

# Online Cash Lifetime ISA Issue 4



A Lifetime ISA can be used for saving for home purchase and towards retirement.

## This account might be right for you if:

- you've never owned a home and want to save to buy a house in the UK with a purchase price up to £450,000
- you're aged 18-39
- you initially want to save to buy your first home but want the flexibility to use the savings to support your retirement if your circumstances change.

## This account will not be right for you if:

- you want to save for a house and buy within the next 12 months
- you're 40 or over and don't already hold a Lifetime ISA
- you don't have any spare cash set aside for unexpected bills (an emergency fund).

### Summary box – key savings account information

Account name		Online Cash Lifetime ISA Issue 4
What is the interest rate?	Annual interest	0.10% tax-free pa/AER variable. Interest is earned daily and paid on the anniversary of account opening.
	Monthly interest	No monthly interest option available.
Can Skipton Building Society change the interest rate?		<ul style="list-style-type: none"> <li>• Yes, the interest rate is variable, so it can go up or down.</li> <li>• Section 22 of our Savings Account Terms and Conditions explains why we may change the interest rate.</li> <li>• If you have at least £100 in your account, we'll notify you before any drop in your interest rate.</li> </ul>
What would the estimated balance be after 12 months based on a £1,000 deposit?		<ul style="list-style-type: none"> <li>• The estimated balance after 12 months would be £1,001 assuming that:               <ul style="list-style-type: none"> <li>- the account is opened with £1,000 and interest starts being earned straight away</li> <li>- no further deposits or any withdrawals are made</li> <li>- the interest is paid annually and added to the account</li> <li>- the interest rate stays the same for the full 12 months.</li> </ul> </li> <li>• Estimated balances are for illustrative purposes only and may be less for accounts opened by debit card.</li> <li>• The government will also pay a 25% bonus on your contributions each tax year which isn't included in this estimation. <b>Section G</b> below explains more about this.</li> <li>• If you're intending to use your Lifetime ISA for retirement, please see <b>section J</b> which includes further information about what your Lifetime ISA might be worth at age 60.</li> </ul>
How do I open and manage my account?		<ul style="list-style-type: none"> <li>• This account is available to UK residents aged 18 to 39, or above if transferring from another Lifetime ISA, and can only be opened and managed online.</li> <li>• You can deposit from £1 up to your Lifetime ISA allowance (£4,000 for the 2021/2022 tax year) each tax year before your 50th birthday.</li> <li>• No joint accounts allowed.</li> </ul>
Can I withdraw money?		<ul style="list-style-type: none"> <li>• Withdrawals or account closures before the age of 60 will normally incur a government withdrawal charge of 25% of the amount withdrawn unless it's to buy your first home. <b>Sections A and B</b> explain why you may get back less than you paid in and exceptions to the government withdrawal charge.</li> <li>• For security reasons, you can't withdraw in the first 14 days of us receiving your first payment. This applies to both new and existing customers.</li> </ul>
Additional information		<ul style="list-style-type: none"> <li>• You can't open a new Lifetime ISA from the age of 40, so you'll need to keep at least £1 in your account after this age if you want to keep your Lifetime ISA benefits.</li> <li>• The Lifetime ISA is a government savings scheme and may change in future.</li> <li>• AER stands for Annual Equivalent Rate and shows what the interest rate would be if interest was paid and added each year.</li> <li>• All ISA interest is paid tax-free, which means it's exempt from income tax. Tax rules may change in future.</li> <li>• Accounts can be withdrawn from sale at any time and without notice.</li> </ul>

## A - How does the government withdrawal charge affect my savings?

It's important you only save money in this account you don't need immediate access to (it's advisable to have an emergency fund of 3-6 months' income for unexpected bills) in order to avoid being charged for withdrawals. Where the government withdrawal charge applies, as well as recovering the 25% government bonus, you'll also lose some of your own savings and will receive back less than you invested.

