

ISA reinstatement and payments outside the annual ISA subscription limit

Usually, any amounts that you pay into your Individual Savings Account (ISA) within a tax year count towards the annual ISA subscription limit for that year. However, there are some exceptions, where amounts can be paid into an ISA without counting towards this subscription limit. These are:

- where a cash ISA has been affected by the default or failure of an ISA manager (see section 1 below)
- where investors receive certain forms of compensation in relation to investments held in stocks and shares ISAs (see section 2 below)
- where a stocks and shares ISA has been affected by the collapse of Lehman Brothers on 15 September 2008 (see section 3 below)
- where Keydata Investment Services Ltd was the ISA manager or administered the account for another ISA manager (see section 4 below)

The rules set out below apply equally to Junior and 'adult' ISAs. Where appropriate, a reference to the account holder should also be read as a reference to the registered contact for a Junior ISA.

1. Cash ISA - reinstatement of sums following ISA manager default

If your cash ISA manager has been declared in default by the Financial Services Authority (FSA) or the Financial Services Compensation Scheme (FSCS), you can make a single payment, not exceeding the balance of your account at the time of default, to another ISA. This payment will not count towards the annual ISA subscription limit, and enables you to reinstate your cash ISA holdings at the date your manager was declared to be in default.

What is meant by a cash ISA manager being in default?

An ISA manager is in default when the FSCS or FSA is satisfied that manager is unable, or likely to be unable, to pay claims against it. You can check whether your ISA manager has been declared in default at [Search for companies in default on the FSCS website](#).

My cash ISA manager is in default, how much can I pay into a different ISA?

You can make a single payment to an ISA which should not exceed the balance held in your cash ISA (including interest) at the time the cash ISA manager was declared in default.

This payment will not count towards the annual ISA limit, and will therefore be in addition to your normal ISA entitlement.

Is there a deadline for making this payment?

Yes. In order for a payment not to count towards the annual ISA subscription limit, it must be made within 180 days of the cash ISA manager being declared in default or, by 4 February 2013, where this default took place prior to 8 August 2012.

Example one

Mr X opened a cash ISA on 6 April 2012, and has paid in £1,000 since then, without making any withdrawals. In November 2012 the cash ISA manager was declared to be in default by the FSCS. The account balance at that time was the £1,000 Mr X has paid in, plus £5 interest. During the remainder of the tax year, Mr X can pay in to an ISA:

- the balance of his ISA allowance for the year, plus
- a single amount up to £1,005 (the balance of his cash ISA at the time of default) - provided this payment is made within 180 days of the default

Example two

Ms Y opened a cash ISA on 6 April 2011. In the tax year 2011-12 Ms Y subscribed £3,000, and since 6 April 2012 she has paid in a further £500. No withdrawals have been made. In July 2012 the cash ISA manager was declared to be in default by the FSCS. The account balance at that time was the £3,500 Ms Y has paid in, plus £15 interest. During the remainder of the tax year, Ms Y can pay in to an ISA:

- the balance of her ISA allowance for the year, plus
- a single amount up to £3,515 (the balance of her cash ISA at the time of default) - provided this payment is made by 4 February 2013, as the default took place prior to 8 August 2012)

Can I choose whether to make this payment to a cash or stocks and shares ISA?

Yes.

Can I make more than one payment outside the annual ISA subscription limit?

No. If you pay in an amount which is less than the balance held in your cash ISA at the time your manager was declared to be in default, you cannot top this up at a later date. Any subsequent payments you make to your ISA will count towards the annual subscription limit in the normal way.

Can I make the payment to another ISA that I hold, or do I have to open a new ISA?

Yes. You can make the payment to any existing cash or stocks and shares ISA and your ISA manager agrees. Alternatively, you may wish to open a new ISA.

How do I make an ISA payment outside the annual subscription limit?

You should tell your ISA manager that you want your payment to be accepted outside the normal ISA subscription limit, and provide them with the following details:

- the balance held in your cash ISA at the time of the manager's default

- the amount subscribed to this cash ISA since the start of the current tax year (which is the previous 6 April)
- the date of the first payment (if any) to this cash ISA during the current tax year

The ISA manager may ask you for further evidence to support what you have told them. They will tell you what additional evidence they require, this might include a passbook or a copy of annual statement for the relevant account.

