Making sense of ISAs

Your guide to tax-free saving



COVENTRY Building Society

All together, better

What is an ISA?

The world of ISAs (which is short for Individual Savings Accounts), can often be a little confusing. But ISAs offer a great, tax-free way to save and make the most of your money.

You might be saving for a once-in-a-lifetime holiday, building up a deposit for a home or just creating a sunny day fund. Whatever your goal, ISAs can help your money grow. This is because any interest or investment income you earn isn't taxed.

In this guide, we've pulled together some key information about ISAs to help you understand them. This includes how they work and how to make the most of your tax-free savings.

Making our services accessible

If you feel like you might need extra support, on a short or long term basis – for any reason – there are lots of ways we can help.

Scan the QR code or go to **www.coventrybuildingsociety.co.uk/member/supportingmembers** for more information on how we can help or to download the Making our Services Accessible leaflet.

We can also send you a copy of the Making our Services Accessible leaflet, or this leaflet, in large print, Braille or on audio CD. Call us on **0800 121 8899** and we'll be happy to help.

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How do ISAs work?

ISAs have grown in popularity since they launched in 1999. Now, around 22 million people have one in the UK. This is likely because any interest or investment income you earn through an ISA isn't taxed.

To open an ISA, you must be 18 or over. That is unless you're opening a Junior ISA where you can be under 18 or a Lifetime ISA where you must be 18 or over but under 40. You must also be a resident in the UK, a member of the armed forces or a Crown servant (or their spouse/civil partner if you do not live in the UK).

Here are a few other important things you should know about ISAs:

One

You can save up to £20,000 into ISAs each tax year[1]. This is **your annual ISA allowance**. This is set by the government. There are two exceptions to this rule. Junior ISAs which have an allowance of £9,000. And Lifetime ISAs which have a limit of £4,000.

Your annual allowance applies each tax year. This starts on 6 April and ends 12 months later on 5 April.

Two

If you don't use your full annual allowance in a tax year, anything you have left won't roll over into the new tax year.

The good news? Your allowance will reset every 6 April when the new tax year begins.



[1] This is correct for the 2026/27 tax year.







Three

If you're over 18, you can split your annual allowance across different types of ISAs each tax year. But the combined amount you pay into your ISAs in a tax year must stay within your annual allowance[1].



Four

You can open multiple ISAs in the same tax year. But you'll only be able to pay some or all of your annual ISA allowance into one cash ISA with us. Other providers may allow payments to multiple cash ISAs in the same tax year.