The effect of the full 25% government and temporary withdrawal charge is demonstrated in the example below:

Your actions	25% withdrawal charge
You open the account with	£4,000
The government bonus is added	£1,000
Total for first year	£5,000
You make a chargeable withdrawal	£5,000
The government withdrawal charge is applied	- £1,250
You receive back	£3,750
You lose this much money	- £250

**This example doesn't include any interest earned.**

## B - When doesn't the government withdrawal charge apply?

You can't withdraw without charge unless:

- you are diagnosed with a terminal illness
- you use your Lifetime ISA to buy your first home. Please see the qualifying criteria in **section C**
- you've reached the age of 60.

## C - Qualifying criteria for house purchase

Owning your own home is an exciting prospect. You can use your Lifetime ISA to help buy your home without paying the government withdrawal charge, as long as the following criteria are met:

- you made your first payment into your Lifetime ISA **at least 12 months** before instructing your conveyancer to withdraw from your Lifetime ISA
- if you're buying with someone else, you can both potentially use a Lifetime ISA if you're both first time buyers. If your partner has previously owned a property, either through buying a house or having a part share in a property for example, they wouldn't be able to use their Lifetime ISA for it without paying the government withdrawal charge
- the property purchase price must not exceed £450,000
- the property must be purchased in the UK with a mortgage, but not a Buy to Let mortgage unless you, or your spouse or civil partner, are a UK Crown employee serving overseas and intend to use the property as your main residence in the future
- you must occupy the property as your main residence immediately on completion, or if you or your spouse/civil partner are a UK Crown employee serving overseas, you must intend to in the future.

## D - Can I make more than one withdrawal when I come to buy my first home?

You can make more than one charge-free withdrawal before completion and there's no minimum withdrawal amount. For example, you may have more than one Lifetime ISA and you may need to phase your withdrawals during your house purchase.

## E - How do I make a withdrawal to buy a house?

When you come to buy, you'll need to tell your conveyancer you want to use part or all your Lifetime ISA towards the purchase and provide them with a declaration.

Your conveyancer also must provide us with a declaration 30 days before completion. It's your responsibility to ensure this is provided, but your conveyancer should do this as part of the buying process.

Once we receive the appropriate paperwork from your conveyancer, we'll contact you to confirm the request and then pay the amount requested to the conveyancer within 30 days without applying the government withdrawal charge.

## F - What happens if my purchase is delayed or falls through?

If the purchase doesn't complete within 90 days of the withdrawal, your conveyancer must notify us and return the amount withdrawn to a Skipton Lifetime ISA. If this product is no longer available to new customers, the money will be put into a Lifetime ISA from our range available at the time. Alternatively, if the purchase doesn't complete within 90 days of the withdrawal and an extension is required, your conveyancer should contact us to request one.

## G - When is the 25% government bonus paid into my account?

We will claim the 25% bonus from HMRC on your behalf. HMRC will calculate the bonus based on the contributions you have made each month and pay each month's bonus within 4-9 weeks. The bonus is paid on all contributions you make before you reach the age of 50.

## H - What happens if my circumstances change and I don't need my Lifetime ISA to buy a home?

If you start saving for a home but your circumstances change, for example if you inherit a house and you intend to use your Lifetime ISA to save towards retirement instead, you'll need to decide whether this is the best option for you. Please read **sections I and J** which explain the risks of using a Cash Lifetime ISA for retirement savings and which give examples of what your Lifetime ISA savings might be worth at the age of 60.

## I - What are the risks of using a Cash Lifetime ISA for retirement savings?

If you decide to use your Skipton Cash Lifetime ISA to save towards retirement, you should consider:

- when you intend to retire
- what other provision for retirement you are making (for example contributions to a pension)
- whether a Cash Lifetime ISA will meet your savings goals. For example, will it provide you with sufficient income in retirement?

Lifetime ISAs are available as a Cash or a Stocks and Shares option. Skipton offers an Online Cash Lifetime ISA only. As your circumstances can change over time you should regularly review whether the type of Lifetime ISA you hold is still right for you.