An ISA manager refuses to process the payment outside the annual ISA subscription limit - can I require them to do so?

No. The acceptance of any ISA subscription is at the discretion of the relevant ISA manager. But if the payment has not been accepted then you may be able to invest it with another ISA manager.

2. Stocks and shares ISA - Payments of compensation (the 'general stocks and shares rule')

If you receive certain compensation relating to an investment you hold in a stocks and shares ISA, you can make a single payment, not exceeding the amount of that compensation, to a stocks and shares ISA. This payment will not count towards the annual ISA subscription limit.

Modified rules apply in cases where:

- **Lehman Brothers** was, at the time of its collapse on 15 September 2008, the sole counterparty to an investment held within a stocks and shares ISA (see section 3 below); or
- **Keydata Investment Services Ltd** was the ISA manager or administered the account for another ISA manager (see section 4 below).

What type of compensation is covered by this general stocks and shares rule?

This rule applies to compensation paid on or after 6 April 2011 in respect of the poor performance, loss, depreciation or risk of depreciation of an investment held in a stocks and shares ISA.

I have received eligible compensation, how much can I pay into an ISA?

You can make a single payment to a stocks and shares ISA, which should not exceed the amount of compensation you have received.

This payment will not count towards the annual ISA limit, and will therefore be in addition to your normal ISA entitlement.

Is there a deadline for making this payment?

Yes. In order for a payment not to count towards the annual ISA subscription limit, it must be made within 180 days of the compensation being paid, or by 4 February 2013 where this compensation was paid prior to 8 August 2012.

Example

Mr X opened a cash ISA on 6 April 2011. In the tax year 2011-12 he paid in £3,000 and since 6 April 2012, he has paid in a further £500. In November 2012, Mr X discovered that his ISA investment was underperforming, and his ISA manager paid him compensation of £100.

During the remainder of the tax year, Mr X can pay in to a stocks and shares ISA:

- the balance of his ISA allowance for the year, plus
- a single amount up to £100 (the compensation amount received) - provided this payment is made within 180 days of the compensation payment

Can I make my payment to a cash ISA?

No. In order for the payment not to count towards the annual ISA subscription limit, it must be made to a stocks and shares account. Any amounts you pay into a cash ISA will count towards the annual ISA subscription limit in the normal way.

Can I make more than one payment outside the annual ISA subscription limit?

You can only make a single payment outside the annual ISA subscription limit for each compensation receipt. If you pay in a sum which is less than the amount of compensation you have received, you cannot top this up at a later date. Any subsequent payments you make to your ISA will count towards the annual ISA subscription limit in the normal way.

However, if you receive a separate compensation receipt at a later date in respect of the same ISA investment, you can make a further single payment to a stock and shares ISA, not exceeding that compensation receipt. This further payment will also not count towards the annual ISA subscription limit.

Can I make the payment to another ISA that I hold, or do I have to open a new ISA?

You can make the payment to an existing stocks and shares ISA and your manager agrees. Alternatively, you may wish to open a new ISA.

How do I make a payment outside the annual ISA subscription limit?

You should tell your stocks and shares ISA manager that you want your payment to be accepted outside the normal ISA subscription limit, and provide them with the following:

- the name and address of the ISA manager that held the investment which gave rise to the compensation payment
- details of the investment in respect of which the compensation was paid
- the name and address of the person who made the compensation payment
- the amount of the payment and the date it was paid

The ISA manager may ask you for further evidence to support what you have told them. They will tell you what evidence they require, this might include copies of the correspondence from the person who paid you the compensation.

An ISA manager refuses to process the payment outside the annual ISA subscription limit - can I require them to do so?

No. The acceptance of any ISA subscription is at the discretion of the relevant ISA manager. But if the payment has not been accepted then you may be able to invest it with another ISA manager.

3. Lehman Brothers

The general stocks and shares rule set out in section 2 above is modified in cases where, at the time of its collapse, Lehman Brothers acted as the sole counterparty for an investment held in a stocks and shares ISA.

What are the main modifications to the general stocks and shares rule where Lehman Brothers acted as the sole counterparty?

