

# A guide to Cash Lifetime ISAs



## The Financial Services Compensation Scheme (FSCS) explained

We're authorised by the Financial Conduct Authority and regulated by the Prudential Regulations Authority. One of the reasons this is important is this means your eligible deposits with us, up to £85,000, are covered by the Financial Services Compensation Scheme (FSCS).

The FSCS is funded by the financial services industry and is free to consumers. It is the body which gives you automatic protection of your savings up to £85,000 if your bank, building society or credit union goes out of business – and you'll normally get your money back within seven days. It is there to protect your savings.

Single account holders are entitled to claim up to £85,000. For joint accounts, each account holder is treated as having a claim in respect of their share so, for a joint account held by two eligible depositors, the maximum amount that could be claimed would be £85,000 each, making a total of £170,000.

For further information about the compensation provided by the FSCS (including the amounts covered and how to claim);

visit [www.paragonbank.co.uk](http://www.paragonbank.co.uk)

refer to the FSCS website [www.fscs.org.uk](http://www.fscs.org.uk)

or call the FSCS on **0800 678 1100** or **020 7741 4100**.

Please note only compensation related queries should be directed to the FSCS.



Protected



## THANK YOU FOR CHOOSING TO SAVE WITH US.

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We're proud to offer simple, straightforward savings accounts to help you make the most of your money.

We are part of Paragon Banking Group, a FTSE 250 company with over 30 years' experience in the finance industry. So, you can be sure you're in safe hands.

This guide is designed to help you understand and manage your Paragon Cash Lifetime ISA. There are some handy tips and important information you may need to look back on.

**If you require large print, braille or an audio version then please call us on 0800 052 2222 and we will send you a copy.**







## Lifetime ISA (LISAs)

Lifetime ISAs (known as LISAs) are ISAs created to help you save for your first home or retirement. If you take out a Lifetime ISA, the Government will give you a bonus worth 25% of what you pay in, up to a set limit, every tax year.



**25% government bonus on the money you invest**



**Open a new LISA 18-39 or transfer an existing LISA from the age of 18**



**Apply and manage your Lifetime ISA online**

# What's in this guide?

## **The rules on Cash Lifetime ISAs**

Applying and using a Lifetime ISA, the government bonus, allowances and rules

## **Making deposits to your Lifetime ISA**

Deposits and ways you can make them

## **Transferring a Lifetime ISA**

Transferring a Lifetime ISA to and from Paragon

## **Using your Lifetime ISA funds**

Purchasing your first home and withdrawals for retirement

## **Managing your account**

How to use our secure online system

## **Making a complaint**

# The rules on Cash Lifetime ISAs

These are the rules about Lifetime ISAs which are set by the government. You should make sure you understand them.

## Applying for a Lifetime ISA

### Age 18 to 39

- ✓ You can open a new Lifetime ISA



### Age 40 to 49

- ✗ You can't open a new Lifetime ISA
- ✓ You can transfer your existing one
- ✓ Additional deposits are allowed
- ✓ Keep earning the government bonus
- ✓ Keep earning interest on your balance



### Age 50 to 59

- ✗ You can't open a new Lifetime ISA
- ✓ You can transfer your existing one
- ✗ Additional deposits are not allowed
- ✗ You won't earn the government bonus
- ✓ Keep earning interest on your balance



### Age 60 and over

- ✗ You can't open a new Lifetime ISA
- ✓ You can transfer your existing one
- ✗ Additional deposits are not allowed
- ✗ You won't earn the government bonus
- ✓ Keep earning interest on your balance
- ✓ Unlimited access to your LISA fund

# Using a Lifetime ISA

You can only use your Lifetime ISA funds towards buying your first home or to save towards retirement.

