



HM Treasury

First Time Buyer ISA: Consultation

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Chapter 1

Introduction

Overview

1.1 This consultation seeks views on the implementation of a new, simpler, ISA product to support savers to buy a first home. Once available, this new product will be offered in place of the Lifetime ISA (LISA). Until then, it will remain possible to open a LISA and LISA holders will be able to save into their LISA in line with the existing rules indefinitely.

1.2 The government is committed to making the aspiration of home ownership a reality for as many first time buyers as possible. Alongside a new First Time Buyer ISA product, our Plan for Change commitment to build 1.5 million homes in England this Parliament is the most sustainable long-term method to improve housing affordability and help people into homeownership. This builds on our work with the financial regulators to give mortgage lenders more flexibility, including on how they assess affordability, which means borrowers can now borrow 10% more than they could at the start of last year.

Why we are looking to replace the LISA

1.3 The government is withdrawing the LISA as there is evidence that the product is not working well for many.

1.4 The LISA was announced by the 2015-16 Conservative Government, and launched in 2017. At the time of the launch, the complexity of the dual purpose and the withdrawal charge was noted by the FCA, who introduced a new retail disclosure regime to ensure investors better understood warnings on the withdrawal charge. However, the number of unauthorised withdrawal charges is increasing year on year, reaching 8% of all accounts opened in 2024-25. More LISA holders have lost a part of their original savings than have used it to purchase a house. In addition, provider data shows that thousands of individuals are making multiple unauthorised withdrawals¹.

1.5 In 2025 the Treasury Select Committee (TSC) published a report detailing their evaluation of whether the LISA is still an appropriate financial product 9 years since its introduction. They

concluded that the product's design was flawed. In particular, the TSC highlighted that:

- the dual-purpose design increases the risk of consumers choosing unsuitable investment strategies;
- the withdrawal charge is causing confusion, with people facing the loss of some of their capital if they withdraw funds outside the rules due to unforeseen circumstances.

1.6 These findings are supported by HMRC's research into the use of the LISA, which found that awareness of withdrawal conditions was low for those holding accounts. Those who made an unauthorised withdrawal often cited financial difficulties, such as needing to rely on savings due to unemployment or needing to pay off debts.

1.7 The withdrawal charge – which is a necessary feature to ensure that the LISA is used for its intended purpose - is off putting to some savers, and to high street banks and building societies – many of which do not offer the product. This means that some who could benefit are not getting the support they are entitled to.

1.8 As of 2024/25, 314,600 savers have used the LISA to buy first homes. The property price cap ensures that government spending supports those who need financial assistance the most. However, when it comes to encouraging long-term retirement savings, the LISA may be diverting people from saving into pension products that may be a more appropriate for them. The TSC concluded in its enquiry that even if used appropriately “*the Lifetime ISA may not be the most efficient use of taxpayers' money to achieve [these] disparate objectives*”³.

1.9 The government is committed to making the aspiration of home ownership a reality for as many households as possible. However, we recognise that the LISA is not working for everyone, and that when people's circumstances change, they should be able to adjust their finances accordingly. We understand that the complexity of the LISA may have dissuaded many providers from offering it, and savers from taking it up, meaning that it is not as accessible as it could be. That is why we are consulting on the implementation of a new, simpler, ISA product to support first time buyers.

Scope of the consultation

1.10 This consultation seeks views on the design and implementation of a new First Time Buyer ISA (FTB ISA). The

views expressed will inform the government's final design and implementation approach.

Responding to the consultation

1.11 All views are welcomed within the scope of the consultation, and we would be particularly interested to hear from:

- Individuals who currently hold or previously held a Help to Buy ISA or LISA.
- Individuals who are prospective first time buyers, who may be interested in using a new FTB ISA.
- LISA managers who may be considering offering the new FTB ISA.
- Help to Buy ISA managers who may be considering offering the new FTB ISA.
- ISA managers who do not offer a LISA or Help to Buy ISA, but may consider offering the new FTB ISA.
- Industry representative bodies.

