

## Why is the government recklessly trying to push savings...

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From April 2027, the government will cut the cash ISA allowance for the under-65s from £20,000 to £12,000, forcing the remaining £8,000 into stocks and shares. But the Bank of England is now warning of a "significant risk of a stock market adjustment." Is this really the right moment to push small savers into a volatile market?

In this video, I explain why this policy is recklessly irresponsible. The government claims that redirecting savings into stocks and shares ISAs will benefit the UK economy, but around 99% of all activity on the London Stock Exchange takes place in the secondary market, where second-hand shares are traded.

No new money reaches UK companies as a result. No jobs are created. The economic rationale for this change simply doesn't hold up.

That means this is the moment to reconsider how you save, and not be pressured by the government into shares if that is not what you think is right for you.

[https://www.youtube.com/watch?v=ZFo\\_i8ky4d8?si=UA4jeBsgOMw6XhvY](https://www.youtube.com/watch?v=ZFo_i8ky4d8?si=UA4jeBsgOMw6XhvY)

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This is the transcript:

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As you should know by now, I think that we are facing a major economic crisis, and at the very same moment as I think that is happening, the government is about to force you to change how you save if you use ISA accounts, as a great many people in the UK do.

From April 2027, those who are under 65 will be barred from putting their full £20,000 a year ISA allowance into a cash-based ISA. The limit is going to drop to £12,000 a year for cash-based ISAs, and the remaining £8,000 must go into the stock market.

Now, you might say, so what? I haven't got £20,000 to save a year. I haven't got anything like £12,000 to save a year, and I suspect that puts you well into the majority of people in this country. But the point is, the Chancellor is calling for this to encourage investment in what they are calling stocks and shares, and the City calls it what is good for growth, and I want to argue that both of them are wrong and that the timing of their change in policy could not be worse.

Now, let me reiterate. Most people do not save £20,000 a year in their ISA account, their Individual Savings Account, as it is called. The cap is largely a distraction. Most people aren't affected by it. The average cash ISA saver puts in a few thousand pounds a year at most, and not £20,000, and for most people, therefore, the new £12,000 ISA cash limit changes nothing about how they save.

But that does not mean there will not be pressure brought upon you to change the way in which you will save in the future. This policy is being put in place for a reason. The government is trying to persuade you that now is the time that you should put your money into shares. The message being sent is clear. Cash savings are no longer welcome. You should be in the stock market. That is what they're saying, and I am disagreeing.

Why am I disagreeing? Because the Bank of England have, as I have noted, recently issued warnings about the uncertainty facing the whole of the financial market. They say we are facing major risks from overvalued shares, from an AI bubble, from the war in Iran, and from the risks that the shadow banking system is creating within the economy. And at the same time, the stock market is being promoted by the government as if it is the ultimate destination for your savings, when it might not be.

And let's be clear why that's the case. I'm going to be brief here because we've already made a video on this issue, and I don't want to reiterate everything again. If you want to find out what we're talking about, follow the link that we are going to be providing above the screen now and down below.

The stock market consists of two types of activity. The first one is called the primary market, which is where companies raise new money to use for investment purposes within their organisations, and the secondary market, as it is called, is where existing shares issued by companies are traded between savers, and the company receives

nothing from the value of the transactions undertaken. Not a penny at all.

The distinction is almost never made by those promoting stock market investment, and the government's entire argument rests on the primary stock market being the one that matters when, as a matter of fact, almost all activity in the London stock market takes place in the secondary market.

The numbers tell the story. The total value of the London Stock Exchange is around £3.5 trillion. The total value of shares traded annually is around £5 trillion. In other words, more shares are traded annually than exist, and on average, at the moment, and we are talking about an average because these things do change over time.

Between £10 billion and £30 billion a year is raised on the stock market to be put into the companies through the primary stock market. What that means is that a tiny proportion of all share trading is in new shares. About 99% of all stock market activity is in what I call secondhand shares; ones where no money reaches any company for investment purposes at all. There is no net gain to our economy as a consequence, and yet the government is promoting this activity.

The investment link between buying shares and the creation of new value within our economy is broken. The City knows this, and the government knows it, but both are pretending otherwise. When you buy shares in the secondary market, your money goes to whoever is selling and not to the company whose name is on the share that you buy. The seller may be a pension fund, a hedge fund, or another individual saver. It doesn't matter. City operators take a cut as a result, and they have every incentive as a consequence to encourage frequent trading, which, as you can see, happens with more than the total value of the market being traded each year. And the government's claim that share ownership funds UK businesses is, as a consequence, not supported by how the market actually works. That is a fact, and the government is ignoring this, and it is recklessly irresponsible to do so.