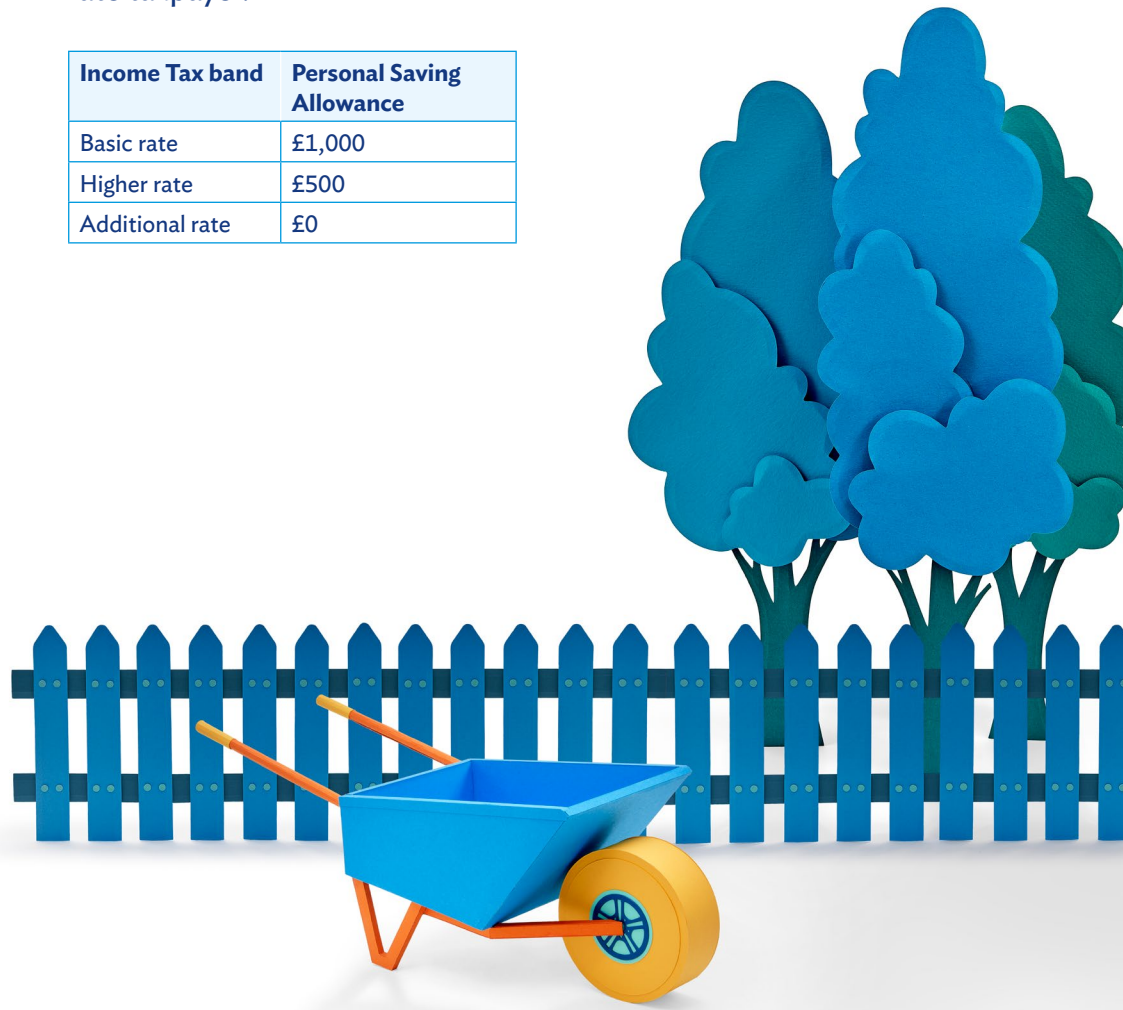
All money you save in an ISA will need to stay within your £20,000[1] annual allowance.

Why are ISAs important?

ISAs are great to help you earn tax-free interest on your savings.

Money you have saved in other types of account is covered by your Personal Savings Allowance (PSA). This is an amount of interest you can earn on your non-ISA savings before it gets taxed. Your PSA depends on your income and whether you're a basic rate, higher rate or additional rate taxpayer.

Income Tax band	Personal Saving Allowance
Basic rate	£1,000
Higher rate	£500
Additional rate	£0



Here's a scenario of the PSA in action:

Sarah is employed and is a basic rate taxpayer. Over a number of years, she's grown her savings account balance and now has £30,000, which is currently earning a fixed interest rate of 4%.

After 12 months, Sarah has earned £1,200 in interest on the £30,000 she's saved. The PSA for those on the basic income rate is £1,000. Therefore, £200 of the interest Sarah has earned falls outside of the allowance and is subject to the basic income tax rate of 20%. This means Sarah would pay £40 on the £200 of interest. HMRC will change Sarah's tax code in order to collect the £40 she owes through her salary automatically.

However, saving money in an ISA is completely tax-free. Even as your savings in an ISA build up over the years and the interest you earn grows, you won't pay any tax on it.

