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Help to Buy ISA & Buying a House

The Help to Buy ISA was introduced by the Government in 2015 with the intention of giving first time buyers a helping hand onto the property ladder. The Government would add a 25% tax-free bonus to whatever is in the ISA when it is used to buy a home (to a limit of £3,000).

The initiative was generally greeted with positivity and optimism from many people eager to purchase their first property and it is estimated that over 500,000 ISAs have been opened so far.

Whilst the idea of a tax-free contribution towards your property is brilliant, it is easy to forget that there are, of course, rules and timeframes to consider when the time comes to utilise the funds saved in the ISA. With all the excitement and stress of buying a property it is important to understand what is required from both you and your conveyancer so that you can make full use of the ISA and claim the bonus in time for completion.

Once the ISA has been opened, you can make an initial deposit of up to £1,200 but you may not deposit any more than £200 per month thereafter. The minimum amount you can claim a bonus on is £1,600 so make sure you open your ISA in good time before completion or you could miss out on the bonus.

Be sure to inform your conveyancer as early as possible that you intend to use money saved in your Help to Buy ISA so that the conveyancer can make preparations for the drawdown of funds in advance. A statement showing the funds in the ISA will be requested from you as evidence of funds.

When you are nearing completion of your purchase you will need to close your ISA. Make sure you do not just withdraw the money as you will not be able to claim the bonus. It is imperative that you do this in good time as the bank or building society will provide you with a closing letter which you must provide to your conveyancer so they can apply for the bonus. Depending on the bank or building society, it can take up to 7 working days for the closing letter to be issued.

Your conveyancer will also ask you to sign a First Time Buyer Declaration. Once your conveyancer has the required documents they can apply for the bonus. If your conveyancer is able to use the online Portal (Fletcher Longstaff is registered for this service) then the bonus should be released to the conveyancer within 5 working days of the application being approved.

If the request for your bonus is not submitted before completion you will no longer be eligible to receive it so it is important to make arrangements in advance.

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The Help to Buy ISA can be very beneficial to those keen to get on the property ladder but it is easy to see how the complexity of claiming the bonus can get overlooked by the client along the way. At Fletcher Longstaff, we are happy to help and guide you throughout the transaction and to try and answer any questions you may have regarding the Help to Buy ISA. If you would like any further information, please feel free to contact us.