

First Time Buyer ISA Consultation

Government Response

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Chapter 1

First Time Buyer ISA Consultation

Summary of Responses

Introduction

1.1 The Government recently consulted on the implementation of a new ISA product to support first-time buyers to buy a home. The consultation closed on 18 August and received 194 responses, including submissions from 36 financial institutions and 158 individuals.

Summary of responses

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

1.2 There was broad support among financial institutions for offering the proposed product, although this was heavily contingent on final design, commercial viability and customer demand. Around 85% of respondents expressing a clear view indicated that they would be interested in offering or enabling the product. The strongest shared message was that any new product must be simpler than the current products, with clear rules, clear HMRC processes and the ability to leverage existing ISA infrastructure. A minority argued that reforming the Lifetime ISA would be preferable to creating a new wrapper, warning that an additional product risks increasing consumer confusion and duplicating existing functionality. Overall, support was broad, but highly conditional on a simple and commercially sustainable design.

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?

1.3 Responses from financial institutions generally pointed to a launch timetable of 6–18 months after final rules and technical specifications, with many respondents identifying 12 months or more as realistic given the existing pipeline of reforms (such as DISA) that providers are already implementing. Several suggested April 2028 as the earliest viable industry-wide launch date, but that would be

conditional on having finalised legislation, HMRC interfaces, reporting standards, transfer rules and bonus processes; most would not begin substantial build activity until then. The strongest theme across responses was that implementation depends on sufficient testing and governance and a realistic implementation period to avoid costly rework and support consistent delivery across the market.

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

1.4 Virtually all substantive responses envisaged significant implementation and ongoing operational costs, although few were able to quantify them. Respondents highlighted the need to build and maintain new account functionality, transfer processes, HMRC reporting and bonus-claim systems, customer communications, staff training, and associated controls and oversight. Many also identified bonus administration, conveyancer interactions and any requirement to track lifetime net subscriptions as particularly complex and potentially costly elements of delivery. Respondents were largely of the view that costs and operational burdens could be reduced by aligning the product closely with existing ISA infrastructure and HMRC processes, while warning that unnecessary complexity could deter provider participation and ultimately increase costs for consumers.

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

1.5 Around 90% of financial institutions who addressed the question supported some form of rebalancing, particularly through increasing and regularly reviewing or indexing the property price cap. Many considered the current £450,000 cap outdated and argued it creates an unfair cliff edge, especially in higher-cost housing markets. While respondents differed on the preferred level of the property price cap and bonus structure, most favoured retaining the familiar annual subscription limit and 25% bonus while making the product more responsive to property market changes. Simplicity, predictability and avoiding abrupt eligibility thresholds emerged as the strongest common themes.

1.6 Individual respondents strongly reinforced these views, with around 65-70% calling for the property price cap to be increased, indexed, regionalised or removed altogether. because it no longer reflected regional differences in house prices, particularly in areas affected by high property values.

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

1.7 Views were broadly divided. Around half of financial institutions that responded opposed a lifetime cap, arguing that existing annual subscription limits, bonus rates and property caps already constrain support and that an additional cap would add complexity and disadvantage longer-term savers. Others supported or conditionally accepted a cap if it helped target support, control fiscal costs, or enable greater flexibility elsewhere in the design. Where respondents favoured a cap, they stressed that it should be transparent, proportionate, indexed and avoid the need for providers to track bonus entitlement across the lifetime of the account.

1.8 Individual respondents were also divided, although many emphasised that any lifetime cap should remain fair to longer-term savers, be indexed over time and avoid eroding support through inflation.

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

1.9 A clear majority of financial institutions supported either removing the withdrawal charge altogether or reducing the existing Lifetime ISA withdrawal charge to 20%, allowing savers to retain their own capital while returning the Government bonus. Respondents also emphasised the importance of a reliable and time-sensitive home-purchase process, including clear responsibilities between providers, HMRC and conveyancers, robust service standards, and flexibility for failed or delayed transactions. While opinions differed on whether the Government bonus should be paid as contributions are made or only when a qualifying property purchase takes place, many stressed that any new approach should avoid reducing the value of investment growth or risking delays to house purchases.

