National Savings & Investments focusing on smaller investors

National Savings & Investments (NS&I) has introduced limits on its offerings for wealthier savers.

In mid-June NS&I announced a revision to the terms of its popular Guaranteed Growth and Guaranteed Income Bonds. The interest rates were left unchanged, but the maximum investment per person, per issue was cut by 99%, from £1 million to £10,000.

NS&I ostensibly exists to help small savers, but in recent years it has raised investment limits – for example to £50,000 on premiums bonds – to meet the funding levels set by the government. In the past NS&I has also emphasised tax-free savings certificates, which were of most appeal to top rate taxpayers.

Fortunately for existing investors, their former investment limits will continue to apply if they reinvest. The dramatic reduction means that NS&I will no longer offer an easy solution for anyone seeking fixed rates on large sums of capital without having to worry about the £85,000 FSCS deposit protection ceiling.

National Savings and Investments has long been something of oddity in the world of government finance. For example:

- As a means of raising money for the Treasury, it makes little sense. NS&I collects small sums from retail investors, usually for terms of no more than five years. In contrast, the Debt Management Office (DMO) is well practiced at raising billions for the government from institutional investors, some of it borrowed for terms of over 50 years, and pays lower interest rates for its gilts.
- NS&I has a value-for-money target for the cost of its capital raising, but the Treasury can override this. The classic example was the 65+ bond promising 4% return, issued shortly before the 2015 election.

It could be argued NS&I is right to discourage large fixed terms deposits that, even before tax, pay less than the going rate of inflation (2.4% CPI, 3.3% RPI in May). There are plenty of alternatives available, many of which offer a higher income. If you would like to discuss these options with us, please get in touch.

The value of your investment can go down as well as up and you may not get back the full amount you invested.

Past performance is not a reliable indicator of future performance.

Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.