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CHANGES

FOR ALL

SAVERS

from 6 April 2016

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the
COVENTRY
TLC not PLC

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This is important information you need to know

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You save with us, and probably other banks and building societies, so you need to know about these changes to savings. They were announced by the Government in the Budget in March 2015 and come into effect from 6 April 2016. They affect everyone with savings accounts in the UK. The information in this leaflet is based on what we know at the moment (February 2016) and may change as the Government finalises the details.

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What's in this booklet

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Quick facts

As a saver with the Coventry, these are the top four things you need to know about the changes for savers in 2016:



The Government is introducing a Personal Savings Allowance - how much interest you can earn without paying tax

From 6 April 2016, if you're a basic rate tax-payer, you can earn up to £1,000 interest per year on your savings without paying any tax. If you're a higher rate tax-payer, it's £500. For roughly 95% of us in the UK, this means we get to keep all of the interest on our savings - see page 4.



You only need to pay tax on any interest you earn above your Personal Savings Allowance

You'll be responsible for making sure you're paying the correct tax. From 6 April 2016, all banks and building societies will stop taking tax from interest earned on non-ISA savings.



You can still save £15,240 in ISAs this tax year

The annual ISA allowance for the 2016/2017 tax year is £15,240. For Junior ISAs, it's £4,080. All interest on ISAs is tax-free and there are other benefits too - see page 7.



Some ISAs will become 'flexible' - you'll be able to take money out and replace it

You'll be able to take money out and put it back in later, without it counting any further towards your annual ISA allowance - as long as you pay the money back in before the end of the same tax year. See page 8.

Nearly all variable rate Coventry ISAs will become flexible. If you have a Coventry ISA and we're adding flexibility, we'll write to you to explain what's changing.



Personal Savings Allowance

It's how much interest you can earn without paying tax

From 6 April 2016, the Government is introducing a Personal Savings Allowance.

If your total taxable income is less than £17,000 a year, you won't need to pay any tax on your savings interest. If you're a **basic rate tax-payer**, you can earn up to **£1,000** interest per year on all your savings without paying any tax. If you're a **higher rate tax-payer**, it's **£500**.

Your Personal Savings Allowance covers the interest you earn on all your non-ISA accounts with all banks and building societies.

Interest on ISAs is tax-free and it **doesn't count** towards your Personal Savings Allowance.

Your Personal Savings Allowance depends on your total taxable income (which includes income from interest on savings):

Total taxable income	Less than £17,000	£17,000 to £43,000	£43,001 to £150,000	£150,000+
Tax Rate	Zero or basic rate 20%	Basic rate 20%	Higher rate 40%	Additional rate 45%
Personal Savings Allowance	Not applicable - you won't need to pay tax on your interest	£1,000	£500	Not applicable - you'll need to pay tax on all your savings interest

You'll only need to pay tax on any interest you earn above your Personal Savings Allowance:

Until 5 April 2016, banks and building societies will continue to take 20% tax off your interest before you receive it, unless your account is an ISA or you've registered a form R85 to have your interest paid gross. From 6 April 2016, all banks and building societies will stop taking tax from the interest paid on your non-ISA savings. And we'll give HMRC information about how much interest our savers earn.



If the interest you earn in a year is...

LESS

than your Personal Savings Allowance



You don't need to do anything.
You don't need to tell HMRC.

MORE

than your Personal Savings Allowance



HMRC will normally collect the tax by changing your tax code. If you fill in a Self Assessment tax return, you should carry on doing that as normal.

For more information, visit www.gov.uk and type 'personal savings allowance' in the search box.

Personal Savings Allowance Q&A

Does this affect me?

Yes. It affects everyone with a non-ISA savings or current account

From 6 April 2016, everyone with non-ISA savings or current accounts in the UK will have the interest paid gross (without tax taken off) and you'll be responsible for paying any tax you owe on the interest.

Everyone who earns less than £150,000 will either pay no tax on their savings interest or only pay tax on the amount of interest above their Personal Savings Allowance (see pages 4 and 5).

Do the savings in my ISA(s) affect my Personal Savings Allowance?

No

The interest on ISAs is tax-free and it doesn't count towards your Personal Savings Allowance.

Do the savings in my Offset Savings Account affect my Personal Savings Allowance?

No

If you have an Offset mortgage with us, your savings in the Offset Savings Account aren't earning interest because they're offsetting the interest on your mortgage. Your Personal Savings Allowance is only about the interest you earn, not about the amount of money you have.

Now that I don't have to pay tax on my interest, do I still need an ISA?

Maybe. It depends what's right for you

For many people, ISAs are still an attractive way to save because:



Your situation might change

With your savings in an ISA, you won't pay tax on your interest, even if your income takes you into a higher tax band (which reduces your Personal Savings Allowance).