1.12 Responses to this consultation should be sent to HM Treasury by 18 August 2026. Please email enquiries and consultation responses to ftbisaconsultation@hmtreasury.gov.uk.

Chapter 2

The new product

2.1 The new First Time Buyer ISA (FTB ISA) will help first time buyers of all ages. It is designed to work within the existing ISA system, while providing greater flexibility for savers whose circumstances change.

2.2 The FTB ISA will solely be for the purposes of buying a first home.

2.3 The FTB ISA will include a government bonus paid at the point an individual makes a withdrawal for purchasing their first home. This removes the need for a withdrawal charge and means a saver can withdraw funds, should their circumstances change, without penalty.

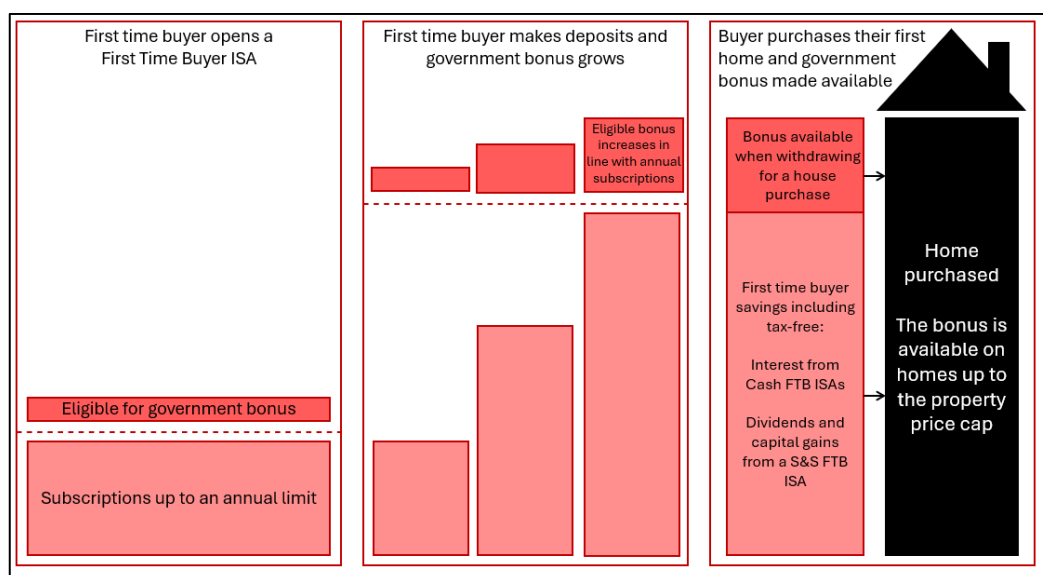
2.4 People saving for their first home through the FTB ISA will be able to save up to a certain limit a year, which will count towards their ISA allowance. It can be put towards any home in the UK valued up to a set price cap and purchased with a legal mortgage. First time buyers will receive the government bonus at the point they are ready to buy their first home.

2.5 Opening a FTB ISA will be similar to opening a standard ISA. The ISA manager will apply its normal account opening processes and ask for a National Insurance Number. As an ISA product, any growth or interest on savings and eligible investments in a FTB ISA will be tax free and operate as part of an individual's overall ISA allowance. We want both Cash and Stocks & Shares versions of the product to be available, with the government bonus (also tax free) paid on the net subscriptions made (subscriptions minus any withdrawals made before the bonus is claimed), rather than the final value of the account. HMRC will calculate the bonus based on reporting by ISA managers. The bonus will be claimed by, and paid to, the ISA manager. As with previous products, managers will be able to set their own rates of interest and offer their own suite of investment products or portfolios within the ISA wrapper. The bonus scheme will be administered by HMRC.

