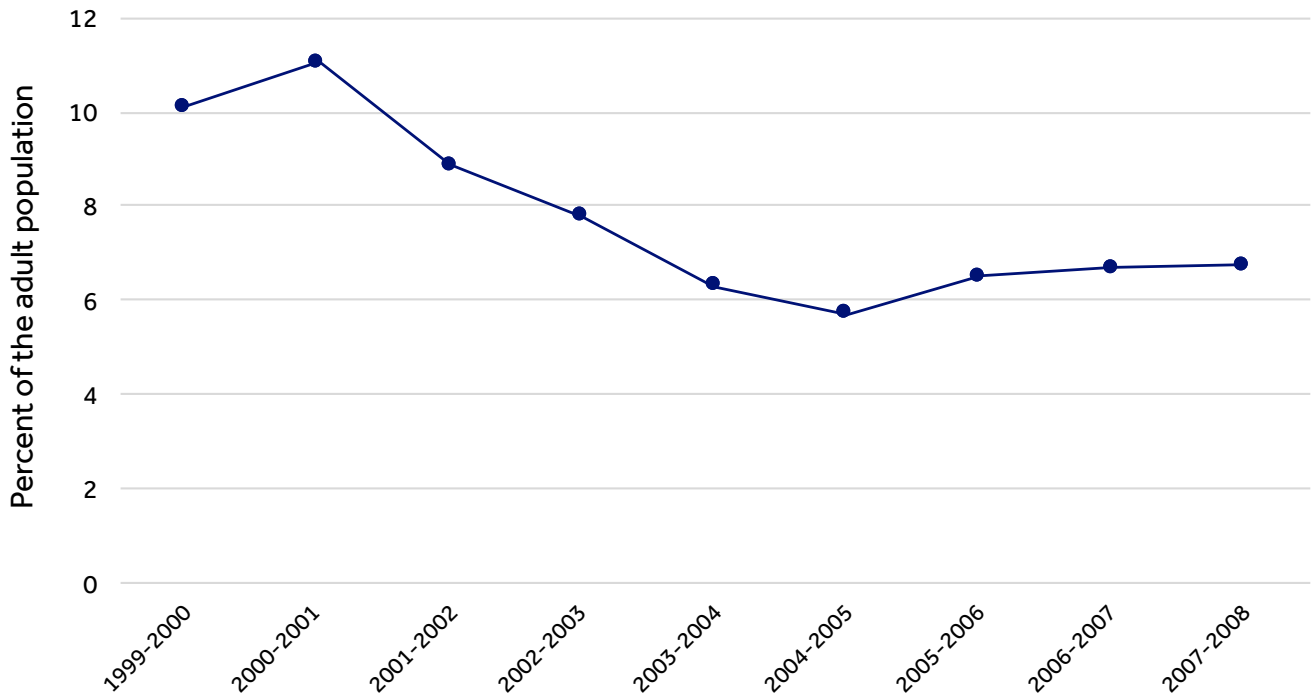
### Individual investor

- Higher allocation to collective investments meaning more ability to diversify
- Encouragement of plan account operators to offer smaller investment amounts – eg £200 per month

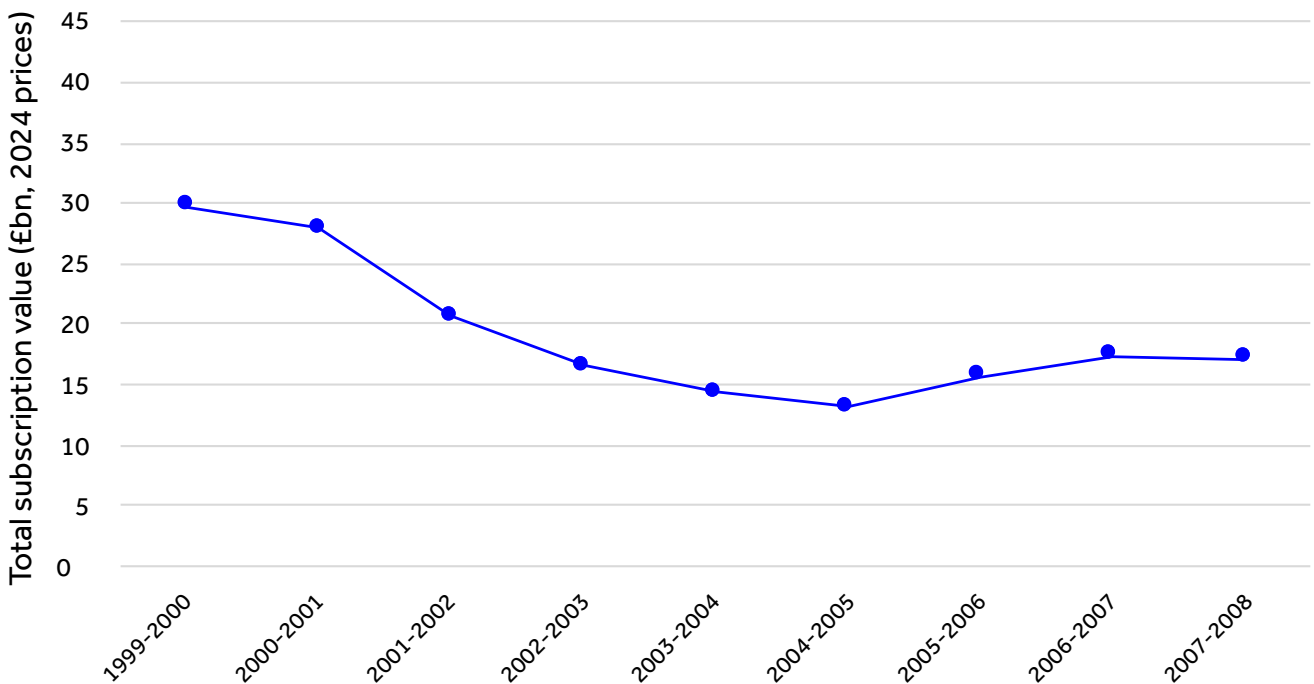
## Period 2: 1999-2008 Mini/Maxi ISA

1999	<ul style="list-style-type: none"><li>• Mini-Maxi ISA regime introduced</li><li>• Expanded list of qualifying assets (see pg 11)</li></ul>
2000	<ul style="list-style-type: none"><li>• Allowed employee share ownership schemes</li></ul>
2001	<ul style="list-style-type: none"><li>• Extended individuals who could use ISAs to include spouses of Crown services serving overseas</li><li>• Allowed electronic communications</li><li>• Explicit inclusion of shares on an EEA stock exchange</li></ul>
2002	<ul style="list-style-type: none"><li>• Introduced provisions around transfers between legacy products and Mini/Maxi ISAs to be clearer on when rules were breached on limits</li></ul>
2003	<ul style="list-style-type: none"><li>• Qualifying assets widened to include all UCITS</li><li>• 95% rule introduced for UCITs - to avoid them being used to hold cash or cash-like instruments a '5 year test' that the investor is not certain (or near certain) of the return of 95% of their initial investment. (applied to the ISA manager's portfolio)</li></ul>
2004	<ul style="list-style-type: none"><li>• Allowed funds of funds schemes</li><li>• Introduced the '5% test' - a test to determine whether an investment was cash-like to determine what could go into the cash versus investment components (applied to the nature of the investment)</li></ul>
2005	<ul style="list-style-type: none"><li>• Allowed for shares and securities that failed the 5% test to be included in the cash component</li><li>• Allowed Non-UCITS retail schemes to qualify provided that the shares or units could be redeemed at least twice monthly</li></ul>
2008	<p>Simplification of the ISA regime:</p> <ul style="list-style-type: none"><li>• Mini-Maxi ISA distinction removed</li><li>• The Life Insurance ISA abolished</li><li>• PEPs automatically converted into ISAs</li></ul>

## No. of Investment Accounts opened each year 1999-2008<sup>12</sup>



## Total amount subscribed to Investment Accounts annually (adjusted for inflation) 1999-2008



<sup>12</sup> Maxi accounts could be used for both cash and stocks and shares. Data is available on the amount subscribed that was invested separately to that which was held in cash. This shows that the majority of the amount subscribed to Maxi accounts was invested. For this reason, we have included all Maxi accounts in the data for number of accounts opened.