## If you're saving for your first home

- You must be a UK resident, unless you or your spouse/civil partner is serving overseas for the UK Crown
- You can't have previously owned a property in the UK or abroad
- The property you buy has to be in the UK and cost less than £450,000
- The property will be your main residence immediately on completion
- The property is purchased through a residential mortgage unless you or your spouse/civil partner is serving overseas for the UK Crown and you plan for the property to be your main residence when you return
- You must buy the property through a solicitor or conveyancer
- You can't act as your own conveyancer
- You must have made your first deposit into a Lifetime ISA at least 12 months before instructing your conveyancer

## If you're saving towards your retirement

From your 60th birthday you'll get unlimited, unrestricted access to all your LISA funds. You don't have to be retired at this point or take all your funds at once. Any money you decide to leave in your LISA will keep earning interest, but you can't make additional deposits or earn the government bonus anymore.

## The government bonus

The government will give you a 25% bonus on your LISA deposits until your 50th birthday.

If you deposit the maximum £4,000 in a tax year, you'll earn £1,000 in government bonus that tax year. Once the bonus is in, it'll count as funds in your LISA so you'll also earn interest on it too.

It's calculated monthly by the government and we will claim it for you every month you make a contribution to your LISA.

You will earn the same bonus if you spread your deposits out over the tax year or make a deposit in one lump sum.

HMRC will calculate bonus payments on a month-by-month basis. Your bonus is calculated on any payments you make into your account from the 6th of the month to the 5th of the following month.

## The government withdrawal charge

The government withdrawal charge is a 25% charge on any non-qualifying amount you withdraw.

The government withdrawal charge will not apply:

- If you use your Cash Lifetime ISA to buy your first home at least 12 months after you make your first payment into a Lifetime ISA
- After you're 60 years old
- If you die or are diagnosed with a terminal illness and are expected to have less than 12 months to live

If you need access to your LISA for any other reason the government will charge you 25% of the amount you withdraw.

### Here's how it works:



You save **£800** which is topped up by your **25%** government bonus.



Giving you a pot of **£1,000** plus interest.



If you want to withdraw the whole **£1,000** the government will charge you **25%** of the balance you withdraw.



That will leave you with **£750** which is **£50** less than you originally deposited.

**This means you could end up with less money that you originally put in.**

This example does not include any interest earned.



## When your government bonus is paid

We will claim the government bonus from HMRC. It will be paid into your LISA within 4-9 weeks of your deposit.

The bonus is paid on all contributions you make before you reach the age of 50. From the ages of 50-60 you will still earn interest on your balance but will no longer receive the government bonus.

## Lifetime ISA allowances

The government limit on LISA deposits is £4,000 per tax year. Remember, the government can change this limit in the future.

Your annual LISA allowance is part of your annual ISA allowance, which is £20,000. So, if you deposit the maximum into your LISA you can only deposit £16,000 into a different type of ISA.

The tax year runs from the 6th April to the 5th April the following year.

You can keep depositing in your LISA each tax year from the age of 18 to your 50th birthday. After your 50th birthday you can't deposit any more into your LISA. You won't earn the government bonus either, but your funds will keep earning interest.

## ISA rules

Your Lifetime ISA is an ISA, so the ISA rules also apply. The interest you earn is tax-free, so you won't pay income tax on it.

It also means that the funds you deposit into your LISA form part of your annual ISA allowance which is set by the government. Remember the government can change the annual ISA allowance.



# Making deposits to your LISA

## Deposits

Your LISA isn't officially open until you either make your opening deposit or your existing LISA is successfully transferred to Paragon.

All your deposits must come from your nominated bank account.

Your opening deposit must reach us before your 40th birthday, and within 28 days of the date you applied or your application will be closed, and you'll need to reapply.

You can make as many deposits as you like up to the £4,000 annual LISA allowance. All of your LISA deposits count towards your annual ISA allowance.

You can keep making deposits into your LISA up to your 50th birthday. After your 50th birthday you can't deposit any more money into a LISA, you won't earn the annual government bonus but your LISA will keep earning interest. At the age of 60 you can have unlimited access to your LISA funds, they'll keep earning interest until you withdraw.

