

State Pension February 14, 2019

Up-rating frozen pensions to cost £3bn

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Up-rating the state pension in countries where it is frozen would cost the government £3.1bn between 2019/20 and 2023/24, according to new figures released today (February 14).



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Pensions (DWP) revealed about 510,000 recipients of the UK state pension living overseas do not get annual increases.

Currently the majority of pensioners living in the UK have their state pension increased according to the triple-lock principle, by a minimum

of 2.5 per cent, the rate of inflation, or average earnings growth, whichever is the highest.

The same applies to expat pensioners living in certain countries, such as the US, all European Union countries, Barbados, Bermuda and Israel.

Pensioners living in countries such as Australia, Canada, New Zealand and South Africa have had their state pension frozen at the value it was at in the year they left the UK.

The government has been urged to correct this policy to allow increases for expats with frozen pensions, with more than 219,000 people signing a petition.

Tom Selby, senior analyst at AJ Bell, warned someone with a frozen pension could lose more than £50,000 in state pension income over the course of their retirement.

He said: "For many this might be the difference between living comfortably and struggling to make ends meet.

"Unfortunately for those affected there is no sign of a reprieve, with successive governments rejecting calls to rethink the policy and preferring instead to focus resources on those who choose to remain in the UK."

But former pensions minister Baroness Ros Altmann said she appreciated the reluctance of DWP to automatically uprate state pensions for

affected pensioners, especially "as there is evidence that some of the money would merely reduce means tested support that other governments pay to pensioners on low incomes".

Nevertheless, she added, "the problems that could arise and the extreme uncertainty that would impact British citizens who have retired to EU countries and could lose their uprating as a result of Brexit, might be an opportunity to reconsider the moral case for unfreezing these pensions."

Baroness Altmann has previously warned of the risks to British expats in a no-deal Brexit, as state pensions will only be uprated if host countries reciprocate.

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