## Key points from the data

- **This period is notable for the constant decline in terms of accounts opened and the amount subscribed.**

- **The range of qualifying assets was broader than that of the previous period under PEPs.**

- **The regime was characterised by complexity for account operators as well as being seen as difficult for individuals to understand.**

- **This is notable given it was also the most stable period of the regime from a policy design perspective, with very few changes implemented following the introduction of the Mini-Maxi ISA regime. The main changes were to introduce anti-avoidance clauses to prevent cash being put into the investment component of the accounts.**

## Other factors at play

- The Government made conscious policy decisions motivated by a desire to broaden the appeal of investment accounts to a wider group of people (see box 2).
- Considerable effort went into accompanying policies aimed at simplifying product information including fees (see box 3). The CAT standard (Charge, Access, Terms) was a voluntary initiative that account operators could use for a subset of their products. While the simple product label proved popular with retail investors, the conditions attached to it regarding charge caps; meant few were offered by product providers, and those that were offered were typically low-cost tracker funds with low returns – particularly given market conditions in that period. This did not provide a competitive market for offerors of these funds.
- Market conditions from 2001 onwards were challenging for investors. The dot-com bubble burst in 2001, followed by the Enron scandal and significant regulatory reform notably Sarbanes-Oxley being passed in the US. In parallel, interest rates had improved meaning higher savings rates were available.

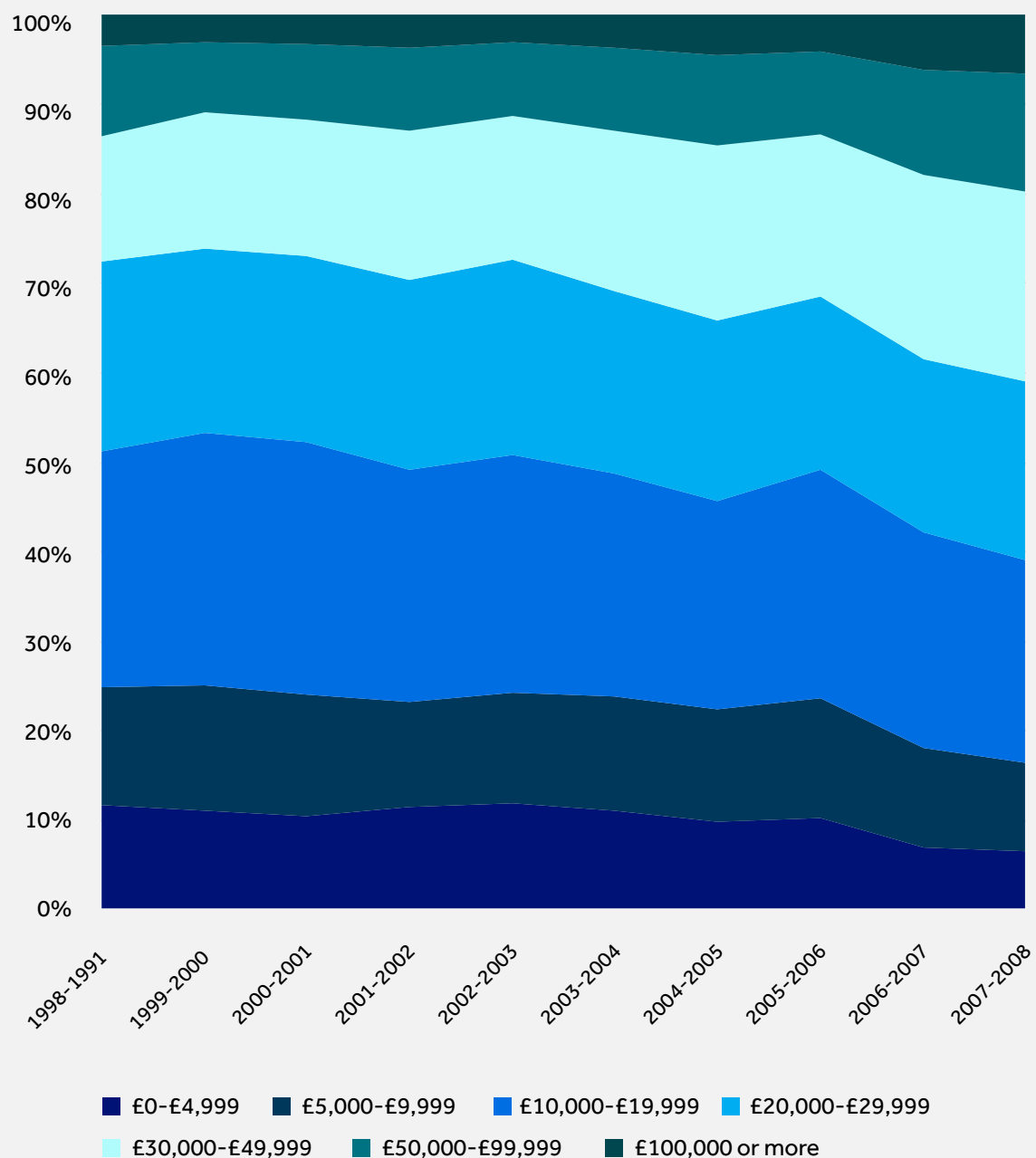
## Box 2: Income distribution

A key motivation driving the change from Personal Equity Plans to ISAs was to encourage the habit of saving among people who have never saved before. ([Gordon Brown Budget 1998](#))

Yet, as we look at the data from HMRC on the income distribution of Investment Accounts opened from the last year of PEPs through to the operation of the Mini/Maxi ISA regime, we can see that it did not meaningfully change.

The additional policy measures don't appear to have encouraged those on lower incomes to invest any more or less than the previous regime.

### Percentage of account openings by income distribution 1998-2008



### Box 3: Consumer Protection measures in parallel – the ‘CAT’ Standard

A voluntary standard that account operators could follow and market their ISA accounts as having a “CAT-mark”. ISA account operators could choose to use the CAT standard for a subset of their products. Typically, these were tracker funds, due to the fee cap imposed. High drop off in number of new account openings from year 1 to year 2 (Personal Equity Plans, HC Deb 8 July 1986, vol 101)

#### **CAT standards for the stocks and shares**

**ISA** - (HM Treasury. [Summary of Responses to the Consultation Document on Savings](#). UK Government Web Archive. Archived from the original on 8 June 2000)

- **Charge** - Annual charge no more than 1% of net asset value. No other charges to be paid by the saver.
- **Access** - Minimum saving no more than £500 lump sum a year, or £50 a month.
- **Terms** - Authorised unit trust, OEIC or certain investment trusts. Fund at least 50% invested in shares and securities (satisfying the requirements in the tax regulations) which are listed on EU stock exchanges. Units and shares to be single priced at mid-market price (as in Financial Services Authority regulations for authorised funds). Investment risk highlighted in literature.

#### **Common requirements for all products under CAT standards:**

- Commitment to decent straightforward treatment of customers e.g. using plain English.
- No bundling e.g. no requirement to buy another linked product, no limitation to existing customers.
- Consistency: undertaking to keep to the benchmark standards after the product is sold.