This is not good policymaking, and we only have to look at recent comments from Sarah Breeden, Deputy Governor of the [Bank of England](#), and responsible for its policy on financial stability to find out what she thinks on this issue. She has said that there is a significant risk of a stock market adjustment at present. Adjustment does mean a crash, by the way. That is just the polite language that is used by regulators, and that is what she is. Overvalued assets, geopolitical uncertainty, and fragile market sentiment are all pointing in the same direction. At that moment, the government is then pushing ordinary savers into the very shares which might be the things most subject to price correction, about which the Bank of England is warning.

Now, there are people who can afford the risk that the government is talking about. They're wealthy, they've got large share portfolios. They might be spread around the world. They can take the risk of what is going to happen.

Small savers, those who save through ISAs, I doubt it.

I think the government is being recklessly irresponsible at this moment. 11 million adults hold ISAs. The majority of that money is in cash ISAs, but a fair number have share ISAs as well. The government is trying to force them to increase their share savings, and as a result, they're doing something which is unforgivable at this moment. They are trying to force risk onto small savers at a time when that risk is increasing, and in my opinion, that makes no sense at all.

They recognise this makes no sense by recognising that those over 65 do not have to change their savings in this way. For everybody else, the risk is high.

So what should people do, bearing in mind that most people save moderate amounts? If you currently save into a cash ISA, use your full allowance this year if you are able to, and don't worry if you can't; put in what you can. Do not be panicked by the government into putting money into shares is my point. ISAs aren't the only way to save. You don't have to save in a tax-free way and can still get a return. Better to keep your money and pay a little bit of tax as a consequence rather than put it all into the stock market and lose it. That is my suggestion to you.

Understand what's going on here.

Understand that the government is being recklessly irresponsible.

Listen to the Deputy Governor of the [Bank of England](#) instead.

Understand the risks.

A deep myth is being sold to you that shares do support the value of the UK economy. They don't. That is not true. Economic teaching might suggest that this is true. The government might like to suggest that this is true. The City of London might like to imply it is of value because this is true. But the fact is that the level of subsidies offered to the City of London for pension and ISA savings are in fact bigger than the amount of money that is delivered to UK business as a consequence for new investment in new machinery and job creation in this country, which is a scandal in itself, and you should ignore all this noise.

What you should be taking into account is safety at this moment. You should be worrying about what is best for you, and at this moment, if you are in any way cautious about what is happening in the world — and what is happening in the world is deeply uncertain and out of control as far as you are concerned — then you will head for safety. That is the policy that rational people adopt when the world is in crisis. Heading for safety means moving out of the stock market, even though the government is saying we should be moving into it, which is why I say they are recklessly irresponsible.

Do what feels right to you in this situation. Take the lowest level of risk that you feel

comfortable with at this moment in time and ignore the advice from the government. Do what you think is right. You won't regret it. That's my suggestion. Caution is the keyword, and remember why you made the decision. This is a maxim that I've always followed in my life.

And let me offer one personal bit of advice. If you decide to go for caution now, which is what most rational people do in the situation in which we find ourselves at this moment, then make a note as to why you have made your decision to do so, or if you have decided to keep in risky investments at this moment, why you've done that as well. Both might be right for you, but do make a note of your reasons for making the decision at this moment. Then you can look back later on and not regret what happened because you can see that at the moment you made the decision, you were being rational.

You don't have the benefit of hindsight at this moment. You will in the future, but if you understand what the motive for your decision was, you will regret it less. You might regret any decision you make at this moment, including going for caution, because it might turn out that Sarah Breeden at the Bank of England and I are wrong. There might be no financial crash coming our way, for example, and you should be back in the risky market after all. But if you have noted why you decided to leave the market, or why you decided to put everything on black and go in with everything you've got, whatever you've decided to do, you will understand the consequences that eventually transpired. That matters, and that to me is key.

Understand your decision-making. Make a note of it and go with it, following your instincts and not those of anybody else. This is the moment to understand everything, but I am telling you, the government is wrong right now. It is being irresponsible. I do listen to the [Bank of England](#). I do think they're doing proper risk appraisal at this point in time. Going for shares at the moment looks to me to be a bit of a reckless act unless you have a great deal of money and you can afford to weather the storm, and that puts you in a very different market position from most people who are watching this video. So follow your instincts.

That's what I've got to say. What do you think? There's a poll down below. Let us have your comments. Please share this video. Please subscribe to the channel, and if you like what we're saying here, if you would like to support us, we would really appreciate it.

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## Poll

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