**A Cash Lifetime ISA may not be the best option for retirement savings.** It's generally accepted that saving for retirement is a long-term commitment and it could be better to invest in stocks and shares. However, this will depend on your personal circumstances, including your attitude to risk. You could invest in a pension or a Stocks and Shares Lifetime ISA. Whilst the value of your investment is at risk and can fall as well as rise, it may be possible to receive a better return from a stocks and shares-based product over the long term (more than 10 years) than you would from a savings account.

If you are employed, you should consider the potential availability of a workplace pension scheme through your employer which provides employer matched contributions and your tax position. If you save in a Lifetime ISA instead of enrolling in, or contributing to, a pension scheme from your employer or personal pension scheme:

- you may lose the benefit of contributions by an employer (if any) to that scheme
- your current or future entitlement to means tested benefits may be affected (these depend on the amount of income and capital you have, which includes savings).

**Please be aware that the information we have provided is not advice. If you're considering varying your existing pension arrangements as part of a decision to invest in a Lifetime ISA, you should seek independent financial advice before making any changes. If you don't fully understand the pension and tax rules when making changes, you may not optimise your retirement savings and may face an income shortfall in retirement.**

## J - What might my Lifetime ISA be worth when I am age 60?

The following table is designed to help you understand what the value of a Lifetime ISA might be at age 60, depending on the age at which saving starts and assuming the maximum annual subscription at the beginning of each tax year up to age 50 and receipt of the Lifetime ISA government bonus. This is based on the current allowance and bonus levels and assumes they do not change. It may not be relevant if you are saving in a Lifetime ISA for house purchase.

The estimated figures in columns 4 and 5 are based on standardised rates of return, which may not reflect actual or expected returns for your choice of investment for a Lifetime ISA and include the effect of inflation. They are not based on the rate of interest offered.

Column 6 shows how inflation (assumed at 2.5%) and charges could affect the returns from a Lifetime ISA. As the Skipton Online Cash Lifetime ISA has no management charges, these have not been included; it's worth bearing in mind that charges will normally apply for Stocks and Shares Lifetime ISAs.

You can use the figures in column 6 to compare the returns from a Lifetime ISA without management charges offering a 5% return to other Lifetime ISAs or long-term savings products. This is not representative of the return currently offered by the Skipton Online Cash Lifetime ISA which is less than the 5% used in the illustration. If you use our Online Cash Lifetime ISA to save for your retirement, the estimated outcome at age 60 could be significantly less than the figures provided in column 5.

1. Age saving in a Lifetime ISA started	2. Total amount paid in by Lifetime ISA saver/investor	3. Total amount paid in, plus Lifetime ISA government bonus	4. Estimated outcome at age 60 from 0% return	5. Estimated outcome at age 60 from 5% return	6. Charges and estimated inflation would reduce a 5% return to
18	£128,000	£160,000	£84,051	£315,887	2.50%
25	£100,000	£125,000	£70,995	£224,090	2.50%
30	£80,000	£100,000	£60,147	£167,584	2.50%
35	£60,000	£75,000	£47,834	£117,641	2.50%
40	£40,000	£50,000	£33,860	£73,499	2.50%

## K - Can I open both a Lifetime ISA and a Help to Buy ISA?

Yes, but you can only use the bonus from one of these to buy your first home. The government withdrew Help to Buy ISAs from sale on 30 November 2019, but you'll be able to keep saving into your existing Help to Buy ISA until 30 November 2029. Further information can be found at: <https://www.help-tobuy.gov.uk/help-to-buy-isa/how-does-it-work>. We take no responsibility for the accuracy of this information.

### L - Can I transfer my existing Help to Buy ISA to a Skipton Cash Lifetime ISA?

Yes. We reserve the right to withdraw this facility at any time. If this happens, we'll contact any customers we have received the transfer document from to explain the options available. Any payments into, or interest added, to your Help to Buy ISA which you transfer to a Lifetime ISA will be treated as part of your annual £4,000 Lifetime ISA allowance.

### M - Does a Lifetime ISA allow flexible withdrawals?

No, Lifetime ISAs don't offer flexible withdrawal facilities. If you make a withdrawal, the 25% government withdrawal charge will be applied, unless one of the exceptions in **section B** applies.