***“2001- Figures from the Association of Unit Trusts and Investment Funds show that though only 38 Cat-marked funds are on offer among more than 1,000 trusts, they accounted for more than 20% of all ISAs sold.” - [This is Money](#)***

*“For CAT standards in relation to ISAs, the Investment Management Association provided some sales data in early 2004. They stated that, at that time, there were 50 funds which had been CAT marked at some stage. These funds accounted for £11.6 billion under management which represented 6% of the total funds under management in the industry. Most of the CAT marked funds were either tracker (passive) funds or income funds, with only 4% being actively managed equity funds.”*

*“The combination of an initial 1% fee cap, free movement in and out of products without penalty and the relatively low level of funds invested by many users together represented a formidable barrier to enthusiasm from the industry for “simple products.”*

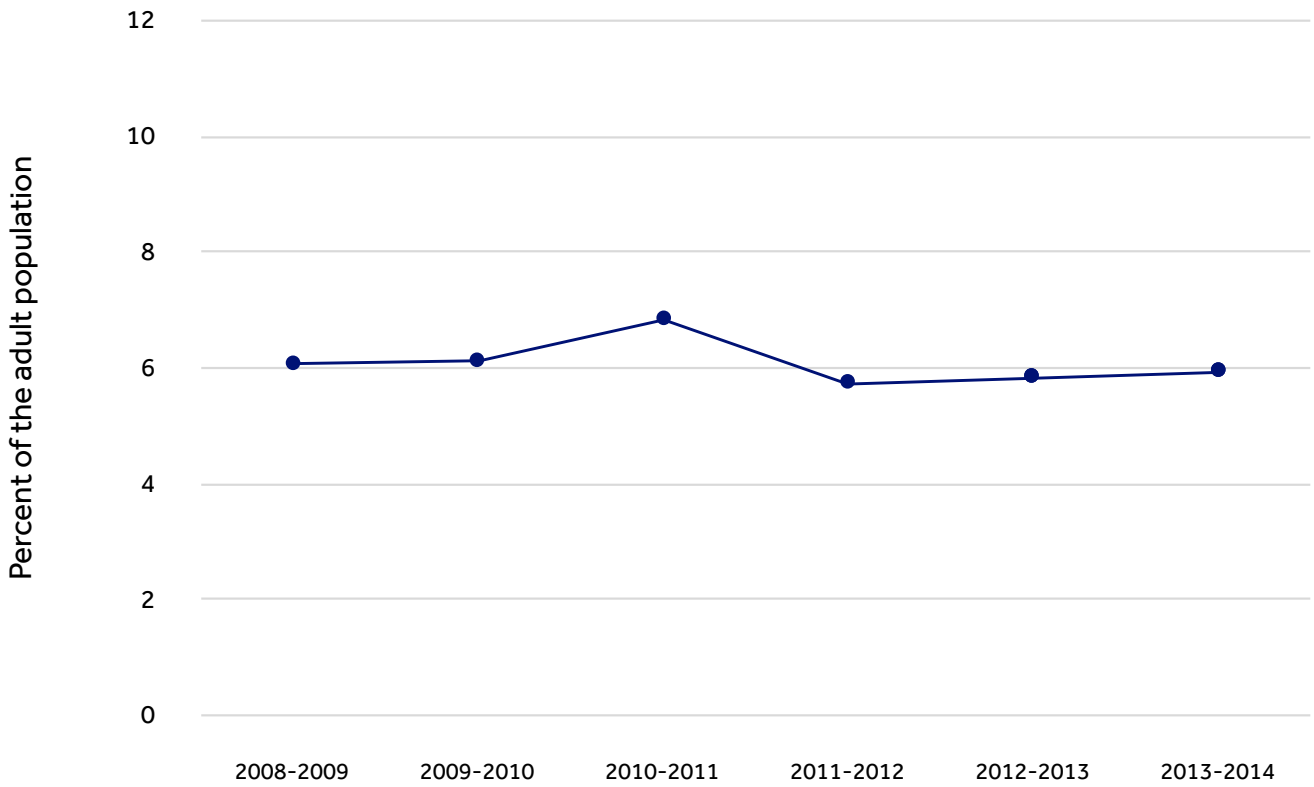
A [Report](#) for HM Treasury, “Literature Review on Lessons Learned from Previous “Simple Products” Initiatives” Professor James F Devlin

## Period 3: 2008-2014 ISA regime

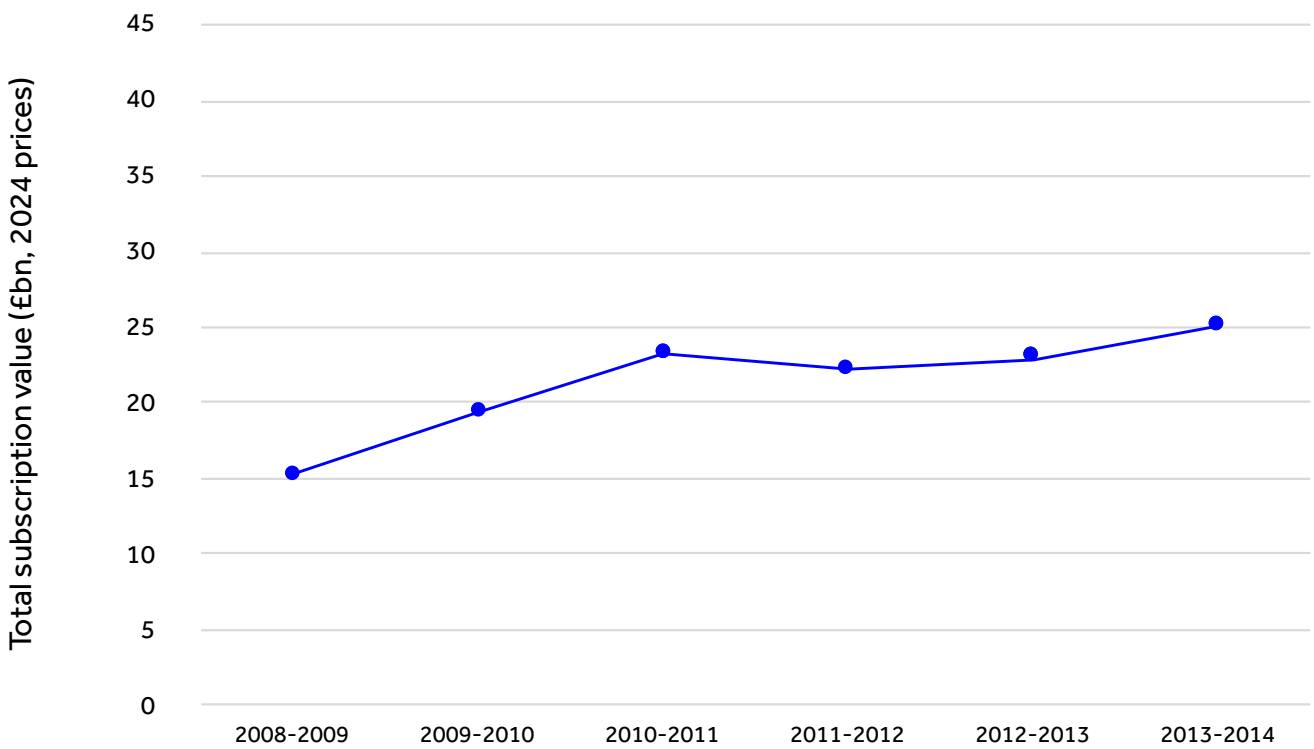
2008	<ul style="list-style-type: none"><li>• Set one combined subscription limit for Stocks and Shares and cash but prescribed that only half could be subscribed to a cash account.</li><li>• Allowed individuals to subscribe to one cash ISA and one Stocks and Shares ISA per year</li><li>• Allowed individuals who had removed cash from Northern Rock accounts during the period of financial instability in September 2007 to not be penalised for making the earlier withdrawal.</li><li>• Extended the list of qualifying investments for stocks and shares ISAs to include bonds issued by multilateral institutions (as defined by the OECD).</li></ul>
2009	<ul style="list-style-type: none"><li>• Made provision to allow individuals who had ISAs with Icesave Bank (suspended on 8th October 2008) to reinvest</li></ul>
2010	<ul style="list-style-type: none"><li>• Made provision to allow individuals who had ISAs managed by Keydata, which went into administration on 8th June 2009), who had lost their capital, to reinvest up to the amount subscribed for investment in the Bonds in another stocks and shares ISA</li><li>• Specific provisions regarding information exchange required between account managers to facilitate customers transferring accounts</li></ul>
2011	<ul style="list-style-type: none"><li>• Junior ISA launched</li></ul>
2013	<ul style="list-style-type: none"><li>• Made provision for individuals with ISA accounts with Royal Bank of Scotland Group affected by a technical incident within that group during the period 19 June to 6 July 2012 (to 22 July 2012 for Ulster Bank), who as a result withdrew sums from their cash ISAs</li></ul>



