

## PRODUCT TERMS AND CONDITIONS AND KEY FEATURES

### Cash Lifetime ISA

Effective from 24 June 2020

This document contains important information about your Cash Lifetime ISA. You should read this document and our General Terms and Conditions carefully so you can be sure the account is right for you.

The rules concerning the operation of Lifetime ISA's, particularly concerning how much you can deposit, any bonus you may earn and withdrawal, are set by the government. This document reflects our understanding of how those rules currently operate but if the actual operation is different to our understanding then the Product Terms and Conditions will be varied accordingly. You should study these rules carefully and take independent advice if you have any questions or concerns. You should also note that these rules could change in the future.

### Account summary

<b>Account name</b>	Cash Lifetime ISA - Issue 2
<b>What is the interest rate?</b>	Annual: 0.75% Gross**/AER*  *AER stands for Annual Equivalent Rate and illustrates what the interest rate would be if interest was paid and compounded on an annual basis. **Gross is the rate of interest payable before any income tax is deducted. Interest will be paid annually on the anniversary of making your opening deposit.
<b>Can Paragon change the interest rate?</b>	The interest rate is variable. Please see 5.12 in General Terms and Conditions.
<b>What would the estimated balance be after 12 months based on a £1,000 deposit?</b>	£1,007.50 based on £1,000 over 12 months at 0.75%  This is for illustrative purposes only and does not take into account individual circumstances, or the 25% government bonus paid on your contributions.
<b>How do I open and manage my account?</b>	<b>Opening your account:</b> Online only <b>Managing your account:</b> Online, by telephone or by post  You can open a new Cash Lifetime ISA if you are between 18 – 39 years old. You must also be a UK resident or, if not, you or your spouse/civil partner must be serving overseas for the UK Crown.  Transfers of existing Lifetime ISAs are available at any age.  Your opening deposit must reach us before your 40th birthday (unless you are transferring an existing Lifetime ISA from another provider). If you make your opening deposit after your 40th birthday your money will be returned to you and your Lifetime ISA will be closed.  You can deposit from £1 up to your Cash Lifetime ISA allowance of £4,000 each tax year. You can pay into your Cash Lifetime ISA up until the day before your 50th birthday.  No joint accounts allowed
<b>Can I withdraw money?</b>	Yes, you can make withdrawals. Withdrawals will incur a 25% government withdrawal charge <sup>†</sup> if you use the money for any other purpose than that intended by the government savings scheme. See condition 4 for circumstances in which the charge does not apply. <b>You may get back less than you paid in.</b>  You can cancel your account within 30 calendar days from us receiving your opening deposit. See condition 5.  <sup>†</sup> The government withdrawal charge is temporarily 20% and goes back up to 25% from the 6 April 2021.
<b>Additional information</b>	You have up to 28 days from the date of your application request to make your opening deposit. After 28 days the application will be closed.  All deposits must be made from your nominated bank account. This account must be in the name of the savings account holder.  The Lifetime ISA is a government savings scheme and may change in the future. All ISA interest is paid tax-free, tax rules may change in the future.  Our accounts are subject to a limited offer.  You can spread your annual ISA allowance across multiple ISAs in our range. Subject to HMRC Guidelines, and not exceeding your annual ISA allowance.

# Terms and Conditions

Our General Terms and Conditions will apply unless there is a stipulation in these Product Terms and Conditions that is inconsistent. If this is the case, the stipulation in these Product Terms and Conditions applies instead.

These Product Terms and Conditions are effective from the date you open the account.

## 1. The Product

- 1.1 You can open a new Cash Lifetime ISA if you are between 18 – 39 years old.
- 1.2 Your Cash Lifetime ISA is used towards the purchase of your first home at least 12 months after your initial deposit, or when you reach 60 years old towards your retirement.
- 1.3 You have the right to cancel your Cash Lifetime ISA within 30 calendar days of us receiving your opening deposit or your transfer completing.
- 1.4 The maximum you can deposit is £4,000 tax-free each tax year. The maximum amount you can receive from the 25% government bonus is £1,000.
- 1.5 ISA interest is paid tax-free, which means it is exempt from income tax. Tax rules may change in future.
- 1.6 You could earn up to £32,000 in bonuses over the lifetime of the product. To get the maximum you must open your Cash Lifetime ISA at the age of 18 and save the maximum Cash Lifetime ISA allowance of £4,000.

Your account is a limited issue and may be withdrawn at any time. We will not inform you when the account becomes a closed issue.