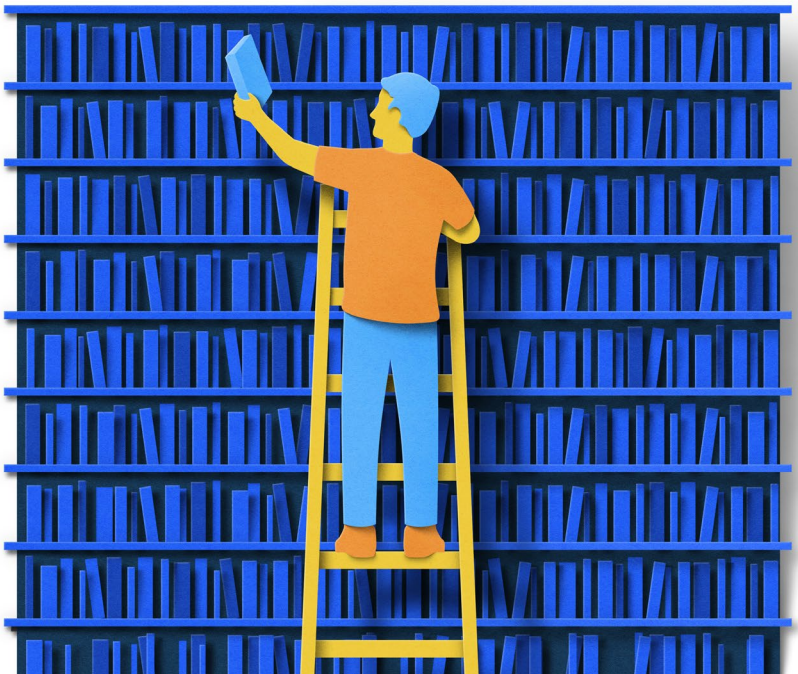


What types of ISAs are there?

There are five main types of ISAs:

- Cash ISAs
- Junior ISAs
- Lifetime ISAs
- Stocks and shares ISAs
- Innovative finance ISAs.

Each of these have different features. Over the next few pages, we've explained a bit about each of the ISA types to help you decide which may suit your savings goals.



Cash ISAs

Cash ISAs are the standard type of ISA for adults. They're split into different varieties to help you – depending on your needs. These include:

- **Easy access ISAs** let you save and earn interest but you can also take out your money as often as you want.
- **Limited access ISAs** usually give you a slightly better interest rate in return for less access to your money. These ISAs usually allow you to take your money out a set number of times each year without charge. Often, if you make any more withdrawals over and above your limit, you'll be charged.
- **Fixed rate ISAs** are good to help you earn interest on lump sums that you don't need to access for a while. They don't come with any flexibility because they're not designed to let you take out your money within the fixed term. You can only withdraw funds before the end of the fixed term by closing the account, and typically, this can incur a charge.
- **Regular saver ISAs** let you put aside some money every month to build up a pot of savings, rather than saving a larger lump sum in one go.

Some cash ISAs can also be flexible. This means you can take your money out and replace it later without it impacting your annual allowance. You can find more information on how a flexible ISA works on page 14.

Cash versions of Junior ISAs and Lifetime ISAs are also available. We've explained a bit more about these in the following two sections.

Junior ISAs

Money saved into a Junior ISA (or JISA) can be a great way to save for your child's future. When they turn 18, it'll change to an adult ISA.

Here's a few things to keep in mind

- There are two types of JISA – a Junior cash ISA and a Junior stocks and shares ISA. Your child can have one of each of these JISAs.
- You can save up to £9,000 in a JISA each tax year. This allowance can be split between the two types of JISA.
- If you're a parent or guardian, you can set up a JISA for your child until they turn 17. If your child is 16 or 17, they can open a JISA on their own.
- When your child turns 16, they can choose to take over managing their JISA. But they'll only be able to access their money once they turn 18.



Child Trust Funds

Child Trust Funds were a long-term tax-free savings account opened by the government for children born between September 2002 and January 2011. You cannot have a Junior ISA as well as a Child Trust Fund.

If you want to open a Junior ISA you'll need to ask the provider to transfer the trust fund into it.

Lifetime ISAs

Lifetime ISAs (or LISAs) are designed to help you save for your first home or for later life.

