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Seven-fold increase in ISA savings since 2000

The Halifax report on the ISA market is part of a series of research pieces published by the Group, highlighting savings trends in the UK. The research is based on data from the HMRC and DWP and covers the period between 1999/00 and 2007/08. HBOS is the UK's leading savings provider with over £258bn of savings on deposit and more than 15 million savings customers.

- The value of ISA savings in the UK stood at £207.8 billion at the end of the tax year 2007/08, a seven-fold increase on 1999/00 (£28.6 billion).
- The number of ISA accounts invested in during the financial year 2007/08 was 14.7 million, 59% higher than in the first year of ISAs' existence in 1999/00 (9.3 million).
- More than one-third (35%) of UK households have an ISA, a slight increase since 2002/03 (32%), according to the earliest available data.
- Cash accounted for 61% of the value of all ISA savings in 2007 compared to 44% in 2000.
- The annual amount invested in ISAs has risen by 26% from £28.4bn in 1999/00 to £35.7bn in 2007/08. The average amount invested per account, however, has fallen by 21% from £3,064 to £2,426 over the period.
- Between 1999/00 and 2005/06¹ the number of women ISA savers increased by 46%, faster than the increase in the number of male ISA savers (34%). The number of male ISA savers (6.3 million), however, remains higher than the number of female savers (6.1 million).
- All age groups recorded an increase in the number of ISA savers between 1999/00 and 2005/06. The number of ISA savers increased fastest among the under 25s (97%) followed by 35-44 year age group (49%).
- Scotland and the East Midlands recorded the fastest rate of growth in the number of ISA savers (49%) between 1999/00 and 2005/06¹. West Midlands recorded the smallest increase (30%) over the period.
- Regionally, the South East has the highest proportion of households with an ISA (44%). Northern Ireland has the lowest proportion (14%) and was the only part of the UK to record a fall between 2002/03 and 2007/08.

Martin Ellis, chief economist at Halifax, commented:

"ISAs have proved to be a highly popular savings vehicle since their introduction almost a decade ago. The number of ISA savers has increased significantly during this period.

"The Individual Savings Account is the principal tax free savings vehicle for most people and an essential element of their financial planning."

Value of ISA savings

Seven-fold increase in the value of ISA savings (Table 1)

The value of ISA savings in the UK stood at £207.8 billion at the end of the tax year 2007/08, a seven-fold increase on 1999/00 (£28.6 billion), according to new research from Halifax. A breakdown of the data shows that the cash component of total ISA funds recorded a ten-fold increase in market value over the period to £127.7 billion. The stocks and shares component recorded a five-fold increase to £80.1 billion. Cash accounted for 61% of the value of all ISA savings in 2007 compared to 44% in 2000.

Six-fold rise in the average value of ISA savings per saver (Tables 1&3)

Between 2000 and 2006 the value of ISA savings increased six-fold from £28.6 billion to £181.4 billion. During this period, the number of individuals saving in an ISA rose by 40% from 9.3 million to 12.4 million. The average value of ISA savings per saver reached £14,582 in 2006, nearly five times higher than in 2000 (£3,215).

Number of ISA savers

Number of ISA accounts up by 59% since 1999/00 (Table 2)

The number of ISAs into which investments have been made has risen by 59% since ISAs were introduced on April 6th 1999. (The number of ISA accounts is higher than the number of savers as it is possible for an individual to hold more than one account – see Editors' Notes for details.) The number of ISAs invested in during 2007/08 reached 14.7 million, an increase of 59% on the number in 1999/00 (9.3 million). However, the average annual investment per account has fallen by 21% (£638) over the same period to £2,426 from £3,064.

Number of female ISA savers growing faster than male savers (Table 3)

The number of female ISA savers has risen at a faster rate than male savers since ISA accounts were introduced. Between 1999/00 and 2005/06¹, the number of female savers increased by 46% (from 4.164 million to 6.099 million), while the number of male savers rose by 34% (from 4.743 million to 6.341 million).

ISA saver growth fastest among under 25's (Table 4)

All age groups recorded an increase in the number of ISA savers between 1999/00 and 2005/06. The number of ISA savers rose most sharply (97%) among the under 25 age group, from 605,000 in 1999/00 to 1,192,000 in 2005/06. This increase was nearly twice the second highest increase (49%) recorded among 35-44 year olds. Under 25s account for 10% of all ISA savers. In contrast, 35-44 year olds account for just over a fifth (21%).

Seven out of ten of those holding an ISA are making use of it (Table 5)

In 2005-06¹ more than two-thirds (69%) of the 18.1 million individuals that held an ISA invested in it during the year. Regionally, the East Midlands and the South West, both at 70%, recorded the highest investment rate among ISA holders making use of their account. Northern Ireland, at 63%, had the smallest proportion of ISA subscribers.