### What if I take a Skipton mortgage?

- Subject to our normal affordability assessment and lending criteria at the time, Skipton Lifetime ISA customers who are buying their first home with a Skipton mortgage will be eligible for a £250 cashback following completion of their mortgage.
- This offer is only valid for Skipton first time buyer mortgages completing from 6 April 2018 to 30 June 2027.
- Cashback will be paid for new mortgages where at least one of the applicants is a Skipton Lifetime ISA customer buying their first home.
- If the mortgage is in joint names and with another Skipton Lifetime ISA holder, only one cashback amount will be paid.
- Cashback will only be available once.

**YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.**

## Important information about ISAs

### How much can I save in an ISA?

- The government currently sets a tax-free allowance that you can save in an Individual Savings Account (ISA) each tax year (6 April – 5 April). The allowance for the 2021/2022 tax year is £20,000.
- You can split your ISA allowance however you like between a Cash ISA, a Stocks and Shares ISA, a Lifetime ISA (if you are aged 18-39. Maximum subscription £4,000 in the 2021/2022 tax year) and an Innovative Finance ISA, as long as you don't subscribe to more than one of each type in the same tax year and don't go over the maximum overall limit.

Here are some examples of how you could do this:

Example	Cash ISA	Stocks and Shares ISA	Innovative Finance ISA	Lifetime ISA	Total
1	Nil	£20,000	Nil	Nil	£20,000
2	£8,000	£6,000	£6,000	Nil	£20,000
3	£20,000	Nil	Nil	Nil	£20,000
4	£5,000	£11,000	Nil	£4,000	£20,000

### How do I transfer my existing ISA to a Skipton Online Cash Lifetime ISA?

**Step 1:** Log into Skipton Online, choose the Lifetime ISA you want to transfer to and select the Lifetime ISA 'Transfer In' option.

**Step 2:** Send your completed forms to us or drop them off in branch and we'll take care of the rest. Transferring your ISA this way means your savings will stay tax-free. If you want to transfer your savings from another type of ISA into a Lifetime ISA, you can only transfer up to the £4,000 annual subscription limit. The table overleaf shows how current and previous years' ISA allowances are treated.

**Please see section L for information on transferring from a Help to Buy ISA.**

Type of subscription/payment	Does it count towards my annual overall ISA subscription if paid into a Lifetime ISA?	Does it count towards the current tax year Lifetime ISA allowance?
Transfer of previous year's ISA	No	Yes
Transfer of current year's ISA	Yes (when initially paid into an ISA which is not a Lifetime ISA)	Yes (on transfer)

**Step 3:** Within 10 working days of receiving your transfer instruction, we'll send it to your current ISA provider and tell them we'll accept the transfer. When your current ISA provider has transferred your money to us along with the information we need, we'll add the money into your ISA within three working days. We'll backdate the interest either to the date on the cheque sent by your current ISA provider, or to the 30th day after we've received your instruction. A transfer to a Lifetime ISA can take up to 30 days from when the transfer request is received by the existing ISA provider.

We can also keep you updated by text message on how your ISA transfer is progressing. If you choose this service, we'll send you a message when the transfer request has been input on our system and a final message to confirm when we've received the money from your current ISA provider.

We reserve the right to withdraw the facility to transfer ISAs in at any time.

### **Can I transfer my Skipton Online Cash Lifetime ISA to another provider?**

We'd love you to stay with us and if there's anything you're not happy about, we're here to help. However, you can transfer your Skipton Online Cash Lifetime ISA to another ISA provider. The rules for Lifetime ISA transfers are as follows:

- if you wish to transfer your account to another Lifetime ISA provider, please contact your new provider. On receipt of a transfer instruction from them, we'll transfer your account within a time stipulated by you or 30 working days, whichever is later, and your savings will remain tax-free (providing the transfer is in accordance with ISA Regulations)
- if you wish to transfer your Lifetime ISA to an ISA of another type, the 25% government withdrawal charge will apply to the amount transferred. If you transfer current year's Lifetime ISA subscriptions to a different type of ISA, you will not be able to pay into another Lifetime ISA during the same tax year.