Here's a few things to keep in mind

- Both cash and stocks and shares versions of LISAs are available.
- You can open a LISA if you're aged between 18 to 39. The amount that you can save tax-free into a LISA is up to £4,000 each year, until you're 50. The government will add a 25% bonus to the amount you save each year, up to a maximum of £1,000 per year. When you turn 50, you will not be able to pay into your LISA or earn the 25% bonus. Your account will stay open and your savings will still earn interest or investment returns.
- The amount you save in a LISA counts towards your overall £20,000 annual ISA allowance. This means if you saved the full £4,000 into a LISA in a tax year, you could only put another £16,000 in your other ISAs during that same tax year.
- There are very specific rules around withdrawals that you should consider. You can only take money out of your LISA without incurring a charge if you're buying your first home, if you've reached the age of 60 or if you're terminally ill with less than 12 months to live. If you make a withdrawal at another time, you'll be charged 25% of the value of the amount being taken out. That would mean paying a £25 fee for withdrawing £100.

Stocks and shares ISAs

Money you add to a stocks and shares ISA is usually invested in assets. This could be company shares that are traded on the stock market, investment funds or trusts which select a range of investments. Other investments could include corporate bonds or government bonds. These are essentially loans to either companies or governments, which pay those loans back with interest added on.

Here's a few things to keep in mind

- If you think you'd like a stocks and shares ISA, you should be aware that your money will be invested. This means the value of your ISA could rise or fall and your capital could be at risk.
- Whatever your stocks and shares ISA is invested in, any gains will be tax-free, and the same £20,000 annual allowance applies.
- Most providers charge fees each year to manage the ISA and to buy and sell investments within it. Stocks and shares ISA holders can usually take their money out at any time, but this could mean the loss of some investment income.

Innovative finance ISAs

Innovative finance ISAs are designed to include more long-term, less-liquid investments (i.e. investments which can't easily or quickly be turned into cash), and cash. This means lending money directly to individuals or businesses, who then pay that loan back with interest.

These products are a way of backing companies with a high-growth potential, but because they tend to be younger firms, there is a risk of losing money. If a business you have lent to through your innovative finance ISA goes bust, then you won't get your money back.

It's important to note, these types of ISAs aren't covered by the Financial Services Compensation Scheme (FSCS). This is the UK's deposit guarantee scheme. They protect your money up to £120,000 if your bank, building society or credit union fails. It might be a good idea to chat about these types of ISAs with a financial advisor before opening one.

ISAs at Coventry Building Society

We've been a provider of cash ISAs for over 25 years. And in autumn 2025, we were named number one for customer experience for our savings

by Fairer Finance. Our range of cash ISAs give you plenty of choice when it comes to saving for your sunny days. You can visit our **website** to see the ISAs we currently have available*.

Some of our ISAs are flexible. That means they may be the perfect solution for you if you always want to be able to access your cash. And if you take your money out of a flexible ISA with us, you can add it back in to your account in the same tax year without impacting your annual allowance.

With our fixed rate cash ISAs, your rate will stay the same for a set period of time. This means that even if rates in the market change, it will be fixed. It doesn't allow you to take out part of the money during the fixed period. Full closure is allowed, charges apply.

Our Easy access ISAs let you save and earn interest but you can also take out your money as often as you want. While our Limited access ISAs usually give you a slightly better interest rate than Easy Access in return for less access to your money. These ISAs usually allow you to take your money out a set number of times each year without charge. Often, if you make any more withdrawals over and above your limit, you'll be charged.

While we also offer Junior ISAs (JISAs) we don't currently offer stocks and shares, Lifetime or innovative finance ISAs.

For our latest cash ISA products available, visit our **website** or scan the QR code.

Scan to visit our website





We're proud to have been awarded a gold ribbon and named number one for customer experience for our savings (autumn 2025) by Fairer Finance.

