ISA REFORM 2027

# Cash Building Up in Stocks & Shares ISAs

What the confirmed Cash ISA allowance changes and new anti-circumvention rules mean for client cash held inside Stocks & Shares ISAs.

JULY 2026

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| **CHANGE** | Reduced Cash ISA allowance and new anti-circumvention rules for cash held in Stocks & Shares ISAs |
| **EFFECTIVE DATE** | From 6 April 2027 |
| **OVERALL ISA ALLOWANCE** | Remains £20,000 |
| **AUDIENCE** | IFA firms and financial planners |
| **STATUS** | Confirmed policy change, effective April 2027 |
| **PREPARED FOR** | Money Wise UK network |

## Overview

From 6 April 2027, the Cash ISA allowance for those under 65 will reduce to £12,000, while the overall ISA allowance remains £20,000. The government is also introducing anti-circumvention rules to stop clients simply placing cash inside Stocks & Shares ISAs to retain the full tax-free cash benefit.

> **HEADLINE FOR IFA FIRMS**
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> Long-term cash sitting inside a Stocks & Shares ISA is no longer neutral from April 2027. A flat-rate charge on cash interest, a ban on 100% money market fund ISAs, and the end of Stocks & Shares-to-Cash ISA transfers all change the calculus for clients holding cash this way.

## 1. Key Changes From April 2027

- Cash held in a non-Cash ISA, such as a Stocks & Shares ISA, can still be held.
- However, interest paid on that cash will face a 22% flat-rate charge.
- A Stocks & Shares ISA cannot be made up of 100% money market funds.
- Transfers from Stocks & Shares ISAs into Cash ISAs will no longer be permitted.
- Clients aged 65 and over retain a £20,000 Cash ISA allowance, but the cash interest charge inside non-Cash ISAs still applies.

## 2. Why This Matters for IFAs

This is not just a tax technicality. It creates a practical advice and governance issue.

Many clients hold cash inside Stocks & Shares ISAs for good reasons:

- awaiting investment;
- phased investment;
- market uncertainty;
- platform cash drag;
- income payments;
- adviser fee deductions;
- retirement income planning;
- de-risking ahead of withdrawals.

The challenge is that from April 2027, long-term cash holdings inside Stocks & Shares ISAs may no longer be neutral. They could create tax leakage, client misunderstanding and potential Consumer Duty questions.

## 3. Practical Implications

IFA firms may need to review:

**1. Clients with large ISA cash balances**
Where cash has built up unintentionally, firms should consider whether this remains appropriate.

**2. Model portfolio and platform cash positions**
Cash drag may need clearer monitoring, especially where portfolios naturally retain cash.

**3. Phased investment processes**
Firms may need to document why cash is being held and for how long.

**4. Retirement income clients**
Cash buffers can be sensible, but firms should distinguish between short-term liquidity and long-term cash parking.

**5. Client communications**
Clients may assume cash inside a Stocks & Shares ISA is still fully tax-free. That assumption may no longer hold from April 2027.

## 4. Money Wise UK View

This feels like another example of regulation and tax policy pushing firms towards better data.

The firms that understand where cash is sitting, why it is there, and whether it remains suitable will be in a stronger position.

For IFAs, the opportunity is to build this into annual review MI:

- ISA cash balances above agreed limits;
- cash held for more than a set period;
- clients awaiting investment;
- retirement clients using ISA cash buffers;
- money market fund exposure;
- platform-level cash drag.

This does not mean cash is wrong. In some cases, cash is entirely appropriate. But it does mean firms need to evidence the reason.

**SUGGESTED ACTION POINT**

Before April 2027, firms should consider running an ISA cash review across the client bank.

*The key question is simple: is the cash there by design, or has it just built up?*

**NOTE**

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