### **Can I cancel my account?**

If you have opened a new Online Cash Lifetime ISA with money not previously held in an ISA, you have 30 days from account opening to change your mind. You can cancel your account by letting us know in writing during this period and your cancelled ISA won't count as a Lifetime ISA subscription and you will be able to open another Lifetime ISA in that tax year if you're still eligible. Any interest that you've earned during this period will be paid gross, which means no tax is deducted. It's your responsibility to pay any tax due, based on your individual circumstances.

### **What if I'm new to Skipton?**

If you are not an existing customer of the Society, we will require your National Insurance number, confirmation of address and some form of identification to open the account. If you're on the electoral roll for your current address, we may be able to verify your identification electronically. Otherwise, you'll need to provide us with proof of ID as set out in our 'Proving your Identity' document or at [skipton.co.uk/identity](http://skipton.co.uk/identity).

### **The Financial Services Compensation Scheme**

This account is covered by The Financial Services Compensation Scheme. For more information please call us on 0345 850 1722, ask in branch or visit [skipton.co.uk/FSCS](http://skipton.co.uk/FSCS).

### **Let us know what you think**

If you are not satisfied with our services, we have an internal complaints procedure. For more information, please call us on 0345 850 1722, ask in branch or visit [skipton.co.uk](http://skipton.co.uk). The Financial Ombudsman Service provides a free and independent service for consumers, and can be contacted at The Financial Ombudsman Service, Exchange Tower, London E14 9SR. Telephone: 0800 023 4567 or visit [www.financial-ombudsman.org.uk/FSCS](http://www.financial-ombudsman.org.uk/FSCS).

The Financial Conduct Authority is a financial services regulator. It requires us, Skipton Building Society, to give you this important information to help you decide whether our Online Cash Lifetime ISA Issue 3 is right for you. You should read this document carefully so that you understand what you are buying and then keep it safe for future reference.

## **Further terms and conditions for our Online Cash Lifetime ISA**

### **1. What terms apply?**

- 1.1. This document must be read with our Savings Account Terms and Conditions (which apply to all our savings accounts and are available on request or from our website). Before opening an account, we strongly advise for your own benefit and protection that you read all the terms and conditions as you will be legally bound by them and we intend to rely on them. If you don't understand any point, please ask for further information.

### **2. Operation of the account**

- 2.1. If you are not a UK resident, you may still be able to open this account if you meet the government's Lifetime ISA requirements. Please see the Lifetime ISA Declaration for more details.
- 2.2. If you apply for an account and don't pay in any money, provide ID if required, or if your details don't match with HMRC records and you don't correct them, we will close your account after 60 days and you won't have subscribed to a Lifetime ISA in that particular tax year. If you're applying and are approaching your 40th birthday, please make sure you pay into the account before you turn 40 to ensure you don't miss qualifying for your Lifetime ISA.
- 2.3. The account must be in your own name and not be held for the benefit of anyone else including being used as security for a loan.
- 2.4. We will operate the account in accordance with government legislation and HMRC regulations and guidance.
- 2.5. If you breach the ISA Regulations or become bankrupt, we may have to void your account. If this happens, we will notify you. You may then have to pay tax on the interest earned.