## 2. Restrictions

- 2.1 Your account is a variable rate Cash Lifetime ISA.
- 2.2 The account can be held in a single name only.
- 2.3 You have up to 28 days from the date of your application request to make your opening deposit. After 28 days the application will be closed.
- 2.4 The minimum investment you can make to open your account is £1. The maximum you can save is £4,000 tax-free each tax year.
- 2.5 No additional deposits are permitted after you reach the age of 50. Your Cash Lifetime ISA balance will continue to earn interest but no government bonus.
- 2.6 From your 60th birthday you have unlimited access to your Cash Lifetime ISA funds penalty free.
- 2.7 Your total investments across all accounts you hold with Paragon cannot exceed £500,000 plus any resulting interest and the government bonus added to your account(s). Payments which do not comply with the minimum and maximum limits will be returned to your nominated bank account and will not incur a withdrawal charge.
- 2.8 You are only permitted to open and fund one Cash Lifetime ISA per tax year. The Cash Lifetime ISA limit is £4,000 and counts towards your annual ISA allowance.
- 2.9 You must be a UK resident for tax purposes
- 2.10 If you use your Cash Lifetime ISA to purchase your first home, the account must be open for 12 months after the initial deposit. Your house purchase must not exceed £450,000 otherwise the 25% government withdrawal charge will apply. **The government withdrawal charge is temporarily 20% and goes back up to 25% from the 6 April 2021.**
- 2.11 If you withdraw your funds for any reason other than the life events set out in 4.1 you will incur the 25% government withdrawal charge on the amount you withdraw. This means you could end up withdrawing less than you originally deposited. **The government withdrawal charge is temporarily 20% and goes back up to 25% from the 6 April 2021.**

**The Lifetime ISA is a government savings scheme and may change in the future. All ISA interest is paid tax-free, tax rules may change in the future.**

**You should consider if saving in a Lifetime ISA is the right option for saving towards your first home or retirement. To make your decision to invest in a Cash Lifetime ISA, you should seek independent financial advice before making any changes. The information we have provided is not advice.**

## 3. Government Bonus

- 3.1 The government bonus is 25% of your contributions each tax year. This is set by the government and could change in the future.
- 3.2 We will claim the government bonus from HMRC on your behalf.
- 3.3 HMRC will calculate the bonus based on all deposits you make into your account each month. The bonus will be paid into your Cash Lifetime ISA within 4-9 weeks of the date you make each deposit.

- 3.4 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.

## 4. Withdrawals

### 4.1 Withdrawal charge

**The government withdrawal charge is temporarily 20% and goes back up to 25% from the 6 April 2021.**

The government withdrawal charge will not apply:

- If you use your Cash Lifetime ISA to buy your first home and paid into a Lifetime ISA at least 12 months before instructing your conveyancer
- After you're 60 years old
- In the event of your death
- If you are diagnosed with a terminal illness and are expected to have less than 12 months to live

If you withdraw your funds for any other reason you will incur the government withdrawal charge on the amount you withdraw. The Lifetime ISA government withdrawal charge recovers any Lifetime ISA government bonus and investment growth on that bonus, plus an additional amount. This means you could end up withdrawing less than you originally deposited.

Example

Your actions	£	Total
You open the account with	£800	
Government bonus added	£200	£1000
You make a chargeable withdrawal	£1000	
You receive back		£750
Government withdrawal charge		£250

This example does not include any interest earned.

## 5. Cancelling your Lifetime ISA

- 5.1 You have the right to cancel your Cash Lifetime ISA within 30 calendar days of us receiving your opening deposit or your transfer completing. To do this you must either call on 0800 052 2222, send us a secure message or write to us freepost at RTEX-LLUT-KKKE, Paragon, PO Box 850, Wallsend NE28 5BJ.
- 5.2 You are not entitled to any interest or government bonus up to the date of closure.
- 5.3 Your cancelled Cash Lifetime ISA will not count as a Lifetime ISA/ISA subscription for that tax year. We will return the amount deposited and no government withdrawal charge will be applied.

## 6. Lifetime ISA allowances

- 6.1 The government limit on Lifetime ISA deposits is £4,000 per tax year. Remember, the government can change this limit in the future.
- 6.2 Your annual Lifetime ISA allowance is part of your annual ISA allowance, which is £20,000. So, if you deposit the maximum into your Lifetime ISA 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.
- 6.3 You can keep depositing in your Lifetime ISA each tax year from the age of 18 to your 50th birthday. After your 50th birthday you can't deposit any more into your Lifetime ISA. You won't earn the government bonus either, but your funds will keep earning interest.

## 7. ISA rules

- 7.1 Your Lifetime ISA is an ISA, so the government 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 Lifetime ISA form part of your annual ISA allowance which is set by the government. Remember the government can change the annual ISA allowance.
- 7.2 You can have more than one Lifetime ISA, but you can only fund one Lifetime ISA in any tax year. That means if you open and fund a Lifetime ISA with one provider but decide you'd rather have your Lifetime ISA funds somewhere else, you'll have to transfer your original Lifetime ISA in full to the new provider.

## 8. Using your Cash Lifetime ISA to purchase your first home

8.1 Your Cash Lifetime ISA funds can be used towards the purchase of your first home if:

- You are a UK resident, unless you or your spouse/civil partner is serving overseas for the UK Crown
- You haven't previously owned a property in the UK abroad
- The property is in the UK and costs 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 are purchasing the property through a solicitor or conveyancer
- You are not acting as your own conveyancer
- You have made your first deposit into a Lifetime ISA at least 12 months before instructing your conveyancer

8.2 You will need to tell your conveyancer that you are using all or part of your Cash Lifetime ISA towards your house purchase and provide them with a declaration. Your conveyancer also has to provide us with a declaration, and you must make sure they do this as part of the buying process. Once we receive both declarations from your conveyancer, we will pay the amount requested within 30 days. Your funds will only be sent directly to your conveyancer.