No. of Investment Accounts opened each year 2008-2014



Total amount subscribed to Investment Accounts annually (adjusted for inflation) 2008-2014



## Key points from the data

- This suggests that those who may have been put off by the complexity of the regime in period 2 weren't regained when the regime became simpler in period 3. (see box 4)

- Although this was the period of the Global Financial Crisis, as exemplified by the specific provisions required for investment account holders each time a bank failed, interestingly the amount subscribed went up over this period, although the number of people who opened accounts was broadly static.

- Further, this could be due to the increased subscription allowance, encouraging account operators to see greater commercial opportunity in focussing on existing investors and encouraging them to use the increased subscription allowance rather than attempting to reach new markets of non-investors. (see box 5)

### Other factors at play

- The Global Financial Crisis of 2008 and the accompanied loss of trust in the financial sector by retail investors, as well as a rise in precautionary savings rates.
- This was also the start of ultra-low interest rates and quantitative easing.
- From 2009 onwards was also notable for the increase in the use of digital trading platforms and an associated increase in volume of trading by retail investors. The FCA reported an increase in the number of retail trading accounts of around 2.2 million between 2013 and 2017.<sup>13</sup> However this is not reflected in the number of investment account openings. This could suggest a low understanding of the benefits of investing using a tax efficient tax wrapper, even as more consumers were starting to experiment with investing.

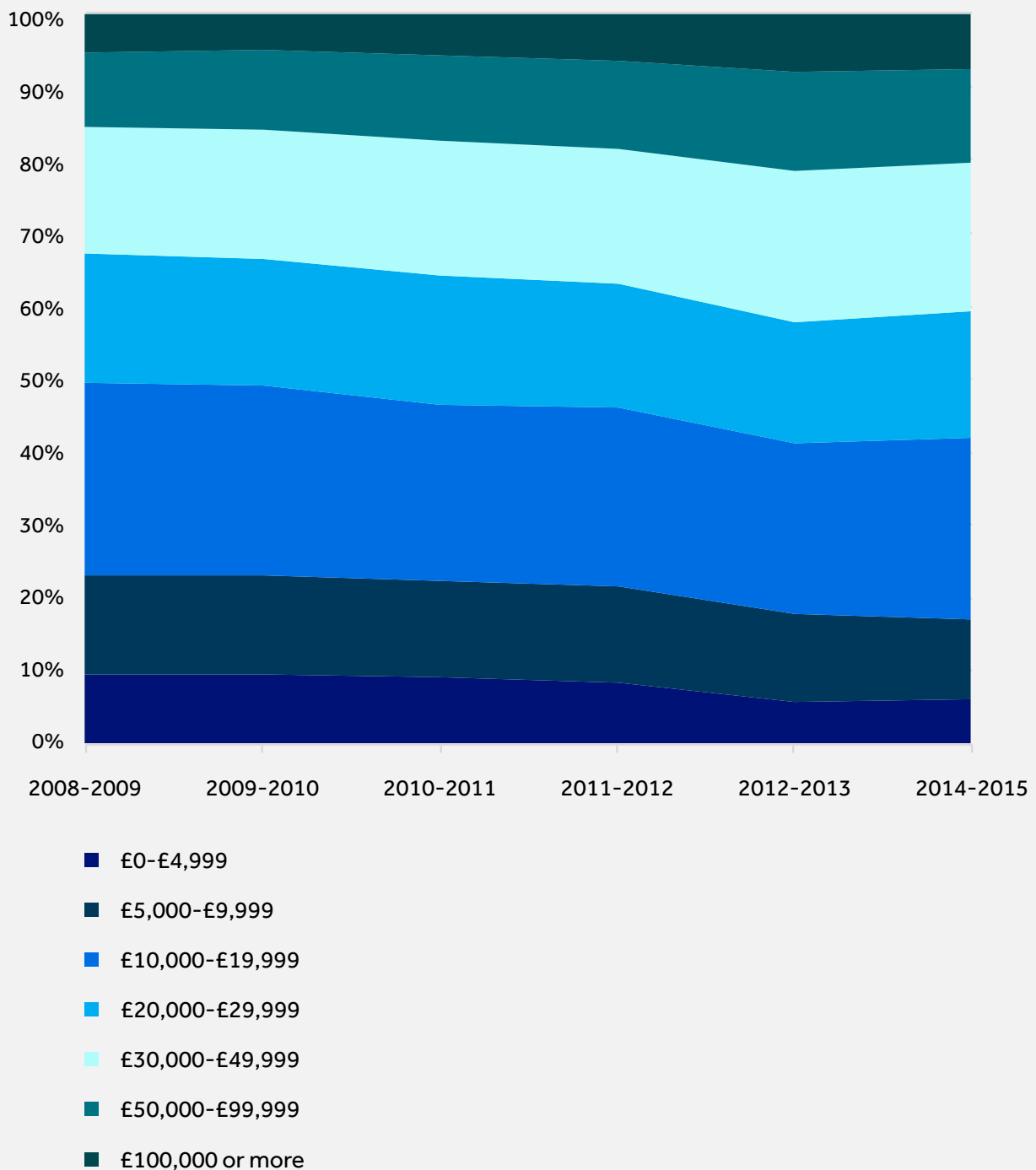


13 FCA '[Investment Platforms Market Study: Interim Report](#)', July 2018

#### Box 4: Income distribution

Even under the simpler regime, we see a similar income distribution to previous periods. Policy design does not appear to affect the income distribution of those people opening investment accounts, suggesting the higher subscription limit is what drives the same group of people to put more money into their investment accounts.

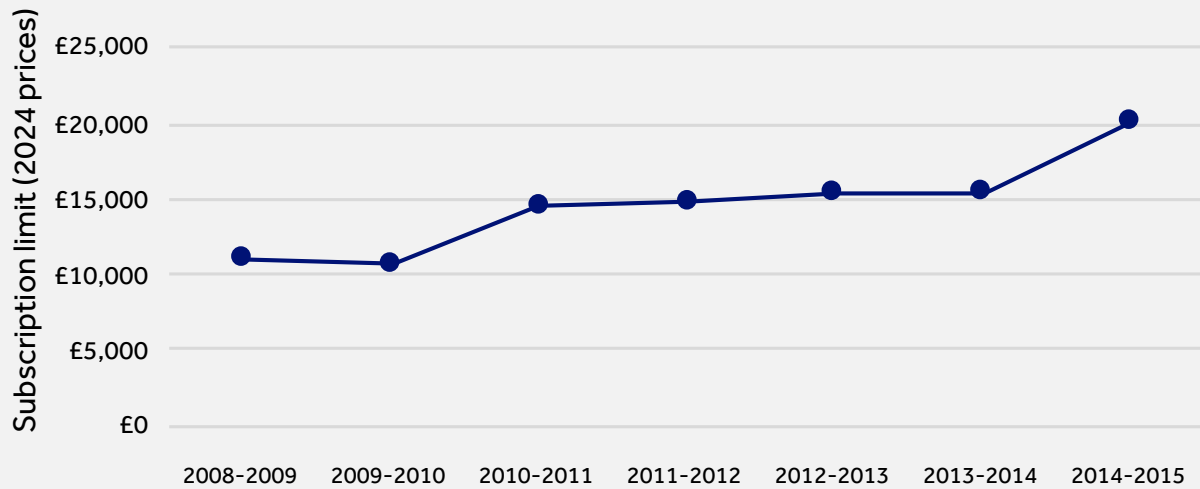
Percentage of account openings by income distribution 1998-2008