- 2.6. The account holder must not subscribe to more than one Lifetime ISA in any one tax year.
- 2.7. We will satisfy ourselves that anyone we delegate our functions or responsibilities to under the terms agreed is competent to carry them out.
- 2.8. If HMRC rejects an application for a bonus payment it will set out its reasons and we will inform you within 14 days of notification from HMRC. You may apply to HMRC within 90 days asking them to reassess their decision. If you are successful, HMRC will ask us to reapply for the bonus.
- 2.9. If a government bonus has wrongly been paid, or a government withdrawal charge has not been applied when it should have been, HMRC can recoup the amount from you. If instructed by HMRC, we are obliged to recoup the amount due to HMRC from your account.
- 2.10. In the event of death, interest due up to the date of death will be paid into the account. The account will transfer to a new easy access Cash ISA from the date of death and will be dealt with in accordance with HMRC regulations and guidance. If this happens, we'll advise your personal representatives of the new rate and terms of the account.
- 2.11. The account opening date is the date that we receive your first payment. This is the date your 12-month period starts if you want to make a withdrawal for a first house purchase. If we don't receive your first payment within 60 days of application, the account will be cancelled.
- 2.12. No passbook will be issued for this account. If you cease to be eligible for an online account, we will change your account to a suitable alternative account.
- 2.13. Any electronic payment statements or annual statements will be provided/available online only.
- 2.14. The first payment into the account can be by debit card, transfer from another Skipton account or electronic payment (but not Direct Debit) from another UK bank or building society. You can also transfer ISA savings in from other ISAs using our ISA transfer service. After your initial payment, you can also pay in by cash (in branch only, and we'll need to see some photographic ID for the first cash payment), cheque (in branch or by post) or by standing order.
- 2.15. Payments into your account by internal transfer from another online Skipton account are subject to the terms and conditions of that account and in particular any notice period or restrictions on withdrawals. Please contact us if you want to transfer from a non-online Skipton account.

### **3. Savings account limits**

- 3.1. The maximum balance can only be exceeded with any interest and government bonus added to your account.
- 3.2. Electronic payments which don't comply with the minimum and maximum limits will be returned to their source automatically.
- 3.3. The maximum amount any one saver can hold across all their Skipton savings accounts, for example, fixed and variable rates, including Cash ISAs, is £5 million. If any of your accounts is a joint account, the total balance held within it will be treated as if it is split equally between each of the account holders for this purpose only. For example, if you are one of three account holders on a joint account containing £9 million, £3 million of that will count towards your personal limit, meaning you can save up to £2 million in any other Skipton savings account(s). This limit can only be exceeded with any interest added to your account(s).

### **4. Withdrawals**

- 4.1. If you instruct us to close your account, all of the money in your account, together with interest earned and the government bonus, but minus the government withdrawal charge where this applies, will be paid to you within the time stipulated by you or within five days of receiving your request, whichever is longer. You won't be able to replace the amount withdrawn in the future. If a government withdrawal charge applies, we will contact you to confirm your acceptance. The withdrawal will not take place until we receive your confirmation. Please see **section E** for timescales relating to withdrawals for a first house purchase.
- 4.2. You can only apply to withdraw up to your cleared balance. We will cancel any withdrawal that exceeds this. If the government withdrawal charge applies, this will be deducted from the amount withdrawn.
- 4.3. Subject to the government withdrawal charge if applicable, withdrawals from your account, including closure, can be made by:
  - cheque
  - electronic payment (but not CHAPS or Direct Debit) to up to two nominated UK bank or building society accounts in your name
  - transfer to another Skipton account in your name (subject to the terms and conditions of that account)
  - in the case of withdrawals for first house purchase, electronic payment (but not Direct Debit) to your conveyancer
  - ISA transfer to another provider.
- 4.4. You can make a withdrawal request by calling 0345 607 9755 or by sending us a secure message.
- 4.5. If at any time you believe a government withdrawal charge has been wrongly made, you may apply within four years of the charge being made to HMRC for a refund of the charge.

4.6. If you are diagnosed with a terminal illness and are expected to have less than 12 months left to live, unlimited withdrawals may be made without the government withdrawal charge, as long as we have received written evidence from a UK registered medical practitioner (or equivalent if living overseas).

**5. Payment of interest to another account**

5.1. Interest may not be paid into another Skipton account or any other building society or bank account, as payments out incur the 25% government withdrawal charge.

**6. Non-payment account**

6.1. This account is a savings account and must not be used for multiple monthly transactions like a current account. It isn't a Payment Account for the purposes of the Payment Services Regulations 2017.

**7. Membership rights and the Society's Rules**

7.1. This account is a share account, which confers membership rights and is subject to the Rules of the Society. You can get copies of the Rules from our website, any branch or from our principal office.

Skipton Building Society is a member of the Building Societies Association. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, under registration number 153706, for accepting deposits, advising on and arranging mortgages and providing Restricted financial advice. Principal Office, The Bailey, Skipton, North Yorkshire BD23 1DN.

