PRETTY VACANT

Banks' poor Isa knowledge exposed

AT A GLANCE

- **Why you can't rely on banks' Isa advice**
- **Your common Isa questions answered**
- **The new £1,000 personal savings allowance explained**

Isas are changing, but **Rob Goodman** finds that some bank staff are struggling to cope with the old system – let alone the new one

For a humble savings pot, the individual savings account (Isa) has been big news in recent years. Isas are understandably popular, since they allow you to salt away thousands of pounds and enjoy the interest tax-free.

But the rules governing Isas can be somewhat complicated. When we surveyed 1,263 Which? members in January, four in ten didn't know what the allowance would be for the new 2016/17 tax year, while 47% admitted they had no idea what would happen if an Isa holder dies.

Given the popularity of Isas, and with new tax-free allowances applying to other savings accounts from this April (see p49), it's vital that bank staff have correct and up-to-date information so they don't misinform customers.

So do banks know their Isas? Or do they have some revising to do? Ahead of the new tax year, we put the leading banks and building societies to the test.

Isa incompetence

In December 2015 and January 2016, we tested 12 Isa providers to see what advice they gave our undercover researchers. For each, we visited six branches and made six phone calls (in the case of phone and online-only bank First Direct, it was 12 calls). Each time, we asked six questions about Isas and the savings reforms. In all cases, we were happy to be passed through to a savings specialist, or to have an appointment for the same day.

Seven of the providers we tested scored less than half marks for the questions we asked. Yorkshire Bank, which also came last in the 2015 *Which? Money* investigation, came bottom again with a dire score of 38%.

We were repeatedly given information that was unclear, or just plain wrong. We found:

- Only 20% of staff could tell us the Isa allowance limit would be £15,240 for the 2016/17 tax year – despite the fact that the Chancellor announced this last November.
- Nearly three in ten (28%) were unable to outline how much of an existing Isa can be transferred to a new provider.
- Some 40% of staff didn't know anything about how a spouse or civil partner could inherit Isa savings, despite rules being in place since April 2015.
- Every bank and building society did better over the phone than in its branches.

In addition to our questions about existing Isa rules, we also asked staff whether there were any forthcoming changes to the savings market that we needed to know about. We wanted to hear that from April 2016, basic-rate taxpayers will be able to earn £1,000 in interest a year on their savings (£500 for higher-rate taxpayers) without paying tax – a significant change that was announced in the March 2015 Budget. First Direct did best overall, but still only scored six out of 12, while The Co-operative Bank, Halifax and HSBC failed to score anything.

As this change was still a few months off when we did our research, we haven't included it in the overall scores (see table, below). But the fact that the vast majority of staff seemed unaware of such a substantial reform suggests the banks and building societies aren't keeping up with important information about their own products.

Our findings are all the more concerning given that consumers rely, quite rightly, on bank staff to help guide them through the world of savings. If consumers are fed incorrect information – facts they won't necessarily know are wrong – it is extremely hard to make an informed decision. See p48 for some of the dubious answers we were given – and what staff should have said.

Next year's allowance

The Chancellor's Autumn Statement, published more than a month before we carried out our research, confirmed that the Isa allowance would remain at its current level of £15,240 in the 2016/17 tax year.

Overwhelmingly, though, bank staff failed to confirm the allowance to our satisfaction, with just 20% offering the right answer. Some correctly told us what the 2015/16 limit was, but were uncertain whether it was changing for the next tax year. Santander picked up no points at all, while Halifax, Nationwide and TSB all scored a pitiful one out of 12.

Transferring an Isa

To transfer an Isa to a new provider, you must contact the bank or building society you want to move to – they will give you a Cash Isa Authority Form. Your new provider will manage the switch and request your ›

HOW THE BANKS SCORED FOR ISA KNOWLEDGE

This table shows the questions answered correctly by bank and building society advisers. To score full marks for each question the adviser had to give us the information we were expecting without inaccurate or unclear advice. We made six calls and six branch visits to each provider, except for First Direct where we made 12 calls.

QUESTIONS ANSWERED CORRECTLY (OUT OF 12)

		Transferring an Isa	How much you can transfer	Stocks and shares to cash and vice versa	Allowance for 2016/17 tax year	Inheriting an Isa	OVERALL SCORE	£1,000 Personal Savings Allowance bonus question
1	**First Direct**	11.5	10	10	5	8	**74%**	6
2	**Post Office**	7.5	7	11	2	6	**56%**	1
3	**Nationwide**	9	4.5	9	1	9	**54%**	3
4	**Halifax**	9	5.5	10	1	6	**53%**	0
5	**Lloyds**	6.5	5.5	9	2	8	**52%**	1
6	**HSBC**	8	5.5	8	4	4	**49%**	0
7	**Co-operative Bank**	6	5.5	9	4	4.5	**48%**	0
=	**Santander**	7	4.5	11	0	6.5	**48%**	3
9	**NatWest**	6	4.5	7	4	4.5	**43%**	1
10	**TSB**	7.5	4.5	5	1	6.5	**41%**	2
11	**Barclays**	6	4.5	7	2	4	**39%**	1
12	**Yorkshire Bank**	4.5	3	5	3	7.5	**38%**	1