## How to make your opening deposits



### Electronic bank transfers

Simply set up a deposit from your nominated bank account using these account details, and your Paragon Savings account/application number as the reference. Without the correct payment reference there may be a delay in processing your deposit, or we may have to return your funds.

Sort code **40-02-50**

Name of payee **Paragon Bank PLC**

Account number **31344897**

Reference **Your Paragon application / account number\***

#### **Important**

*We have a payment clearing relationship with HSBC. As a result, when you deposit funds electronically, the sort code will appear as HSBC Bank PLC. We will always ask you to use these details. If you're ever asked to send money using different payment details, please contact us immediately.*



### Cheque

Cheques must be from your nominated bank account and made payable to:

**Paragon Bank re: your name and Paragon application/account number\***

eg 'Paragon Bank re Mr A Smith 123456789'

Please send freepost to: RTEX-LLUT-KKKE, Paragon, PO Box 850, Wallsend NE28 5BJ

\*Your Paragon account number is your new payment reference. It replaces the temporary number you were sent via email when we received your application. Don't worry if you have sent a deposit using your temporary number it will still reach your Paragon account.

We all recognise that saving regularly is a good habit to have. So why not make the most of your Lifetime Cash ISA and set up a standing order? It's a convenient way of making additional deposits and keeping your savings topped up. You can do this directly with the bank of your nominated bank account.



## Transferring a Lifetime ISA

You can transfer an existing Lifetime ISA to Paragon anytime, and you can transfer your Paragon LISA to another provider too. If you do either directly through your providers you won't incur the 25% government penalty, but if you decide to withdraw and deposit into a different LISA you will.

If you transfer your LISA to a different type of ISA, it counts as a withdrawal and will be subject to the government withdrawal charge. Transferring your LISA to a stocks and shares ISA for instance will count as a withdrawal.

Transferring an existing Lifetime ISA is not the same as opening a new one. That's why although you can only open a new Lifetime ISA between the ages of 18-39, you can transfer your Lifetime ISA at any time.

## Transferring a Lifetime ISA to Paragon

It's easy to transfer your existing LISA from another provider to Paragon.

Just head over to our Cash Lifetime ISA page and choose to transfer a LISA. You'll complete an online application form which will start opening your Paragon LISA. You'll then need to complete and send us a LISA Transfer form.

We will contact your provider and arrange the transfer and will write to you to confirm when it's complete.

You won't be subject to the government withdrawal charge transferring like this. And, as long as you paid into your first LISA at least 12 months earlier, you'll be able to access your funds to buy your first home straight away.

You don't need to worry about your bonus when transferring your LISA. Any government bonus received by your original provider after the transfer will be sent to Paragon separately. We will claim your government bonus and apply it to your LISA with us going forward.

If you send any additional funds while your transfer is being processed, they'll be held and credited to your account once the transfer is complete. You will not earn interest on these funds until they have been credited.

If you want to transfer your existing LISA to Paragon, please visit [www.paragonbank.co.uk](https://www.paragonbank.co.uk)

## Transferring your Paragon Lifetime ISA to a new provider

You can transfer your Paragon LISA without incurring the government withdrawal charge. You'll need to initiate the transfer through your new provider, and we will transfer directly to them. We will write to you when your transfer is complete.

Any government bonus received by us while the transfer is being processed, will be sent to your new provider separately.

Remember if you transfer to any account other than a Lifetime ISA, this is classed as a withdrawal and is subject to the government withdrawal charge.





## Using your Lifetime ISA funds

Once you are ready you can use your Lifetime ISA to purchase your first home or after your 60th birthday.

### Using your Lifetime ISA to purchase your first home

The first step to buying your first home with your Lifetime ISA is to find out how much you can borrow. Speak to a professional, and ensure you've got the deposit you'll need.

Shop around to find your best mortgage offer, there are professionals who can help you.

We can't send your LISA funds directly to you, they have to be sent to a Conveyancer or Solicitor. To start the process, you will need to complete an Investor Declaration form and pass it to your conveyancer. They will then need to fill in a Conveyancer Declaration and send both to us to release your funds. You can find the declaration forms on our website in the document section.