2.6 Withdrawing from a FTB ISA will be the same as a Cash ISA, Stocks and Shares ISA or Innovative Finance ISA – there will be no withdrawal charge. However, the government bonus will only be available where an account holder withdraws their money for the

purpose of buying a property with a mortgage. It will not be available for cash-only purchases or unregulated financing arrangements.

Fig. 1: How the FTB ISA will work



This graph demonstrates how the FTB ISA subscriptions and bonus will work. An individual will subscribe to the FTB ISA up to the annual subscription limit, which will be eligible for a government bonus, but which will not be paid out immediately. As an individual continues to subscribe their eligible government bonus grows. Once ready to purchase their first property, the bonus will be made available to use towards their house deposit, alongside the funds they have subscribed.

Provider requirements

2.7 We want the FTB ISA to be offered by as many ISA managers as possible to increase consumer choice and better outcomes. We therefore want to design the FTB ISA and the requirements for offering the product in the best way possible for prospective managers.

2.8 Where desirable, we will replicate the LISA and Help to Buy ISA frameworks. Managers will have to report details, such as subscriptions and transfers, to HMRC via ISA reporting systems, to ensure individuals do not exceed ISA subscriptions limits. Where this happens, HMRC will work with managers to rectify this in the same manner as for other ISA accounts.

2.9 As with LISAs, managers will need to do the standard checks when an individual opens an account and ensure that an account has been opened for at least 12 months before a bonus can be claimed. Beyond this, conveyancers will be largely responsible for ensuring compliance, as they will have access to all the relevant information, including the mortgage offer, proof

of funds and confirmation of the buyer's legal status, such as whether they're a first time buyer. They will be required to complete a Conveyancers Declaration Form, confirming that the individual and property are eligible for the bonus, that funds are being used exclusively towards the purchase and that the purchase is being made alongside a mortgage. An individual must also complete an Investor Declaration Form, confirming they meet the eligibility criteria, such as having a mortgage and using the property as their main residence. Any changes to the information provided will require new forms to be submitted. As with a LISA, managers will then only have to verify these forms before claiming the bonus from HMRC and releasing the funds to the conveyancer.

2.10 We want to FTB ISA to be available as soon as practically possible, so that first time buyers won't have to wait long to benefit from the new, simpler product and we will work with industry on how to best achieve this.

Question 1: Would you be interested in offering the new First Time Buyer product?

Question 2: How long would it take for you to launch the new First Time Buyer product and when would you start building it following its announcement?

Question 3: What would the cost implications be and what operational changes would you need to undertake?

Chapter 3

Eligibility and government support

- 3.1 The new First Time Buyer ISA will be available to:
- UK residents looking to purchase their first home
 - Those purchasing with a legal mortgage. This will ensure that the new product is targeted at those most in need of government support in order to get onto the property ladder.
 - For those aged 18 and over. There will be no upper age limit, recognising that the age at which a first home is bought is rising.
 - In order to target it towards those who need help with saving to buy a home, the bonus will only be available after the account has been open for a year.

Targeting

3.2 Subscription limits, property price caps and the level of the government bonus will be announced at a future fiscal event to take account of market conditions and wider public finance context. However, we would be interested in views on the balance between the subscription limit, government bonus and property price cap on previous products.

3.3 The Help to Buy ISA pays a bonus of 25% up to a maximum of £3,000 on £12,000 of savings. The Lifetime ISA (LISA) pays a bonus of 25% on a maximum £4,000 on savings a year up to age 50. The Help to Buy ISA has a property price cap of £450,000 in London and £250,000 outside London. The LISA's property price cap of £450,000 applies across the UK. In a recent report the TSC has said that the property price cap of £450,000 on the LISA ensures that the support goes to people who need it most.

3.4 Increases to any of these parameters in isolation would come with a cost. A lower subscription limit (i.e., lower than the £4k for the LISA) and/or property price cap (i.e., lower than the £450,000 cap under the LISA) could allow for a higher government bonus (i.e., more than the current 25% offered for the

LISA) but would shift the benefits towards lower income savers outside London and the South East.