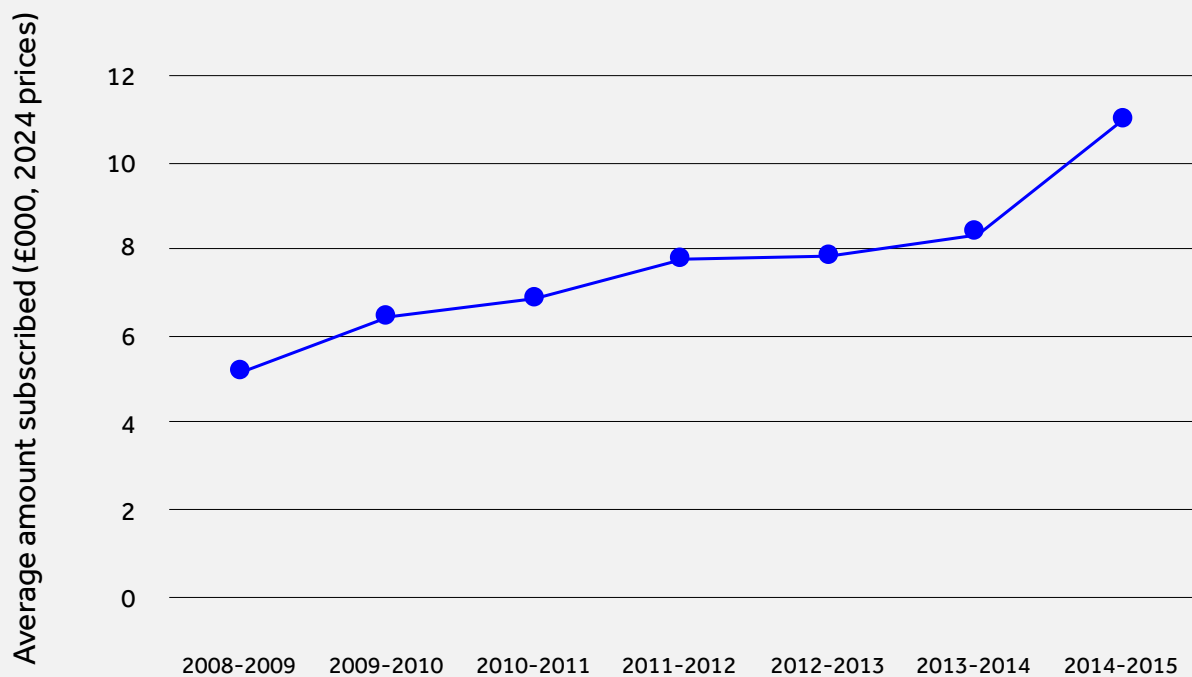
### Box 5: Effect of subscription level increase

The subscription limit doubled over this period, as did the total amount subscribed, however the number of accounts opened remained broadly flat. Looking at the average amount subscribed per account, we can see that subscription limit increases benefit those already saving/investing, but don't appear to encourage new savers/investors.

#### Subscription limit - adjusted for inflation



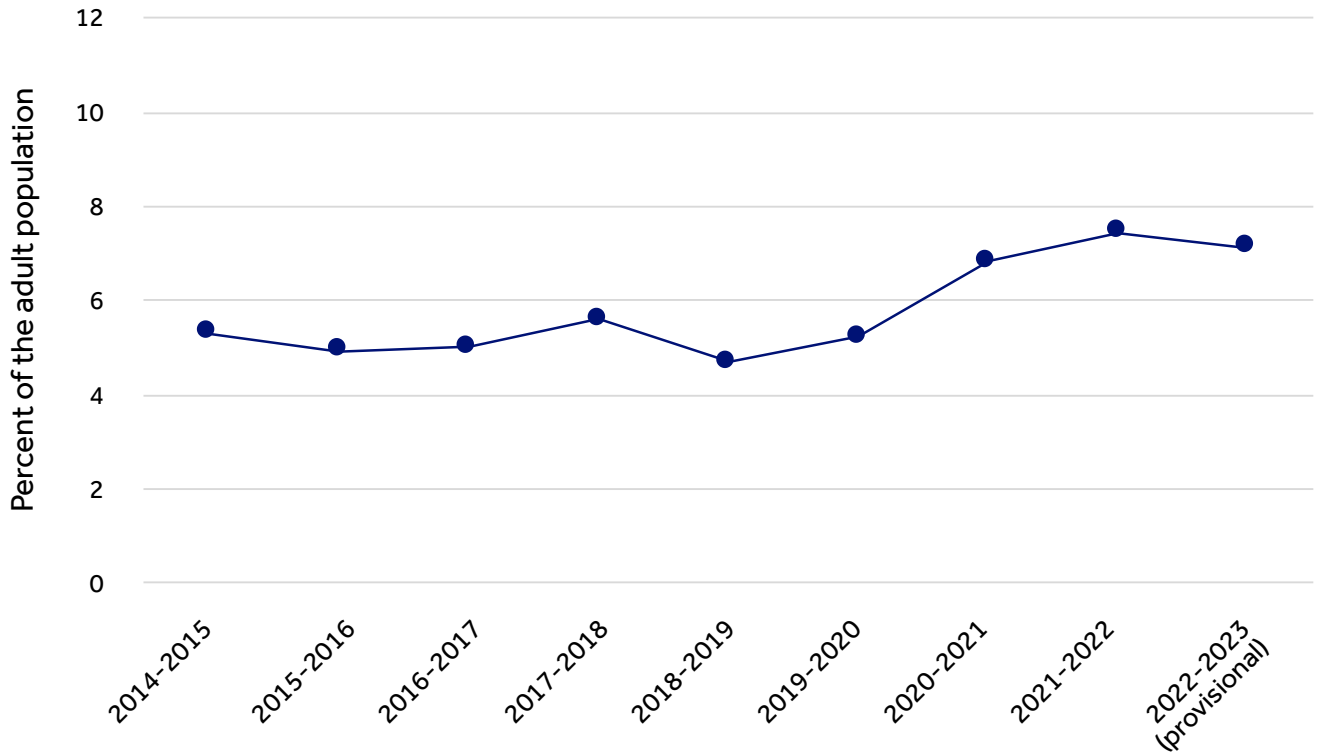
#### Average subscription per account 2008-2015



