

It's time to scrap ISAs and other tax related savings s...

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The FT personal finance pages included a question yesterday that resonated with me. [Paul Lewis asked why we still have ISAs](#). He calls them tax havens for the rich.

Many in the UK will, of course, be familiar with Individual Savings Accounts that permit UK resident individuals to save generous sums annually on which the subsequent income and gains are then tax free. These have been available since 1999 and it is possible for people to have an ISA portfolio worth hundreds of thousands of pounds by now.

I tried to get the TUC and to campaign for their abolition as long ago as 2008. I failed then. I am glad the FT asks questions about them now. I do so for at least five reasons.

First, this country does not need savings. We need investment and the two are not the same thing. We have a glut of savings and a shortage of investment. Bluntly we're subsidising the wrong thing in economic terms.

Second, we're subsidising the wrong people. Those with ISAs by and large already have considerable savings. ISAs are then in most cases tax relief for those who would either already be saving or who are already well off. Not to be too unsubtle, we're subsidising the savings of the well off.

Third, this means ISAs are instruments that increase inequality in the UK. It's absurd that we are subsidising that.

Fourth, this matters because according to HMRC [subsidising ISAs costs £2.8 billion](#) in lost tax revenue a year.

Fifth, I can think of innumerable better uses for that money.

Try as I might I can think of no reason for retaining ISAs unless they are linked to very specific investment linked goals. Green energy ISAs and social house building ISAs might do that. Anything else is just wasted money.

And whilst I am at it, the other savings reliefs for the best off, like Venture Capital Trusts, the EIS scheme, and the like are as useless. I would scrap them too. That would release more than another £1.7 billion a year for far more productive and socially equitable use. Check in the absurd savings allowance and that goes to over £2 billion.

Suggestions anyone?