Question 4: Should the new First Time Buyer ISA seek to rebalance the relationship between the subscription limit, price cap and bonus?

Question 5: Should the First Time Buyer ISA adopt a lifetime cap on the bonus received, as well as an annual limit?

Government bonus

3.5 The government bonus will be paid as a percentage of subscriptions made, rather than the value of the account, at the point that an individual withdraws funds to purchase their first home. This means that the bonus is calculated on what an individual has put into the account, minus any withdrawals made, not on any investment growth or savings interest accrued subsequently.

3.6 Unlike the Help to Buy ISA, where the bonus was only paid at the point of completion, the bonus will be paid on similar rules to the LISA – subject to the purchase of the property being completed within 90 days. If unable to complete in this period for whatever reason or if the sale were to fall through, the conveyancer will be legally obliged to return the bonus and funds to the manager, and the manager will be obliged to return the bonus to HMRC. The buyer won't lose their eligibility to claim the bonus for a future purchase in this scenario.

3.7 To claim the bonus, the buyer's conveyancer will notify the FTB ISA manager of the buyer's intention to withdraw funds, after which, the manager would claim the funds from HMRC and release these to the conveyancer.

Question 6: How could the rules for withdrawal for purchasing a home improve those applying to the Lifetime ISA?

Chapter 4

Interaction with other ISAs

Lifetime ISA and Help to Buy ISA

4.1 Individuals with funds in a Lifetime ISA (LISA) have already received a government bonus and will not be able to transfer their LISA to the new FTB product. This prevents them from receiving a further bonus.

4.2 To ensure that current holders of the LISA do not lose out, LISA holders will be able to use any funds in their existing LISA and those in the new FTB ISA for the same purchase. Individuals will be able to hold both the new FTB ISA and an existing LISA, but will only be able to save into one in the same tax year.

4.3 Regardless of where the property price cap is set, the FTB ISA, LISA and Help to Buy ISA cap will be aligned so that no account holders will lose out. As previously, a couple can combine their products to purchase a house, but the new price cap will still be in place.

4.4 Currently, individuals can only subscribe to one LISA account per tax year. This means it is easier for individuals, managers and HMRC to keep track of subscriptions and ensure subscriptions stay within the ISA limits. This rule will be replicated for the FTB ISA, meaning that an individual can only subscribe to one LISA or FTB ISA account per tax year.

4.5 To ensure that holders of the Help to Buy ISA (HtB) do not lose out, we are proposing that HtB ISA holders will be able to transfer their holdings into the new FTB product (up to the subscription limits). This replicates the transfer rules between HtB ISAs and LISA accounts.

Question 7: Are there any improvements we could make to the approach set out for holders of Help to Buy ISAs and Lifetime ISA looking to use the new First Time Buyer product?

Anti-circumvention rules

4.6 At Autumn Budget 2025, the government announced that from 6 April 2027 the annual cash ISA limit for individuals under 65 will be set at £12,000 within the overall annual ISA limit of £20,000. The government also confirmed that rules will be needed to avoid the new limit being circumvented. These rules will also apply to FTB ISAs - the annual limit for Cash FTB ISAs will count towards the overall £12,000 cash ISA annual limit and any anti-circumvention rules within the S&S ISA will also be applied to FTB S&S ISAs.

Question 8: Do you foresee any issues or complexities from applying cash holding rules to FTB ISAs?