These concern the amount that can be paid into a stocks and shares ISA outside the annual subscription limit; the potential for more than one payment to be made, and the fact that a payment can be made even where compensation has not been paid.

How will I know if Lehman Brothers were the sole counterparty to my ISA investment?

The ISA manager who held the investment in question will be able to tell you.

Lehman Brothers acted as the sole counterparty to my ISA investment on 15 September 2008 - how much can I pay in to a stocks and shares ISA?

You can pay into a stocks and shares ISA a sum up to **the greater of:**

- the value of your investment on 15 September 2008 (the date of the Lehman Brothers collapse)
- or the total of any compensation payments made to you in respect of that investment

This payment will not count towards the annual ISA limit, and will therefore be in addition to your normal ISA entitlement.

Is there a deadline for making this payment?

In order for the payment to be made outside the ISA subscription limit, it must be made to a stocks and shares ISA:

- by 4 February 2013 or, if later
- within 180 days of compensation being paid in respect of the investment

Can I make more than one payment outside the annual ISA limit?

Yes, but only if you receive compensation in respect of your investments after you have paid an amount to a stocks and shares ISA outside annual subscription limit.

In such cases, you can make a further payment to a stocks and shares ISA outside the annual subscription limit within 180 days of the compensation being paid. However, this is subject to the requirement that the total amount that you pay to a stocks and shares ISA outside the annual subscription limit (taking into account any earlier payments) should not exceed the greater of:

- the value of your investment on 15 September 2008,
- or the total of any compensation payments made to you in respect of that investment

Example

Mr X had Lehman backed investments with a value of £10,000 in his stocks and shares ISA on 15 September 2008. He received compensation of £6,000 in 2010. Before 20 December 2012, he can subscribe to a stocks and shares ISA a sum up to **the greater of:**

- the 15 September 2008 value of the investments (£10,000)
- or the compensation received by Mr X between 15 September 2008 and 7 August 2012 in respect of these investments (£6,000)

In September 2012, Mr X pays £7,000 to a stocks and shares ISA outside the annual subscription limit.

In October 2012, Mr X receives a further £5,000 compensation in respect of the same investments. Within 180 days of this payment he can subscribe to a stocks and shares ISA a sum up to **the greater of:**

- the 15 September 2008 value of the investments (£10,000) less amounts previously paid to a stocks and shares ISA outside the annual subscription limit (£7,000) = £3,000
- or the total compensation that has been paid to Mr X in respect of these investments (£11,000) less amounts previously paid to a stocks and shares ISA outside the annual subscription limit (£7,000) = £4,000

In November 2012, Mr X pays £1,000 to a stocks and shares ISA outside the annual subscription limit.

In July 2013, Mr X receives a further compensation payment of £1,000 in respect of the same investments. Within 180 days of this payment he can subscribe to a stocks and shares account a sum up to **the greater of:**

- the 15 September 2008 value of the investments (£10,000) less previously paid to a stocks and shares ISA outside the annual subscription limit (£8,000) = £2,000

- or the total compensation that has been paid to Mr X in respect of these investments (£12,000) less amounts previously paid to a stocks and shares ISA outside the annual subscription limit (£8,000) = £4,000

In August 2013, Mr X pays £3,000 to a stocks and shares ISA outside the annual subscription limit.

In this example, compensation of £12,000 has been received of which £11,000 has been paid in to a stocks and shares ISA outside the annual subscription limit. No more subscriptions can be made outside the ISA subscription limit unless a further compensation payment is received.

How do I make a payment outside the annual ISA subscription limit?

You should tell your stocks and shares ISA manager that you want your payment to be accepted outside the normal ISA subscription limit, and provide them with the following details:

- the name and address of the ISA manager that held the investment for which Lehman Brothers was the sole counterparty
- details of that investment, including its value at 15 September 2008
- where appropriate, the name and address of the person who made the compensation payment
- where appropriate, the amount of the compensation payment and the date it was made
- the date and amount of any earlier ISA subscriptions made in respect of this investment outside the normal annual limit
- the name and address of the stocks and shares manager(s) to whom those ISA subscriptions were made

4. Keydata Investment Services

The general stocks and shares rule set out in section 2 above is modified in cases where, on 8 June 2009, Keydata Investment Services was the ISA manager (or administered the ISA for another manager).