1.10 Individual responses strongly supported this position, with around 45-50% calling for the Lifetime ISA withdrawal charge to be reduced from 25% to 20% so that savers do not lose part of their own capital.

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?

1.11 Around 80–90% of responses from financial institutions called for clear, flexible and consumer-friendly transition arrangements. Common proposals included allowing transfers without creating entitlement to multiple Government bonuses, preserving qualification periods, aligning property price caps, permitting Help to Buy ISA transfers without counting towards the annual subscription limit and developing practical arrangements for Lifetime ISA transfers. While views diverged on whether Lifetime ISA transfers should be permitted, respondents consistently argued that existing savers should not be disadvantaged by policy changes. Standardised communications, consistent rules and straightforward guidance were viewed as vital to reducing confusion.

1.12 This concern was even more pronounced among individual respondents, around 50-60% of whom called for stronger protections and fair transfer arrangements for existing Lifetime ISA and Help to Buy ISA holders.

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

1.13 Respondents expressed a range of views. Several highlighted that savers using stocks and shares products may wish to move gradually into cash as a property purchase approaches and cautioned that restrictions could limit this ability to de-risk and expose savers to market volatility. Suggested solutions included exemptions, grace periods, dedicated cash facilities or controlled transfer routes into cash products. The consistent theme was that house-purchase savings have distinctive needs that may require different treatment from wider ISA anti-circumvention rules.

1.14 Individual respondents had similar concerns, particularly the need for savers to move from Stocks and Shares investments into cash before purchase without losing eligibility or exposing their deposit to unnecessary risk.

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

1.15 Most financial institutions raising a view expressed concerns about the transfer regime, particularly any restriction on transfers between stocks and shares and cash products. They argued that preventing de-risking before a purchase could expose consumers to avoidable market volatility and reduce confidence in investment saving.

Additional concerns included the operational burden of tracking subscription history, reporting transfers and maintaining bonus eligibility records. The most common recommendation was a controlled transfer mechanism that supports prudent consumer behaviour without creating opportunities to exceed intended subscription limits or Government bonus entitlement.

1.16 Individual respondents likewise opposed restrictions that prevent sensible de-risking before purchase and stressed the importance of preserving contribution and bonus histories when transferring between products.

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

1.17 Most financial institutions that responded highlighted consumer confusion and operational complexity as the principal risks. Common concerns included navigating multiple Government -supported first-time buyer products, understanding eligibility and transfer rules, uncertainty around bonus calculations, and managing delayed or failed purchases. Providers also pointed to competing regulatory programmes, systems development pressures, conveyancer dependency, reporting requirements and the servicing of existing Lifetime ISA accounts. Several respondents questioned whether a new product offers sufficient advantages over reforming the Lifetime ISA. Across responses, the most common ask was for a stable final design, early technical specifications, clear consumer communications and maximum alignment with existing ISA infrastructure.

1.18 Individual respondents had similar concerns, highlighting consumer confusion, uncertainty around bonuses and transfer rules, and the risk that multiple overlapping products could make the system harder to understand and navigate.

Chapter 2

Government Response

2.1 The Government recently consulted on the design of a new First Time Buyer ISA to support people saving for their first home. The consultation sought views from financial institutions, industry representatives and individuals on how the product could provide targeted support for home ownership while remaining simple for savers to understand and practical for providers to deliver.

2.2 The Government is grateful to everyone who responded. Responses showed broad, although conditional, support for the new product. Respondents emphasised that its success would depend on a clear and stable design, straightforward transfer and withdrawal rules, effective consumer communications and the use of existing ISA infrastructure where possible. The Government has considered these views carefully in finalising the product.

Product launch and design

2.3 The Government will introduce a new First Time Buyer ISA from April 2029. This timeline reflects the ongoing transformation in the ISA landscape and the time it takes industry and government to prepare for a new product. It will be offered in place of the Lifetime ISA, with existing LISA accounts opened until that point able to continue under existing terms.