Scotland and the East Midlands record the highest rate of ISA saver growth (Table 6)

At 49%, Scotland and the East Midlands recorded the fastest rate of growth in the number of ISA savers between 1999/00 and 2005/06, followed by Wales (48%) and the North East (47%). At the other end of the scale, West Midlands (30%) recorded the slowest rate of growth.

A third of UK households have ISA's¹ (Table 7)

In 2006/07, more than one-third (35%) of UK households had an ISA, an increase of three percentage points (from 32%) since 2002/03 (the earliest available data). On a regional basis, the South East has the highest proportion of households with an ISA, at 44%, followed by the South West (42%) and the East of England (40%). In contrast, 14% of households in Northern Ireland have an ISA; the lowest in the UK. Northern Ireland was the only UK region to record a fall in the proportion of its households with an ISA between 2002/03 and 2007/08.

¹Latest available data.

Editors' Notes:

Individual Savings Accounts (ISAs) were introduced on April 6th 1999 to replace TESSAs and PEPs as the main tax free savings vehicles for individuals.

This research has been compiled through analysis of Inland Revenue and DWP data.

Much of the data refers to the number of individuals who have subscribed to an ISA during the year and do not represent the total number holding an ISA during that period.

The data provided relates to the number of individuals who have subscribed to the different ISA types:

-cash only

-a stocks and share ISA only

-both cash and stocks and share ISAs,

-an insurance ISA (this includes those who have additionally made a subscription to either cash or stocks and Shares ISA, this latter group are not included in the previous three categories).

Individual savers are able to invest in **two** separate ISAs in any one tax year: one Cash ISA and one Stocks and Shares ISA.

For further information

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Table 1: Market value of ISA funds (£ million)

	2000	2006	2007	% change
Stocks & Shares Component	16,025	70,406	80,105	400%
Cash Component	12,618	111,024	127,661	912%
Total	28,643	181,430	207,766	625%

(Source: HMRC)

Table 2: Individual Savings Accounts (ISAs) – Number and Amounts Invested

	Number of Accounts Subscribed per Year 000s	% change	Average Subscription per account £	% change	Amounts Subscribed per Year £m	% change
1999-00	9,278		3,064		28,431	
2007-08	14,714	59%	2,426	-21%	35,699	26%

(Source: HMRC)

Table 3: Number of individuals subscribing to an ISA by gender

	1999/00 000s	2005/06 000s	Change
Male	4,743	6,341	34%
Female	4,164	6,099	46%
Total	8,908	12,442	40%

(Source: HMRC)

Table 4: Number of individuals subscribing to an ISA by age (000s)

	1999/00 000s	2005/06 000s	Change
Under 25	605	1,192	97%
25-34	1,511	2,097	39%
35-44	1,716	2,560	49%
45-54	1,789	2,337	31%
55-64	1,552	2,210	42%
65 and over	1,733	2,046	18%
Total	8,908	12,442	40%

(Source: HMRC)

Table 5: Percentage take-up of ISAs by region, 2005-06

000s	No of ISA Subscribers	No of those holding an ISA	Subscription rate among ISA holders
North East	479	709	68%
North West	1,380	1,990	69%
Yorkshire and the Humber	1,045	1,513	69%
East Midlands	957	1,366	70%
West Midlands	1,072	1,591	67%
East of England	1,199	1,739	69%
London	1,446	2,119	68%
South East	1,816	2,619	69%
South West	1,146	1,645	70%
Wales	603	877	69%
Scotland	966	1,417	68%
Northern Ireland	256	407	63%
United Kingdom	12,442	18,123	69%

(Source: HMRC)

Table 6: Number of individuals subscribing to an ISA by region

	1999/00 000s	2005/06 000s	Change
North East	326	479	47%
North West	992	1,380	39%
Yorkshire and the Humber	735	1,045	42%
East Midlands	644	957	49%
West Midlands	823	1,072	30%
East of England	869	1,199	38%
London	1,016	1,446	42%
South East	1,385	1,816	31%
South West	849	1,146	35%
Wales	406	603	48%
Scotland	650	966	49%
Northern Ireland	184	256	39%
United Kingdom	8,908	12,442	40%

(Source: HMRC)

Table 7: Percentage of households with an ISA by region

	2002/03	2007/08	Change Percentage points
North East	26	31	5
North West	30	30	0
Yorkshire and the Humber	32	36	4
East Midlands	30	35	5
West Midlands	31	34	3
East of England	34	40	6
London	28	31	3
South East	39	44	5
South West	37	42	5
Wales	28	33	5
Scotland	29	32	3
Northern Ireland	19	14	-5
United Kingdom	32	35	3

(Source: Family Resource Survey, DWP)

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