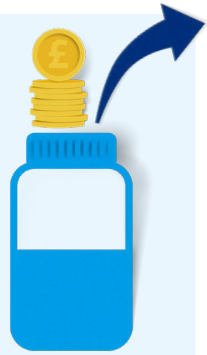
* Ts&Cs and eligibility criteria apply.

How does a flexible ISA work?



You have **£55,000** in your cash ISA built up at the start of the tax year.

Your allowance is **£20,000.***



You withdraw **£13,000** to buy a car.

The balance in your ISA is **£42,000.**



You replace **£13,000** within the same tax year.

The balance in your ISA is now **£55,000** again and you still have **£20,000** of annual allowance.



You deposit an additional **£5,000**.

Your remaining allowance is now **£15,000.**

* This is correct for the 2026/27 tax year.

If you had been using a non-flexible ISA, your remaining allowance would have been £2,000 instead of £15,000 as the £13,000 deposit would have counted towards your annual allowance.

You can withdraw funds from previous tax years and the current tax year. However, if you want to replace your withdrawal, you'll need to do so within the same tax year.

Barry's story:

Barry has had an easy access ISA for five years now. He wants to buy a new car and has budgeted for £13,000.

Barry has a total of £55,000 in his flexible easy access ISA. He hasn't added the full £20,000 per year but still tops up his ISA with a significant amount each year. He hasn't paid anything into his ISA during this tax year yet.

Barry withdraws £13,000 for the car, leaving him with a balance of £42,000 in his ISA.

This tax year, Barry can pay back the £13,000 he took out, as well as deposit his annual ISA allowance of £20,000 – a total of £33,000 during this tax year. This is because the £13,000 was withdrawn and repaid during the same tax year, therefore doesn't count towards the current year's allowance. If Barry then adds a further deposit of £5,000, his remaining allowance drops to £15,000.



Which ISA is right for me?

Before you open an ISA, it's important to have a think about what you want to get out of it.

- Our fixed rate ISAs could work for you if you want the certainty of a fixed rate and you don't need to access your money.
- Or if access is important, one of our limited or easy access ISAs could be a better fit. These accounts usually offer different interest rates, depending on how often you want to access your money without charge.
- It's worth noting, we do have accounts that offer unlimited access. But these tend to have lower interest rates than those that allow a limited number of withdrawals.
- Money saved into a Junior ISA (or JISA) can be a great way to save for your child's future. When they turn 18, it'll change to an adult ISA.

You can explore our range of cash ISAs on our **website**.

Scan to visit our website



Why choose Coventry Building Society?

We were founded in 1884 by local businessman, Thomas Mason Daffern, who created a mutually beneficial relationship between savers and borrowers to help the people of Coventry buy their own homes. You might hear us being referred to as a 'mutual', and this is why. We look after our savers and borrowers – that's what being a mutual is all about.

As a saver, we look after your money and pay as much interest as we can. We're owned by our members. And because we don't have shareholders, everything we do is based on your best interests. You tell us very clearly what you want and we work hard to take care of everyone's needs.

As an ISA provider, our incredible customer service means that whatever your needs, we're here to help. You'd be choosing a company who cares about making a difference and continues to make a positive impact for the communities around us.

If you're ready to explore opening a new ISA or want to transfer your savings to us, explore our range of ISAs on our website.

Transferring an ISA

This is the process of moving your money from one ISA to another, while keeping the tax-free benefit. You can move ISAs from one provider to another or switch your savings between different ISAs with the same organisation. **But remember! The ISA provider you move to must complete the transfer.**

You'll find full details on how ISA transfers work in our guide, Making sense of ISA transfers. It explains what you may want to think about before making any decisions to transfer. You can access the guide on our **website**.

Scan to visit our website



Keeping track of your ISAs

It's a good idea to monitor your ISAs. You always want to make sure your money is working hard for you.

Depending on your ISA type, there are a few things which could impact how it performs. One may be how fast the economy is growing and

whether interest rates are rising or falling. Another may be finance-related changes from the government.