Interest rates might go up

For example, if the interest rate on your savings is 1.50% AER, you'd need to have around £67,000 saved for a year to go over the £1,000 Personal Savings Allowance. If interest rates go up to 4.00% AER, you'd reach this allowance if you have £25,000 saved for a year.



Your spouse can inherit an additional ISA allowance equal to your ISA savings

But they can't inherit your Personal Savings Allowance.



With a fixed-rate ISA, you're allowed to move your money

If you choose a 'fixed term' non-ISA savings account, you may have no access to your money until the end of the term. But banks/building societies can't do this with ISAs - they have to allow you to access your money (although there might be a notice period or charge).

Find out more about the ISAs we're currently offering:
thecoventry.co.uk/savings

Making ISAs flexible



From 6 April 2016, some ISAs will offer you the flexibility to take money out and put it back in later, without it counting any further towards your annual ISA allowance - as long as you pay the money back in before the end of the same tax year. This is a big change because previously everything you paid in counted towards your annual ISA allowance, even if you took money out in the same tax year.

If your ISA becomes a 'flexible ISA', you'll be able to create a 'flexible ISA allowance' in addition to your annual ISA allowance. Here's how it works:

Annual ISA allowance

This is the amount of 'new' savings you may pay into ISAs each tax year. This allowance is set by the Government and is the same for everyone. You'll be able to pay into a cash ISA, a stocks and shares ISA or an innovative finance ISA (see page 14). You can split your allowance across all three types. For the 2015/2016 and 2016/2017 tax years, the ISA allowance is £15,240.

If your ISA becomes flexible, your annual ISA allowance will be 'flexible' because you can pay in and take money out as many times as you like, as long as you never go over your annual ISA allowance:



Flexible ISA allowance

This is the amount of previous years' ISA savings you've taken out of your flexible ISA in the current tax year, which you may replace if you wish. On 6 April every year, your flexible ISA allowance will be reset at zero.



As always with ISAs,

the Government set the rules:

ISA allowances are flexible only within the same tax year

If you take money out of your flexible ISA and want to put back some or all of it, you must do it in the same tax year that you make the withdrawal, otherwise it counts towards your annual ISA allowance for the new tax year.

Paying in counts towards flexible allowance first, annual allowance second

If you take money out of your flexible ISA, any money you later pay in will come off your flexible ISA allowance first, not your annual ISA allowance. (See examples on the next page.)

Your allowances are reset every year

On 6 April every year, your flexible allowance is reset to zero, and your annual allowance is the amount set by the Government.

Flexible allowances are non-transferable

You can't transfer a flexible ISA allowance to another ISA or to another person.

'Inactive' ISAs can become flexible

Under HMRC rules, an ISA will become 'inactive' at the end of a tax year if you haven't paid in any of your annual ISA allowance during that tax year. If the ISA becomes flexible, you can still take money out of your previous years' ISA savings, and pay back in up to your flexible ISA allowance.

If you'd like to use your inactive Coventry ISA for your current year's ISA allowance (and the account's terms allow it), we'll need to re-register it for you. Call us on **0800 121 8899** to find out what's possible, and to re-register if applicable.

HOW MUCH YOU CAN PAY IN



AMOUNT
IN YOUR
ISA

ANNUAL ISA
ALLOWANCE
REMAINING

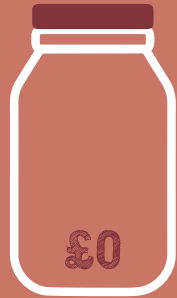
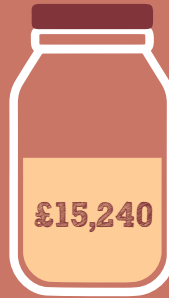
FLEXIBLE
ISA
ALLOWANCE

01 →

Let's say on 6 April 2016, you already have £22,000 saved in an ISA.

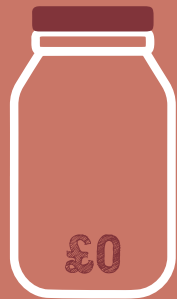
Your annual ISA allowance for the 2016/2017 tax year is £15,240.

Your flexible ISA allowance for this ISA is currently zero because you haven't taken any money out.



02 →

If you pay in £10,000: You have £5,240 remaining of your annual ISA allowance.



So far, this is the same as how ISAs work today...

HOW MUCH YOU CAN PAY IN

AMOUNT
IN YOUR
ISA

ANNUAL ISA
ALLOWANCE
REMAINING

FLEXIBLE
ISA
ALLOWANCE

03 →

If you then take out £15,000:

You've created a flexible allowance of £5,000, and you have your full annual ISA allowance available.



If you pay in any money later in this tax year, it comes off your flexible allowance first, then your annual ISA allowance.

04 →

So if you pay in £2,000:

Your flexible allowance is now £3,000



2017
6 APRIL

On 6 April 2017, your annual ISA allowance will be an amount set by the Government. Your flexible ISA allowance for the next tax year will be reset to zero.