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£15,240
The Isa allowance for 2016/17

80%
The percentage of bank staff we tested who couldn't tell us the 2016/17 allowance

£1,000
How much basic-rate taxpayers can earn in interest, tax-free, in a savings or current account from this April

67%
The percentage of Which? members who hold a cash Isa

£60.9bn
The total value of cash Isa subscriptions at the end of the 2014/15 tax year

40%
The percentage of bank staff who couldn't identify how a partner or spouse can inherit an Isa

ILLUSTRATION: SAM FALCONER

money – there is no need to speak to your current provider and you mustn't withdraw your cash and pay it in to the new Isa, as you will lose the money's tax-free status.

Fortunately, no one advised us to do this – as had happened in previous Which? investigations – and just 18% of bank staff were unable to answer the question.

The picture became a lot murkier when we asked how much of an existing Isa someone can transfer. The rules on this are slightly confusing, but we think bank staff should be able to answer this clearly and confidently.

If you want to make a transfer and have already paid anything into an Isa for the current tax year, you must transfer the whole of this amount – you can only have one 'active' Isa per tax year. If you have subscriptions from previous years, you can transfer as much or as little of these as you want.

Staff across the board seemed confused about this, with 28% unable to even partially explain how this works. Various employees told us that there are no rules at all about how much you can transfer, while some got muddled with the Isa allowance, thinking that £15,240 is all that can be transferred. One Barclays call-handler appeared completely baffled, stating that our researcher had to wait until the new tax year before they could transfer their Isa over to the bank.

Inheriting an Isa

In December 2014, the government announced that an Isa allowance could be inherited by the spouse or civil partner of someone who's died. Previously the tax-free status was lost, leaving the surviving partner to pay tax on the interest earned.

As this change has been in place for nearly a year, we expected staff to be at least aware that inheriting an allowance was possible, but 40% of staff were unable to even identify that a reform had taken place. After asking a colleague who also didn't know anything about the change, one HSBC staff member told us that we should 'look on the internet'.

Stocks and shares

Since July 2014, savers have been able to transfer stocks and shares Isa subscriptions to a cash Isa and vice versa – whereas previously it was only possible to transfer from a cash Isa to a stocks and shares Isa.

We wanted staff to recognise this change, and some 70% of them offered the right information, with First Direct, Halifax, the Post Office and Santander all scoring at least 10 out of 12.

The banks respond

Yorkshire Bank said: 'We take service very seriously and are disappointed that the results of this very small survey do not reflect the thousands of calls and enquiries we sample every year. We are confident customers are receiving the correct advice due to our use of product specialists.'

Barclays said it was 'committed' to ensuring customers are given the correct information over the phone and in-branch, and that staff have been given additional training on forthcoming changes.

TSB apologised, and told us that it has just begun its 2016 Isa training for staff, which includes information about the Personal Savings Allowance, in preparation for the new tax year. 'We believe if you conducted the mystery shop again in March, we would score significantly higher,' the bank added.

FED UP WITH POOR BANKS? IN FEBRUARY, WE LAUNCHED OUR 'WE DESERVE BETTER BANKS' CAMPAIGN TO IMPROVE THE WAY BANKS TREAT CUSTOMERS. MORE THAN 46,000 HAVE ALREADY SIGNED THE PETITION. TO ADD YOUR SUPPORT, VISIT **WHICH.CO.UK/BETTERBANKS**

I'm afraid it's the wrong answer...

How to transfer an Isa

What a NatWest adviser told us:

'You would need to go to whoever your Isa is with at the moment. They'd give you forms to send in, and they'd send [the forms] to us.'

What they should have said: *'You get the electronic transfer form from us, or fill in the paper version and drop it into a branch. Transfers from existing Isas take up to 15 working days to complete.'*

How much you can transfer

What a TSB adviser told us:

'Say the allowance this year was £15,000, which it normally is for an Isa, you can take over how many years as you want, as long as it's under £15,000. So if you had £10,000 last year, and £5,000 this year, you can bring it all over.'

What they should have said: *'If you want to transfer this year's Isa which you've paid into, you must transfer the whole amount. If you're transferring previous years' subscriptions, it's up to you how much you transfer.'*

What's the 2016/17 allowance?

What a Halifax adviser told us:

'No, it hasn't been announced yet. It probably won't be until March.'

What they should have said: *'It has been confirmed that the Isa allowance will remain the same for the next tax year, at £15,240.'*

Stocks and shares Isa

What a Lloyds adviser told us:

'I think you could transfer it, I think you could, I'm not saying you can't. You might be able to transfer, actually, thinking about it, but I'm not 100% if I'm honest with you.'

What they should have said: *'Since July 2014 it has been possible to transfer from a stocks and shares Isa to a cash one and back again, as many times as you like.'*

Inheriting an Isa

What a Nationwide adviser told us:

'Well we don't deal with that, see, it's only financial planning managers.'