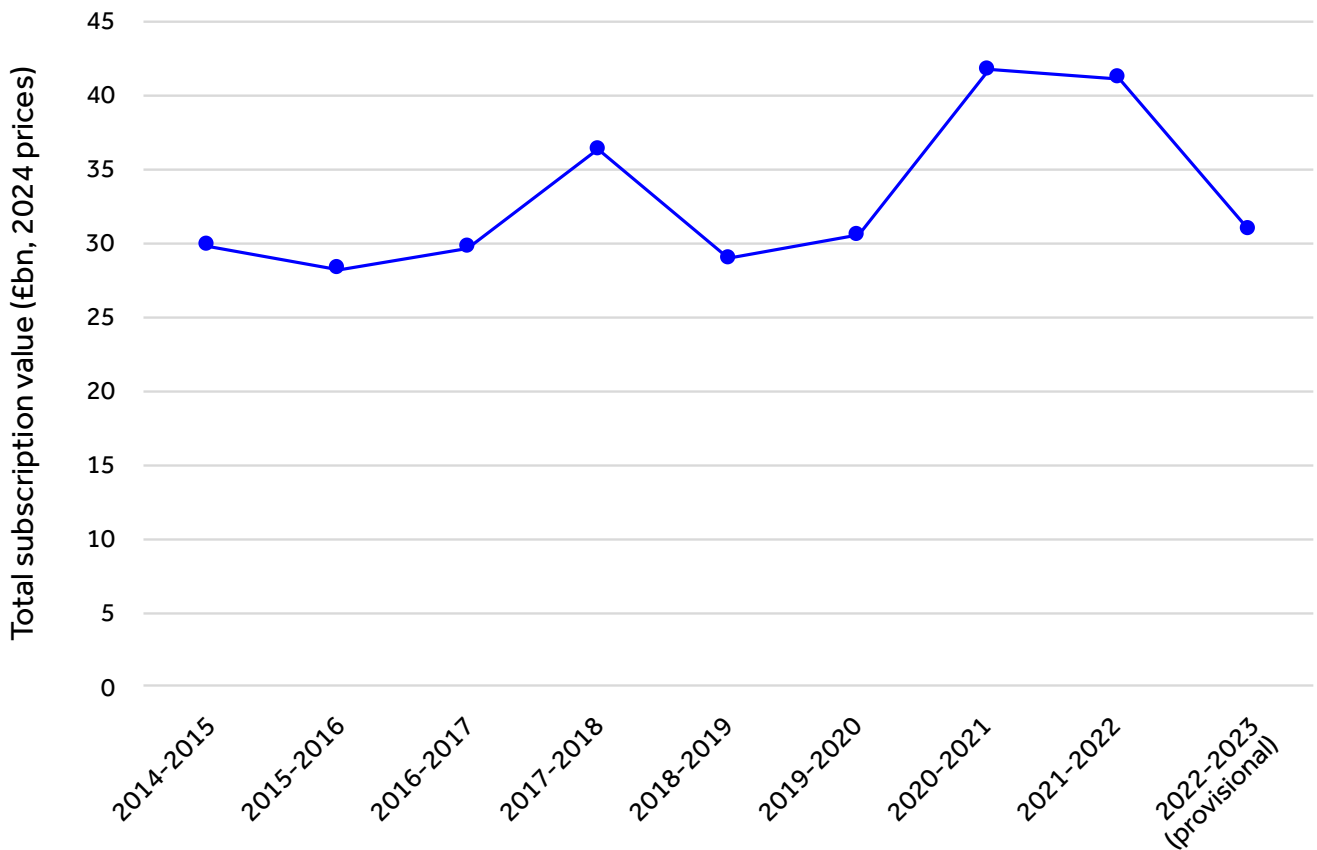
## Period 4: 2014-2024 New ISA (NISA)

2014	<ul style="list-style-type: none"><li>• Equalised the subscription amount for cash and stocks and shares components</li><li>• Permitted transfer from stocks and shares ISAs to cash ISAs, in whole or in part</li><li>• Abolished the “5 year test”, and the “5% test%”</li><li>• Amendments for mental incapacity and disability allowance</li></ul>
2015	<ul style="list-style-type: none"><li>• Introduced provisions regarding deceased spouses</li><li>• Removed requirement that not more than 50% in value of the investments in an investment trust could be securities which do not qualify as ISA investments.</li><li>• Help to Buy ISA introduced</li></ul>
2016	<ul style="list-style-type: none"><li>• Innovative Finance ISA introduced</li><li>• Flexibility to withdraw and replace cash from an account earlier within a tax year without losing tax benefits</li></ul>
2017	<ul style="list-style-type: none"><li>• Lifetime ISA introduced (broadly to replace the Help to Buy ISA that closed to new subscriptions in 2019)</li><li>• Provisions regarding deceased persons allow the savings of a deceased person in an ISA to continue to benefit from tax advantages during the administration of the estate</li></ul>
2020	<ul style="list-style-type: none"><li>• Provisions to deal with transfers for Child Trust funds</li><li>• Reduction in the withdrawal charge for LISAs as a result of COVID</li></ul>
2023	<ul style="list-style-type: none"><li>• Provisions for the Dormant Assets Act</li><li>• Expanded the definition of recognised UCITS to include more overseas collective investment schemes to be held in ISAs.</li><li>• Expanded Innovative Finance ISA eligibility to include alternative finance investments (e.g. Sharia-compliant products)</li></ul>
(2024)	<ul style="list-style-type: none"><li>• Allowed individuals to subscribe to more than one ISA of the same type (eg multiple cash ISAs)</li><li>• Allowed current year subscription to be partially transferred between ISA managers</li><li>• Harmonised the age for opening ISAs to 18</li><li>• Permitted fractional shares in ISAs</li></ul>

## No. of Investment Accounts opened each year 2014-2023



## Total amount subscribed to Investment Accounts annually (adjusted for inflation) 2014-2023



## Key points from the data

- **The New ISA focussed on flexibility for individuals on how they used the tax advantage. For the first time it was possible to remove and replace contributions to the investment account within a tax year, and to transfer interchangeably between investment accounts and cash accounts. The cumulative effect of this flexibility appears to coincide with an increase in the number of accounts opened, noting this came after a time lag as many operators of accounts took longer to implement this feature. However, it also coincided with the total amount subscribed reducing.**

- **There was also an increase in the number of accounts opened – possibly because of competition and also the new types of investment accounts (Innovative Finance ISA, Lifetime ISA etc.), however these have only been in operation for a limited period so it is hard to draw conclusions (See box 6).**

- **We also see more volatility in the total amount subscribed during this period. This could be linked to the higher subscription limits, the ability to move assets more easily between accounts, and the ability to replace assets that have been removed from accounts without losing the tax advantage.**

## Other factors at play

- The UK introduced auto-enrolment for defined contribution pensions between October 2012 and February 2018. However, this did not appear to affect subscription rates to investment accounts. This may be because prior to the introduction of the Lifetime ISA, the accounts were not typically used as tax efficient pension savings products. (see box 7)
- The Financial Services Authority (FSA) also implemented the results of the retail distribution review in December 2012. This aimed to improve the quality of financial advice provision, increase transparency on costs and charges and remove commission bias by banning commission payments. While evaluations suggest this reduced the number of individuals receiving financial advice, both number of accounts opened, and overall amount subscribed was broadly flat following its introduction.
- COVID between 2020-2022 led to an increase in number of people with more savings and increased investment activity. This could explain an increase in the number of accounts opened in 2020 and 2021, and the corresponding decrease in 2022 as normal activities resumed, although the increased flexibility may also have been a contributing factor.
- We should also consider the inflationary environment at this time, however when comparing back to other periods of high inflation we don't see an effect on subscription levels or account openings.

## 2011

### Cash Junior ISA and a Stocks and Shares Junior ISA

- Motivation: designed to encourage long-term saving for children in a tax-efficient way. Available for children under the age of 18. Replaced a previous initiative: Child Trust Funds.
  - Limit: Single annual limit of £3,600
  - Qualifying Investments: aligned with ISAs
  - Logistical operations: Parents, guardians or friends and family could contribute to a JISA, but only a specific "registered contact" could administer the account. Children could have one cash JISA and one Stocks and Shares ISA. Funds were locked in the account until the child turned 18, when they automatically converted to an adult ISA and the child gained full control.
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## 2015-19

### Help to Buy ISA

- Motivation: to tackle two of the biggest challenges facing first-time buyers: the low interest rates when they build up their savings, and the high deposits required by the banks. ([George Osborne Budget 2015](#))
  - Limit:
    - At account opening up to £1,200 in the first month.
    - Subsequently up to £200 per month
    - The government added a 25% bonus to the account savings when the holder bought your first home.
    - Minimum savings to qualify: £1,600 (bonus = £400).
    - Maximum bonus: £3,000 (on £12,000 saved).
    - The bonus was only paid at the time of purchase, not added to the ISA balance.
  - Logistical operations: Individuals could only open one Help to Buy ISA. The home purchased needed to be the individual first property, cost up to £250,000 (or £450,000 in London), and be intended to live in.
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## 2016