For example, for the 2026/27 tax year, the annual cash ISA allowance is £20,000. But in the Autumn 2025 Budget a change has been announced, which is scheduled to come into effect from 6 April 2027. While the overall allowance will stay at £20,000 per tax year, if you're under 65, your cash ISA allowance will drop to £12,000 per tax year. This means you'll need to use another type of ISA if you want to use the remaining £8,000 of your allowance.

Other useful information

What do I need to open an ISA?
You'll just need your National Insurance number. If you're a new customer, you might also need to provide identification to be verified.

Can I open multiple ISAs in one tax year?
Yes, you can. While you can have multiple ISAs which add up to your annual £20,000 ISA allowance, you can only pay into one cash ISA with us per tax year. You can split previous years' ISA balances between multiple products with us and other providers.

Which ISAs can I transfer to you?
You can transfer existing cash or stock and shares ISAs into a cash ISA*. You can also transfer a Junior ISA to us.

Does my ISA lose its tax-free status when I transfer it?
No, as long as you follow the ISA transfer process. Just make sure you let us know the details of which ISA you'd like to transfer in, and we'll sort it all for you.

Why is my existing ISA described as 'inactive'?

Your ISA shows as 'inactive' because you haven't paid any new money into it for a whole tax year (that doesn't include any money you took

* Correct for 2026/27 tax year.

out of a flexible ISA and paid back in). Any money in the ISA is still earning interest.

When is my interest paid?
This depends on the product you have chosen, but it is usually either monthly or annually. Dependent on the type of ISA, interest can either be added to the ISA or paid to another account (if paid to another account, any additional interest you earn from this may be subject to tax).

Can I open a joint ISA?
No. ISAs are individual savings accounts.

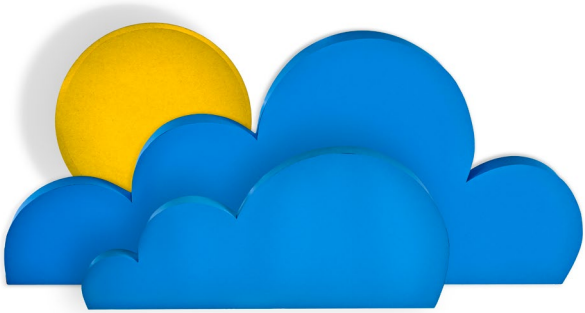
How many ISAs can I have and can I mix and match?
While you can have multiple ISAs which add up to your allowance in one tax year, you'll only be able to pay some or all of your current ISA annual allowance in to one cash ISA with us.

Can I carry over any unused ISA allowance to the next tax year?
No. While you're not able to carry forward any unused ISA allowance from previous tax years, your tax allowance resets each year. So you have another £20,000 allowance in the next tax year. This means if you add £17,000 to your ISAs this year (and have £3,000 left in your allowance), you can add £20,000 in the next tax year, but not £23,000.

Where to find out more

You'll find lots of information on the **ISAs explained** page on our website, including a link to our ISA transfer guide and current range of cash ISAs.

Scan to visit our website



Contact us

At a branch
For details of our opening hours, visit **thecoventry.co.uk**

Online
thecoventry.co.uk

By phone
0800 121 8899

By post
Oakfield House, PO Box 600, Binley, Coventry CV3 9YR.

Coventry Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority (www.fca.org.uk) and the Prudential Regulation Authority (firm reference number 150892).

The information in this leaflet is provided for your information only and should not be taken as advice.

Please note: any reference to tax is based on our understanding of current tax regulations which may change in the future and depend on the customer's individual financial circumstances.

For more information, visit our website **thecoventry.co.uk**, call us on **0800 121 8899** Monday to Friday 8am–7pm or Saturday 9am–2pm, or pop into a branch.

Calls to 0800 numbers are free from the UK. Calls may be monitored or recorded to help improve our service and as a record of our conversation.

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Coventry Building Society.
Principal Office: Coventry House,
Harry Weston Road, Binley,
Coventry, West Midlands CV3 2TQ.

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