What are the main modifications to the general stocks and shares rule where Keydata was the ISA manager or administered the account for another manager?

These concern the amount that can be paid into a stocks and shares ISA outside the annual subscription limit, the potential for more than one payment to be made and the fact that a payment can be made even where compensation has not been paid.

Keydata was the manager of my ISA or administered the account on behalf of another manager - how much can I pay in to a stocks and shares ISA?

You can pay into a stocks and shares ISA a sum up to **the greater of:**

- the amount of the ISA subscriptions that were used to purchase the Keydata investment
- or the total of any compensation payments made to you in respect of that investment

This payment will not count towards the annual ISA limit, and will therefore be in addition to your normal ISA entitlement.

Is there a deadline for making this payment?

In order for the payment to be made outside the ISA subscription limit, it must be made to a stocks and shares ISA:

- by 4 February 2013; or, if later
- within 180 days of compensation being paid in respect of the investment

Can I make more than one payment outside the annual ISA limit?

Yes, but only if you receive compensation in respect of your investments after you have paid an amount to a stocks and shares ISA outside annual subscription limit.

In such cases, you can make a further payment to a stocks and shares ISA outside the annual subscription limit within 180 days of the compensation being paid. However, this is subject to the requirement that the total amount that you pay to a stocks and shares ISA outside the annual subscription limit (taking into account any earlier payments) should not exceed the greater of:

- the amount of the ISA subscriptions that were used to purchase the Keydata investment
- or the total of any compensation payments made to you in respect of that investment

Example:

Ms Y had a Keydata investment in her ISA on 8 June 2009, purchased with ISA subscriptions totalling £15,000. She received compensation of £8,000 in 2010. Before 20 December 2012, she can subscribe to a stocks and shares ISA a sum up to **the greater of:**

- the amount used to purchase the investment (£15,000)
- or the compensation received between 9 June 2009 and 7 August 2012 (£8,000)

In September 2012, Ms Y pays £9,000 to a stocks and shares ISA outside the annual subscription limit.

In October 2012, Ms Y receives a further £8,000 compensation in respect of the same investments. Within 180 days of this payment, she can subscribe to a stocks and shares ISA a sum up to **the greater of:**

- the amount used to purchase the investment (£15,000) less amounts previously paid to a stocks and shares ISA outside the annual subscription limit (£9,000) = £6,000
- or the total compensation received (£16,000) less amounts previously paid to a stocks and shares ISA outside the annual subscription limit (£9,000) = £7,000

In November 2012, Ms Y subscribes £6,000 to a stocks and shares ISA outside the annual subscription limit.

In July 2013 Ms Y receives a further compensation payment of £1,000. Within 180 days of this payment she can subscribe to a stocks and shares ISA a sum up to **the greater of:**

- the amount used to purchase the investment (£15,000) less amounts previously paid to a stocks and shares ISA outside the annual subscription limit (£15,000) = nil
- or the total compensation received (£17,000) less amounts previously paid to a stocks and shares ISA outside the annual subscription limit (£15,000) = £2,000

In August 2013, Ms Y subscribes £1,000 to a stocks and shares ISA outside the annual subscription limit.

In this example, compensation of £17,000 has been received of which £16,000 has been paid in to a stocks and shares ISA outside the annual subscription limit. No more subscriptions can be made outside the normal subscription limit unless a further compensation payment is made in respect of the investments.

How do I make a payment outside the annual ISA subscription limit?

You should tell your stocks and shares ISA manager that you want your payment to be accepted outside the normal ISA subscription limit, and provide them with the following details:

- the name and address of the ISA manager that held the investment which gave rise to the compensation payment
- details of the investment in respect of which the compensation was paid
- the amount of the ISA subscriptions used to acquire the Keydata investment
- where appropriate, the name and address of the person who made the compensation payment
- where appropriate, the amount of the compensation payment and the date it was made
- the date and amount of any earlier ISA subscriptions made in respect of this investment outside the normal annual limit

- the name and address of the stocks and shares manager(s) to whom those ISA subscriptions were made