### Innovative Finance ISA

- Motivation: to diversify savings options and increase retail participation in non-traditional financial products. ([George Osborne Summer budget 2015](#))
  - Limit: included in total ISA limit of £15,240 - Individuals could use the entire ISA limit if they chose.
  - Qualifying Investments: peer-to-peer loans, debt securities offered via crowdfunding platforms. Must be offered by HMRC-approved ISA managers.
  - Logistical operations: designed to support peer-to-peer (P2P) lending and other debt-based securities. Individuals could transfer funds from other ISA types, withdrawals were allowed but could be slower than traditional ISAs due to loan terms. They were not covered by the Financial Services Compensation Scheme.
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## 2017

### Lifetime ISA

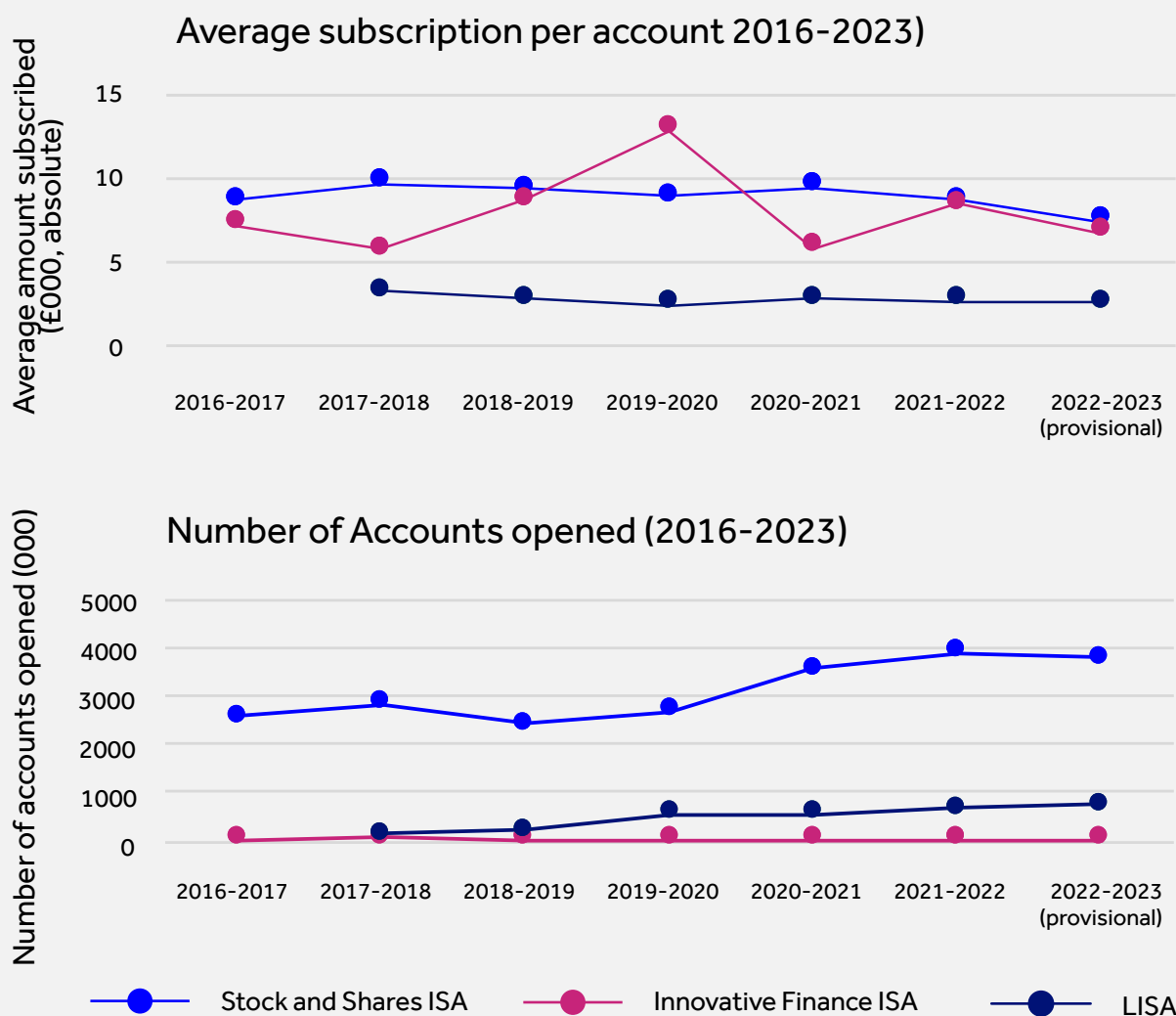
- Motivation: dealing with the issue that young people aren't saving enough, giving people more freedom and more choice. ([George Osborne Budget 2016](#))
- Limit: £4000 included in total ISA limit The government added a 25% bonus to contributions of up to £1,000 per year.
  - Bonuses were paid monthly, based on contributions made.
- Qualifying Investments: cash or stocks and shares
- Logistical operations: Designed to help individuals save for either a first home or retirement. Only available to individuals aged between 18 and 39 (contributions could continue to age 50). LISA could be used for two purposes:
  - To buy a first home worth up to £450,000
  - After age 60, funds (including bonus) could be withdrawn tax free
- If the fund were withdrawn before age 60 and not for a first home, a 25% penalty applied (effectively reclaiming the bonus and 5% more).

## Box 6: ISAs for a specific purpose

### Subscription limits:

**Innovative Finance ISA:** • Entire limit could be used • 2016-2018 £15,000 • 2018 onwards £20,000

**Lifetime ISA:** • Max of £4,000 per year



## Key points from the data

- We see a gradual increase in the use of Innovative Finance ISA and Lifetime ISA accounts over time, likely due to growing familiarity
- Those who opened Lifetime ISAs were more likely to maximise their entire subscription of £4000—likely due to the additional benefits (e.g. the Government bonus), however the majority of holdings were in cash rather than invested.
- Low take up of these accounts makes it unlikely that this is affecting either number of stocks and shares ISAs opened or total amount subscribed.
- Few Innovative Finance ISAs were opened so it is difficult to draw conclusions from a limited period of data, however the early spike in subscription rates in 2019-2020 could be explained by individuals seeking to use the new product to diversify into the new asset class, noting they would likely have legacy investment accounts where they would have used subscriptions allowances from previous years for investments in more traditional assets.

## Box 7: Effect of the Introduction of pension auto-enrolment

The UK phased in auto-enrolment for defined contribution pensions between October 2012 and February 2018, starting with the largest employers.

Employees eligible for auto-enrolment are those:

- Not already in a workplace pension scheme.
- Are between 22 years old and State Pension age; and
- Earn more than the minimum earnings threshold (£10,000 since 2015/2016).

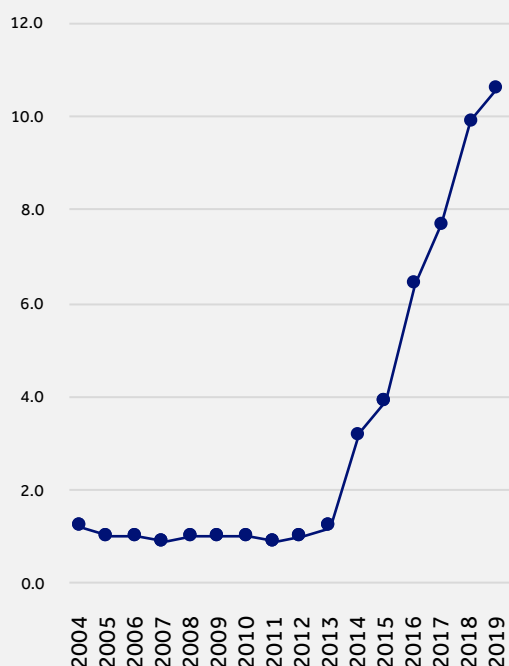
Contributions from both employers and employees rose between 2012 and 2019.