Transfers

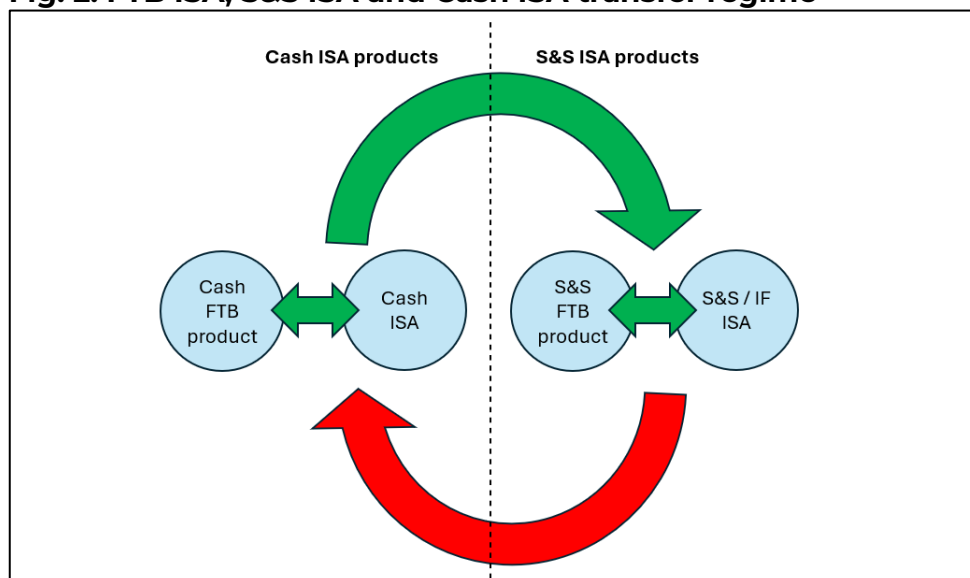
4.7 One of the rules announced to avoid the new limit being circumvented is that there will be no transfers from Stocks and Shares ISAs (S&S ISA) and Innovative Finance ISAs (IF ISA) to Cash ISAs from 6 April 2027.

4.8 Equivalent rules will be needed to prevent the Cash ISA limit being circumvented by using transfers to and from FTB ISAs. Based on the principles above, we will therefore not allow transfers from any S&S ISA account (whether a S&S ISA or a S&S FTB ISA) into a Cash ISA account (Cash ISA or Cash FTB ISA). This means:

- Transfers from a S&S or IF ISA to a Cash ISA or Cash FTB ISA will be banned;
- Transfers from a S&S FTB ISA into a Cash ISA or Cash FTB ISA will be banned;

All other transfers will be permitted.

Fig. 2: FTB ISA, S&S ISA and Cash ISA transfer regime



This graph shows the proposed transfer regime for all ISA types, after the new Cash ISA rules and FTB ISA are introduced. Transfers between cash-based ISAs (Cash ISAs and a Cash FTB ISAs) will be permitted. Transfers between stocks and shares (S&S) ISA products (S&S ISAs and S&S FTB ISAs) will be permitted. Transfers from cash-based ISA products into S&S-based ISA products will be permitted. However, transfers from S&S-based ISA products will be banned.

Question 9: Do you foresee any issues or complexities arising from the FTB ISA transfer rules regime set out here?

4.9 Beyond this, the transfer rules will replicate those for LISAs. For example, where transfers into a FTB ISA are permitted, these will count towards the annual FTB ISA subscription limit to ensure that individuals are not receiving an additional government bonus. Where transfers out of a FTB ISA are permitted, there will be no restriction on the amount that can be transferred into another ISA type. However, an individual would lose their eligibility for the FTB ISA bonus.

4.10 We believe that these rules strike the right balance between allowing maximum flexibility between ISA types without circumventing the rules around ISA limits and the government bonus eligibility. However, we recognise that this regime would mean individuals close to a house purchase would not be able to de-risk by transferring funds from a S&S FTB ISA into a Cash FTB ISA.

Question 10: What, if any, additional challenges do you foresee from a consumer and provider perspective, for the introduction of a new FTB ISA?

Chapter 5

Summary of questions

Question 1: Would you be interested in offering the new First Time Buyer product?

Question 2: How long would it take for you to launch the new First Time Buyer product and when would you start building it following its announcement?

Question 3: What would the cost implications be and what operational changes would you need to undertake?