You decide if you want to use all, or part of your LISA towards your home. Any funds you leave in your Lifetime ISA will be subject to the government withdrawal charge till your 60th birthday.

When we've received both forms we will release your funds to your conveyancer, this can take up to 30 days. You can withdraw as many times as you need from your LISA for your home purchase, we just need to receive both completed declarations each time up to your cleared balance.

Your conveyancer has 90 days to complete the purchase for you. If it's not possible to complete within 90 days your conveyancer needs to either return your LISA funds to us or apply for extended access.

If an extension is granted this gives an extra 30 days for the purchase to complete.

If the purchase falls through for any reason your conveyancer must return all the withdrawn funds to us to put back into your LISA. If they don't this will be classed as a withdrawal and the government withdrawal charge will apply on your total withdrawal. If they return less than what was originally withdrawn for the purchase the government withdrawal charge will apply on the difference.

If you're buying with someone else who is also a first time buyer, they can use funds from their own Lifetime ISA and the government bonus too.

If you have a Help to Buy ISA you can only use one government bonus, so be careful choosing.

There are some key criteria's you and the house you buy has to meet to be able use a Lifetime ISA to fund your first home:

- You must be a UK resident, unless you or your spouse/civil partner is serving overseas for the UK Crown
- You can't have previously owned a property in the UK or abroad
- The property you buy has to be in the UK and cost less than £450,000
- The property will be your main residence immediately on completion
- The property is purchased through a residential mortgage unless you or your spouse/civil partner is serving overseas for the UK Crown and you plan for the property to be your main residence when you return
- You must buy the property through a solicitor or conveyancer
- You can't act as your own conveyancer
- You must have made your first deposit into a Lifetime ISA at least 12 months before instructing your conveyancer

Investor Declaration and Conveyancer Declaration forms are available at [www.paragonbank.co.uk](http://www.paragonbank.co.uk)

## **How to withdraw your Lifetime ISA for your retirement**

After your 60th birthday you have fee-free access to all the money in your Lifetime ISA. Any money you choose to keep in your LISA after 60 will keep earning tax-free interest.

If you don't want to retire until after 60, this won't affect your Lifetime ISA. It simply means you'll have access to the money from aged 60.

To withdraw your savings once you have turned 60, simply login to your account and follow the on-screen instructions. The funds will then be paid into your nominated bank account.

### **Important**

*You should consider if saving in a Lifetime ISA is the right option for saving towards your retirement. If you decide to use your Lifetime ISA to save towards your retirement you should consider when you intend to retire, what other provisions for retirement you are making and whether a Lifetime ISA will meet your savings goals. A Cash Lifetime ISA may not be the best option for your retirement savings.*

*If you are employed, you should consider the potential availability of a workplace pension scheme through an employer which provides employer matched contributions, and your tax position. If you save in a Cash 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; and*
- *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)*

*If you're considering varying your existing pension arrangements as part of a decision to invest in a Cash Lifetime ISA, you should seek independent financial advice before making any changes.*

*Paragon encourages you to consider your Lifetime ISA subscription level in relation to your overall savings goals, your expected savings horizon and your financial circumstances as a whole, including other provisions for retirement. You should regularly review your ISA subscription levels and your financial circumstances.*

*The information we have provided is not advice.*

## **How many Lifetime ISAs can I have?**

You can have more than one LISA, but you can only fund one Lifetime ISA in any tax year.

That means if you open and fund a LISA with one provider but decide you'd rather have your LISA funds somewhere else, you'll have to transfer your original LISA in full to the new provider.

## **Cooling off period**

You have a 30 day cooling off period that starts from the date we receive your initial deposit, or when your transfer clears.

If you decide you don't want to open a LISA within that time, you can cancel it by sending us a secure message or write to us at RTEX-LLUT-KKKE, Paragon, PO Box 850, Wallsend NE28 5BJ

Cancelling like this 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.