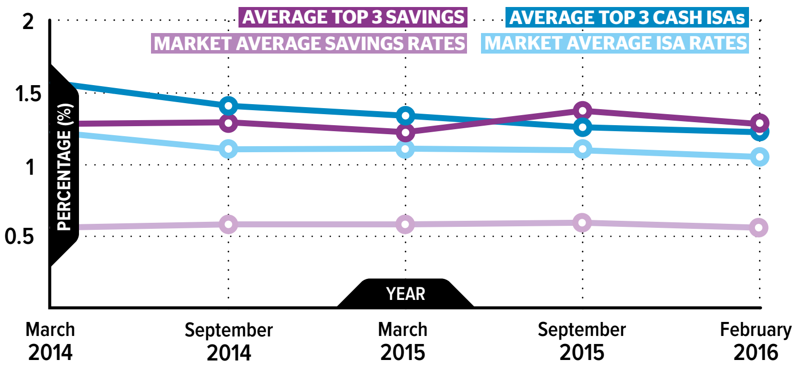
What they should have said: *'A surviving spouse or civil partner is now entitled to keep the deceased's Isa savings without losing the tax-free aspect. This is done through something called an 'additional-permitted subscription.'*

Instant-access vs cash Isas

In the run-up to the new tax year, it's likely providers will introduce new offers with improved rates. Here, we've chosen six of the brands with the most consistent rates in cash Isas and instant-access savings accounts over the past two years. The graph on the right shows their performance over the two years, compared with the market average.

MOST CONSISTENT PROVIDERS		
INSTANT-ACCESS CASH ISAs		**FEB 2016 RATE**
1	**Darlington Building Society** Cash Isa	1.3%
2	**Kent Reliance** Easy Access Isa	1.25%
3	**Virgin Money** Easy Access Cash Isa	1.11%
MARKET AVERAGE		**1.07%**
INSTANT-ACCESS SAVINGS ACCOUNTS		
1	**Post Office** Online Saver	1.3%
2	**Kent Reliance** Easy Access	1.25%
=	**Virgin Money** Easy Access	1.25%
MARKET AVERAGE		**0.64%**

Figures correct at 10 February 2016



Savings rules: your questions answered

Based on common questions that you've asked the Which? Money Helpline, here's what you need to know about forthcoming saving reforms and other common Isa queries

Q How will the new personal savings allowance work?

A The new allowance will let basic-rate taxpayers earn £1,000 in interest tax-free on their money held in savings or current accounts. Under the current system, 20% is deducted at source by your bank or building society. But from 6 April 2016 you'll no longer pay tax on interest at all, unless it comes to more than £1,000 (or £500 if you're a higher-rate taxpayer).

For the vast majority of people, the allowance will be more than enough for them not to worry about declaring their tax – the government estimates the change will take 95% of savers out of paying tax on their savings completely. If you do exceed the limit, however, it's a little more complicated.

As we went to press, HMRC hadn't published the final rules, but it told us that the tax will be deducted automatically through the pay-as-you-earn (PAYE) system if you are an employee, or can be declared on a tax return as normal if you complete one.

Q What are flexible Isas?

A In the 2015 March Budget, it was announced that savers will be able to replace money they withdraw from their Isa without it affecting their overall allowance. Currently, if you had £10,000 in an Isa and withdrew all of it you would only be able to put back in another £5,240 – not the overall allowance limit of £15,240.

This is set to change from April. However, the Tax Incentivised Savings Association (TISA) told us not all providers will be offering the flexibility. Those that will be from 6 April will be contacting customers to let them know, and you should always check before making a withdrawal if you're unsure. You won't be able to replace the money later if your Isa provider doesn't offer the option.

If you want to transfer money to a flexible Isa, you should follow the same process as you would with a normal transfer – see p47.

Q How many Isas can I fund in one year?

A You're only allowed to pay in to one 'active' Isa per tax year, but you can still transfer to a new provider if you wish to access a better rate of interest.

Q Can I use my Isa allowance from previous years?

A No, it's very much a case of 'use it or lose it' – unused allowance won't roll over to the next tax year. Of course you'll get the new allowance to use in April (£15,240) but you can't contribute anything to your old Isa.

THE BOTTOM LINE

Isas are the cornerstone of the UK savings market. But our findings reveal that bank staff, both over the phone and in branch, are letting customers down with poor information on how they work. Check our guides on which.co.uk/money to ensure you've got the full picture.

FIND OUT MORE

On Which.co.uk
- How to transfer a cash Isa: **which.co.uk/transferisa**
- Compare the best Isa deals on the market: **which.co.uk/isadeals**
- How to transfer from a cash Isa to a stocks and shares Isa: **which.co.uk/stocktransfer**
- For more on finding the best savings account: **which.co.uk/savings**

Recent magazine articles
- 'Isas vs savings', *Which? Money*, Apr 2016, p14
- 'The savings game changers', *Which?*, Feb 2016, p44

Join the conversation
- Have you been given bad Isa advice? Do you think they're still worth bothering with? Tell us about your thoughts and experiences: **which.co.uk/isaadvice**

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