Question 4: Should the new First Time Buyer ISA seek to rebalance the relationship between the subscription limit, price cap and bonus?

Question 5: Should the First Time Buyer ISA adopt a lifetime cap on the bonus received, as well as an annual limit?

Question 6: How could the rules for withdrawal for purchasing a home improve those applying to the Lifetime ISA?

Question 7: Are there any improvements we could make to the approach set out for holders of Help to Buy ISAs and Lifetime ISA looking to use the new FTB product?

Question 8: Do you foresee any issues or complexities from applying cash holding rules to FTB ISAs?

Question 9: Do you foresee any issues or complexities arising from the FTB ISA transfer rules regime set out here?

Question 10: What, if any, additional challenges do you foresee from a consumer and provider perspective, for the introduction of a new FTB ISA?

Chapter 6

Design features summary

Policy design	First Time Buyer ISA (FTB ISA)	Lifetime ISA (LISA)	Help to Buy ISA (HtB ISA)
Transfers between different types of first time buyer products	<p>No transfers between FTB ISA and LISAs, but both products can be used towards the same purchase.</p> <p>Transfers from a HtB ISA into a FTB ISA allowed up to the subscription limit.</p>	Transfer from a HtB ISA into a LISA allowed up to the subscription limit.	/
Transfers between the same type of accounts	Transfers allowed, apart from S&S FTB ISAs to Cash FTB ISAs.	Transfers between LISAs (Cash and S&S) allowed.	Transfers between HtB ISAs allowed.
Transfers between other ISA types	Transfers in allowed up to subscription limit. Transfers out to S&S allowed, but lose the bonus eligibility. Transfers out to a Cash ISA are banned.	Transfers in allowed up to the £4,000 annual limit. Transfers out allowed, but subject to the 25% withdrawal charge.	Transfer in allowed up to the £200 monthly limit. Transfers out, allowed but lose the bonus eligibility.

Age limit	Must be 18 or over to open an account, with no upper age limit.	Must be 18 to 40 to open an account, with no subscriptions allowed over 50.	New accounts closed to applicants, with subscriptions to existing accounts stopping in November 2029.
Subscription limits	To be confirmed. Any subscriptions will count towards the £20,000 ISA allowance, with a Cash FTB ISA limit also counting towards the £12,000 Cash ISA limit. No maximum amount on subscriptions over an individual's lifetime.	£4,000 a year, within the overall £20,000 ISA allowance. Maximum subscriptions effectively capped at £128,000, given no subscriptions allowed after 50.	£1,200 subscription upon opening, followed by £200 per month. To count towards the £20,000 ISA allowance. Maximum savings allowed for a bonus of £3,000.
Multiple subscriptions	Subscriptions allowed into one account per tax year, including a LISA or FTB ISA	Subscriptions allowed into one account per tax year, including a LISA or FTB ISA	Subscriptions allowed into one account per tax year
Property price cap	To be confirmed at a future fiscal event. The cap will match that of the LISA and HtB ISA when announced.	£450,000	£450,000 in London and £250,000 outside.

Cash limit anti-circumvention rules	Rules to also apply.	To sit outside the rules due to the withdrawal charge.	To sit outside the rules.
Timing of the bonus and withdrawal charge	Bonus paid at exchange and no withdrawal charge. Individuals will have 90 days from the point of claiming the bonus to completion their purchase.	Bonus paid upon deposit at the end of the month. Individuals will have 90 days from the point of claiming the bonus to completion their purchase. Withdrawal charge of 25% on any withdrawals.	Bonus paid upon completion and no withdrawal charge.
Bonus eligibility	Held account for 1 year	Held account for 1 year	Held account for 3 months
Must use with a mortgage	Yes	Yes	Yes
Account types available	Cash and S&S	Cash and S&S	Cash only
Delivery model	Multiple providers	Multiple providers	Multiple providers

HM Treasury contacts

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If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

Email: public.enquiries@hmtreasury.gov.uk