You'll get back the full amount you paid in. You will not be entitled to the government bonus or interest within this period.



## Managing your account couldn't be easier.

Your Paragon Cash Lifetime ISA is managed through our secure online system. From here you can view your accounts, transfer your funds, check balances, and view or print statements. You can also manage your personal details, contact information and passwords.

### Logging in

You can log in to your account whenever you like using your username, password and memorable details. Your username was emailed to you, and you set up your password and memorable details when you applied.

When you log in, you can change your username, memorable details and password if you want. Simply head over to 'change my details' and follow the on screen instructions.

Don't worry if you've forgotten your username or password, you can request a reminder or reset from our login page.

## **Your nominated bank account**

We link each of our customers to a UK current account held in their name as a sole or joint holder, this is their nominated bank account. For your security and to help us comply with regulations, we can only move your money to and from your nominated bank account. That means we can only accept deposits from or transfer your money to your nominated bank account.

If you decide to open more than one savings account with us, you can only have one nominated bank account, so it'll need to be the same across all your Paragon accounts.

If you're new to Paragon you need to authenticate your nominated bank account. Don't worry, if that applies to you, we will send you a separate letter with instructions of how to do that.

## **Staying safe and secure**

We take security very seriously and all your information is held in the strictest confidence. We comply with the privacy standards followed by all major British financial institutions and constantly review and update our encryption systems to keep your information and money safe.

You are the only one who can access your account or authorise a transaction using your username, password and memorable data – provided you do not share this information with anyone else. To help you stay secure, we don't recommend you store your log in details together.

While you're logged in, if you leave your screen inactive you will be automatically logged out. You should always log off whenever you leave your computer, but this automatic time-out provides some additional protection.

We will only accept deposits and make withdrawals to your nominated bank account or another Paragon account. When making deposit, you will only be asked to use the details given in this pack, if you're ever asked to send money to different details please contact us immediately.

Your eligible deposits held with Paragon Bank are protected up to a total of £85,000 by the Financial Services Compensation Scheme (FSCS), the UK's deposit guarantee scheme.



# Making a complaint

We're committed to providing a high standard of service to our customers. If you feel this hasn't happened, we want you to tell us about it so we can work with you to understand what's happened and put it right.



## Contact us

The best way to get in touch is to call us, and we'll try to resolve the issue immediately. Contact details can be found on the back of this guide. If for any reason we can't, we'll do our very best to find a solution for you within three working days.



## When and how you'll hear from us

If we can resolve your complaint within three working days, we will send you written confirmation of this. Where we cannot resolve your complaint within three working days, we will send a written acknowledgment within five working days.

We will then undertake a full investigation to enable us to make an informed assessment of your complaint. We'll keep you updated on our progress and contact you if we need you to provide further information regarding the issues you have raised. We will provide a final response within eight weeks, but we aim to get your complaint resolved well before this time.

### **We will send you a final response which will;**

- Let you know the outcome of our investigation
- If appropriate, advise you of what we intend to do to rectify the problem
- If we disagree with your complaint, clearly explain why



## Referring your complaint

After our investigation, if you're still unhappy with our response to your complaint, you can choose to refer it to the Financial Ombudsman Service. They provide a free, independent service to help resolve complaints.

If you decide to refer your complaint after we've issued our final response, you should do so within six months of the date on our final response letter.



[www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)

☎ 0800 023 4567\*



Financial Ombudsman Service, Exchange Tower, London E14 9SR

*\*Calls may be recorded for training and monitoring purposes.*

## How to get in touch...



### Email

savings@online.paragonbank.co.uk



### Write (Freepost)

**RTEX-LLUT-KKKE,**  
Paragon, PO Box 850,  
Wallsend NE28 5BJ



### Secure message

**Online accounts only** - Log in to your account to send us a secure message



### Call our UK based team

**0800 052 2222**

Monday to Friday 8:00am to 7:00pm  
Saturday / Sunday 10:00am to 4:00pm  
Closed bank holidays

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