The policy increased the number of adults contributing to a defined contribution pension scheme from 0.9 million in 2011 to 10.6 million in 2019.

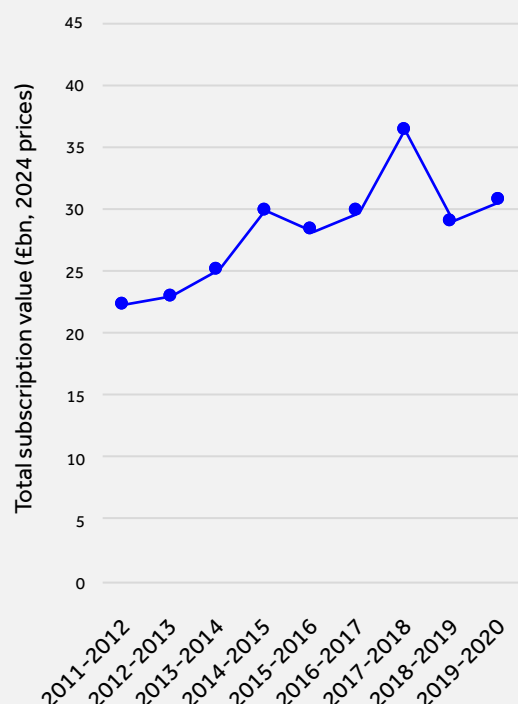
The introduction of auto-enrolment does not appear to have had any impact on the amount individuals subscribed to Investment Accounts.

Auto-enrolment contributions (%) <sup>15</sup>	Minimum employer contribution	Employee contribution (inc. tax relief)	Total contribution
October 2012 to March 2018	1	1	2
April 2018 to March 2019	2	3	3
April 2019 onwards	3	5	8

Defined contribution schemes - no. active members (millions)



Total amount subscribed to investment Accounts annually (adjusted for inflation) 2011-2020



## Key Takeaways

### **Government-led promotion is critical:**

The highest surge in account openings occurred between 1987-1999 when there was strong, coordinated government action to promote share ownership, demonstrating the importance of public engagement and trust-building.

### **Pension auto-enrolment has little effect on investment account subscriptions:**

The introduction of auto-enrolment for pensions did not reduce investment account subscriptions, suggesting these policy initiatives can be introduced independently of one another without reducing efficacy.

### **Product structure simplicity matters more to providers than individuals:**

While reforms that enabled greater allocation to collective investments in the early 1990s did increase uptake, expanding the range of qualifying assets in 2001 did not boost account openings or subscriptions, suggesting that product structure is a bigger lever for providers than for individuals.

### **Market conditions have limited impact on existing investors:**

Major market events (such as Black Friday in 1987, the dot-com bubble bursting in 2001, and the Global Financial Crisis of 2008) did not cause sharp declines in subscription rates, likely because investment accounts are often the first account used by investors and can offer diversification to reflect changing risk appetite.

### **Speculation about policy changes drives behaviour:**

As seen in the period of biggest change when PEPs were replaced by ISAs at the end of the 1990s, anticipation of changes—such as the potential withdrawal of benefits—can prompt significant spikes in account openings, even if the changes do not materialise.

### **Policy changes take time to filter through:**

There is often a significant lag between policy changes and observable shifts in behaviour, as individuals, account operators and product providers need time to adapt—especially when changes require operational adjustments. We see this consistently in the data.

## Additional insights

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### **Income distribution remains largely unchanged:**

Policy efforts, such as those used in the early 2000s to broaden the appeal of investment accounts did not significantly alter the income profile of account holders, indicating persistent barriers to wider participation.

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### **Purpose-driven accounts can influence behaviour:**

Offering investment accounts for specific purposes (e.g., home purchase, retirement) can affect how allowances are allocated, as shown by the introduction of the Innovative Finance ISA, though it is unclear whether they encourage additional investment.

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### **Flexibility may encourage participation, but evidence is inconclusive:**

Increased flexibility in how accounts can be used may have contributed to higher subscription rates in recent years, but the impact is difficult to isolate due to external factors such as the COVID-19 pandemic.

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### **Raising subscription limits benefits existing investors:**

While the highest annual subscription amounts were seen when legal limits were increased between 2014 and 2024, this did not translate into more new accounts. Account operators tended to focus on increasing market share among existing clients rather than attracting new investors.

# Policy recommendations and conclusion

The UK has been operating a regime of Investment Accounts for nearly 40 years. The height of its popularity amongst the public was over 25 years ago when just over 10% of the population opened an account in a single year. Since then, account openings have ranged from 4-8% of the population on an annual basis. However, the regime has been successful in mobilising significant amounts of capital, the market value of which was, by the end of 2023, over £430 billion.<sup>16</sup>

This shows that tax advantaged retail investment accounts can be used to unlock household savings, and the UK's experience provides useful insight to policy makers, such as those in EU Member States currently considering whether to follow the European Commission's Blueprint for European Savings and Investment Accounts.

## Policy recommendation 1:

**Savings and Investment Accounts should be introduced alongside other policy measures aimed at encouraging retail savers to become investors, such as a mass retail investing campaign.**

Reaching individuals and encouraging them to consider investing is not simply a matter of changing the taxation system. It will require more concerted effort to challenge assumptions and build the confidence of individuals. Broad public information campaigns on the benefits of investing modelled on the 'Buy Your Own Share of American business' campaign held in the US in the 1950s and 60s have proved successful in other jurisdictions.<sup>17</sup> Parallel changes to the pension system, such as the introduction of auto-enrolment, can be conducted alongside Savings and Investment Accounts without detracting from one another.

## Policy recommendation 2:

**The policy design of Savings and Investment accounts should take into account the likely behaviour of account operators and how they will compete to market the accounts.**

Account operators are the key group that will interface with individual investors. Ensuring that the design of the regime considers the behavioural reaction from account operators will be essential to the success of the regime. Whether account operators see the market developing and, how complex it is for them to run and how they focus their efforts will be a key driver of how successful take up of the accounts is. This needs to be explicitly factored into any design decisions.

<sup>16</sup> HM Revenue & Customs 'Annual savings statistics', 2024

<sup>17</sup> Barclays 'A New Message to Tell Sid', UK Unlocked, April 2025

### **Policy recommendation 3:**

**The existing product market for collective investments should be carefully considered and ensure a wide range of existing products qualify for inclusion in the Savings and Investment Accounts.**

While the investment account regime can be successful in changing the behaviour of existing investors, collective investment providers are not motivated to create products when it is unclear what future market there may be for them. Starting from products that already exist will reduce the time lag for policy choices to be reacted to by product providers, account operators and individuals.

### **Policy recommendation 4:**

**The regime should be designed to operate regardless of market conditions.**

Choosing the best time to launch Savings and Investment Accounts will be challenging and it may be tempting to try to time this for optimal market conditions. Given the time it takes for both account operators and individuals to become familiar with a new regime and our findings that for existing investors market conditions have little impact on amount subscribed, this is likely to simply slow down implementation.

### **Policy recommendation 5:**

**Policymakers should use clear public messaging and give individuals certainty in how they make long term investment decisions by avoiding making changes to the regime on a frequent basis.**

Stability in the regime allows individuals to make long term decisions about their savings and investments. Beyond this, individuals react quickly to policy speculation to avoid missing out on something they see as positive; however, they react slowly to structural changes to the regime, taking longer to reframe how they think about it. Once people have lost faith, they can be very difficult to attract back. While well intentioned tweaks to make the policy fit its objectives better are attractive to policy makers, they can increase complexity for both individuals and account operators and may be ineffective.