Still not sure how it works?

Pop into any branch or call us and we'll go through it with you.

Flexible ISAs



Q Does this affect my Coventry ISA?

A **Maybe.** Nearly all of our variable rate ISAs will become flexible. If we're adding flexibility to your ISA, we'll write to you to explain the changes before the new tax year. If you have a Coventry fixed rate ISA, it won't become flexible. This is because our fixed rate ISAs aren't designed for regular payments and withdrawals.

Q My child has a Junior ISA – does this affect their account?

A **No.** It's not possible to take money out of a Junior ISA with any provider until the young person reaches 18, so Junior ISAs can't become flexible.

Q What's my annual ISA allowance? Does it include my interest? Is my annual ISA allowance flexible?

A For the 2015/2016 and 2016/2017 tax years, it's **£15,240**. This allowance doesn't include your interest - it only relates to the amount you're allowed to pay in, not to any interest you earn on it. If your ISA is flexible, you can pay in and take money out as many times as you like, as long as you never go over your annual ISA allowance.

Q My interest is paid away – does this count as taking money out?

A **Yes.** If your ISA is flexible, you may pay in money to replace interest paid to an account elsewhere without it counting as part of your annual ISA allowance, as long as you do this before the end of the same tax year.



How can I keep track of how much I can pay into my Coventry ISA?



It's easy. If you use Online Services, log in to see all the details about your ISA. You can also ask us at any branch or call us on **0800 121 8899**. If you accidentally make a payment which takes your balance over the annual ISA allowance, don't worry - we automatically return the whole payment.



Can I transfer my annual ISA allowance to another provider?



Yes. You can transfer your current year's ISA savings in full to another ISA with the same or a different provider, and you can continue saving up to your annual ISA allowance in the new ISA. Make sure you check the terms and conditions of the ISA you're transferring from, in case there's a notice period or charge.



Can I transfer my flexible ISA allowance to another provider?



No. You create a flexible ISA allowance when you take out money from your previous years' savings - this allowance only applies to that ISA. If you transfer the ISA to another provider and close the account, you lose any flexible ISA allowance you've created.



I have more questions about ISAs...



Get in touch with us at any branch or call us on **0800 121 8899**. You can find out more about how ISAs work at the Government's website: **www.gov.uk** (type 'ISA' in the search box).

ISAs and Junior ISAs



The annual ISA allowance for the 2016/2017 tax year is £15,240. You can split your allowance across the three types of ISA: cash, stocks and shares, and innovative finance (see below). But you're only allowed to pay into one of each type in any tax year.

For Junior ISAs, the annual ISA allowance for the 2016/2017 tax year is £4,080.

Help to Buy ISAs



Help to Buy ISAs are a type of cash ISA. The Government announced the scheme in the Budget in March 2015 and the first accounts were available from 1 December 2015. At the Coventry, we're not offering Help to Buy ISAs.

To find out more, visit www.helpstobuy.gov.uk

Innovative Finance ISAs



From 6 April 2016, there'll be another type of ISA: innovative finance ISAs, which are for peer-to-peer lending. We won't be offering this type of ISA.

You can find out more about them by visiting: www.gov.uk and typing 'innovative finance ISA' in the search box.

Your savings are protected



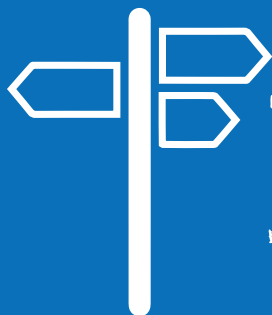
BUT REMEMBER:

The FSCS limit changed on 1 January 2016

We're covered by the Financial Services Compensation Scheme (FSCS). On 1 January 2016, the FSCS reduced the compensation limit from £85,000 to £75,000. This change brought the UK into line with a European regulation which sets the limit at €100,000 or equivalent per person.

The FSCS limit is per person and per institution. Your savings stay covered if you have a temporary high balance of up to £1 million in certain cases, for example: selling a house, getting married or divorced, or inheriting.

Ask us for more information or visit the FSCS website:
fscs.org.uk



We're here to help

If you have any questions about your Coventry accounts, the new Personal Savings Allowance or flexible ISAs, get in touch with us at any branch or call **0800 121 8899**.

We're always happy to help.

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. For more information, speak to our specialists at any branch or by telephone.

Our Customer Service Centre is open Monday to Friday 8am-8pm, Saturday 9am-5pm, Sunday 10am-4pm. Calls to 0800 numbers are free when made from the UK. You may be charged for calls to all other numbers, please contact your service provider for further details. We may monitor, record, store and use telephone calls to help improve our service and as a record of our conversation.

Information correct at time of printing (February 2016).

Get in touch



At a branch

For details of our opening hours, visit thecoventry.co.uk/branch-finder



Online

Visit us at thecoventry.co.uk



By phone

Call us on 0800 121 8899



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