8.3 You can make more than one charge-free withdrawal in relation to your house purchase before completion. There's no minimum withdrawal amount.

8.4 If your purchase does not complete within 90 days of the withdrawal your conveyancer must tell us and return the amount withdrawn to your Cash Lifetime ISA within 10 working days, unless your conveyancer applies for an extension under the Lifetime ISA regulations.

## 9. Using your Cash Lifetime ISA for retirement

9.1 You have unlimited access to your Cash Lifetime ISA funds from the age of 60 without incurring the government withdrawal charge.

### **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.

## What your Lifetime ISA may be worth at age 60

Age saving in a Lifetime ISA started	Total amount paid in by Lifetime ISA saver/ investor (£)	Total amount paid in, plus Lifetime ISA Government bonus (£)	Estimated outcome at age 60 from 0% return (£)	Estimated outcome at age 60 from 5% return (£)	Charges and estimated inflation would reduce a 5% return to: (%)
18	£128,000	£160,000	£84,051	£315,887	2.5%
25	£100,000	£125,000	£70,995	£224,090	2.5%
30	£80,000	£100,000	£60,147	£167,584	2.5%
35	£60,000	£75,000	£47,834	£117,641	2.5%
40	£40,000	£50,000	£33,860	£73,499	2.5%

This table is designed to help you understand what the value of a Lifetime ISA might be at age 60 and illustrate possible returns, depending on the age at which you start saving (starting from the first tax year following the year you turn 18). This is meant for those saving for retirement and may not be relevant to those saving for their first home. The table above makes the following assumptions:

- The maximum annual subscription has been made at the beginning of each tax year up to age 50; and
- The Lifetime ISA Government bonus has been received each year.

The estimated outcomes in Columns 4 and 5 are based on standardised rates of return and include the effect of inflation, which may not reflect actual or expected returns on this Cash Lifetime ISA. The standardised rates of return aim to help you compare it against other longer-term savings products but does not represent the rate of interest offered on Paragon's Cash Lifetime ISA, which is less than the 5% used in the illustration. Please note that the actual outcome at age 60 could be significantly less than the amounts shown in Column 5.

Column 6 shows the effect of Lifetime ISA charges and inflation on the returns from a Lifetime ISA. The assumed rate of inflation is 2.5%. As Paragon does not apply any Cash Lifetime ISA management charges, no charges have been included in this calculation.

## 10. Transferring your Lifetime ISA

### Transferring your existing Lifetime ISA to Paragon

You can transfer your existing Lifetime ISA to Paragon without incurring the government withdrawal charge. Any Lifetime ISA transferred, must be transferred in full and in cash. Any government bonus received by your original provider after the transfer is complete will be sent to Paragon separately.

The 12 month period before you can make a charge free withdrawal for your first house purchase starts from the date you first paid into your Cash Lifetime ISA with your original provider.

Any additional funds sent before the transfer is complete will 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.

**The government withdrawal charge is temporarily 20% and goes back up to 25% from the 6 April 2021.**

### Transferring your Paragon Lifetime ISA to a new provider

You can transfer your Paragon Cash Lifetime ISA without incurring the government withdrawal charge. Your new provider will need to request this transfer. We will write to you when your transfer is complete

Any government bonus received by Paragon after the transfer is complete will be sent to your new provider separately.

Any transfer to accounts other than a Lifetime ISA are classed as a withdrawal and subject to the government withdrawal charge. You won't be able to fund another Lifetime ISA in the same tax year.

**The government withdrawal charge is temporarily 20% and goes back up to 25% from the 6 April 2021.**

## 11. Interest

11.1 Any interest earned will be credited only to your Paragon Cash Lifetime ISA.

11.2 Your interest is calculated daily and paid annually. We will pay it on the anniversary of the date you made your opening deposit, or your transfer was completed. See section 5 of the General Terms and Conditions for full details.

11.3 Transfers from existing Lifetime ISAs will earn interest from the date on the cheque received from the existing Lifetime ISA provider.



## 12. FSCS cover

Your eligible deposits with Paragon Bank are protected up to a total of £85,000 by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme. Any deposits you hold above the limit are unlikely to be covered. For more information visit [www.fscs.org.uk](http://www.fscs.org.uk).

## 13. 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.

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

Write to us: **Paragon, PO Box 850, Wallsend NE28 5BJ**

Call us: **0800 052 2222**

If we are able to 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 acknowledgement within five working days.

We will then undertake a full investigation to enable us to make an informed assessment of your complaint.

We will send you a final response within eight weeks, 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 the reason why

Throughout the eight week investigation, or until a final response is issued, we will keep you informed of our progress and we may contact you to ask you to provide further information regarding the issues you have raised.

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.

**Financial Ombudsman Service, Exchange Tower, London E14 9SR**

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

**0800 023 4567**

**PARAGON (FREEPOST) RTEX-LLUT-KKKE, PO BOX 850, WALLSEND NE28 5BJ**

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