2.4 The product will allow contributions of up to £4,000 a year, in line with the LISA. It will provide a 25% Government bonus, subject to an overall maximum of £20,000, calculated on the account's final account balance and paid when funds are withdrawn for an eligible first home purchase. Calculating the bonus on final balance, rather than final net subscriptions, recognises consultation responses which called for simplicity in how the bonus is calculated, and will ensure that any investment or interest growth within the account is recognised when the bonus is calculated. To ensure subscriptions and bonus eligibility can be easily managed for both savers and providers, an individual will only be able to hold one First Time Buyer ISA at a time.

2.5 Respondents also stressed that existing Help to Buy ISA and Lifetime ISA savers should not be disadvantaged by the introduction of the new product. Having listened to feedback, the Government will allow Help to Buy ISA holders to transfer their full account balance into the First Time Buyer ISA outside of the annual limit, between 6 April 2029, when the FTB ISA is introduced, and 1 December 2030, when the Help to Buy ISA is due to close.

2.6 To avoid duplicate government bonuses, individuals will not be able to transfer from a LISA to a FTB ISA, but will be able to use both products towards the same house purchase.

2.7 The government is retaining the annual cash ISA subscription limits at £20,000, meaning anti-circumvention rules no longer need to be applied to the FTB ISA, including on transfers. Therefore, all transfers out of a FTB ISA will be permitted. Transfers from an ISA (Cash, Stocks & Shares or Innovative Finance) into a FTB ISA will be allowed up to the £4,000 subscription limit each year. As individuals can only hold one FTB ISA account at a time, transfers between accounts must be full balance transfers and the original account closed.

Property price cap

2.8 The consultation highlighted concerns that the current £450,000 property price cap no longer reflects prices in some parts of the country and can create a cliff edge for savers. The Government has carefully considered calls to increase, index, regionalise or remove the cap. However, the cap remains an important feature of the Lifetime ISA, helping to target government support towards typical first-time buyers while ensuring the scheme remains fiscally sustainable. The Government will therefore retain the £450,000 property price cap, which will remain in place for the Lifetime ISA and will also apply to the new First Time Buyer ISA, including for former Help to Buy ISA holders who transfer into the product.

Lifetime ISA – withdrawal charge

2.9 The Government recognises that house price pressures vary across the UK and that some first-time buyers may need to purchase a property above the cap. To address the risk of savers being penalised where they purchase above the cap, the Government will from 29 October 2026 allow Lifetime ISA funds to be withdrawn for such purchases which otherwise meet the qualifying rules with a reduced withdrawal charge of 20%. This will recover the government bonus while allowing savers to retain their own contributions. The Government considers that this strikes an appropriate balance between protecting savers and focusing taxpayer support on homes purchased within the cap.

Chapter 3

Design features summary

Policy design	First Time Buyer ISA (FTB ISA)
Bonus payment	Paid on the final account balance.
Bonus cap	£20,000
Transfers between different types of first-time buyer products	No transfers between FTB ISA and LISAs, but both products can be used towards the same purchase. Full balance transfers from a HtB ISA into a FTB ISA allowed between 6 April 2029 – 1 December 2030.
Transfers between the same type of accounts	Transfers allowed. However, as an individual can only hold one FTB ISA at a time, it must be a full balance transfer and the original FTB ISA closed.
Transfers between other ISA types	Transfers in allowed up to subscription limit. Unlimited transfers out.
Age limit	Must be 18 or over to open an account, with no upper age limit.
Subscription limits	£4,000 per tax year. Any subscriptions will count towards the £20,000 ISA allowance. No maximum amount on subscriptions over an individual's lifetime.
Multiple accounts/subscriptions	Subscriptions allowed into one account per tax year, including a LISA or FTB ISA. Individuals can only hold one FTB ISA account at a time.
Property price cap	£450,000

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 eligibility	Held account for 1 year
Must use with mortgage	Yes
Account types available	Cash and S&S
Delivery model	Multiple providers

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