No thaw for ‘frozen’ pensioners missing out on £50,000 each

By Laura Miller 14 February 2019 • 4:57pm

Campaigners have repeatedly called for rises in the state pension to include all British retirees outside the country but the cost is huge Credit: Reuters

Any hopes held by British pensioners retiring abroad that they would finally benefit from increases to the state pension enjoyed by those back home have been dashed by new government figures on how much this change would cost.

Estimates from the Department for Work and Pensions, published today, suggest 510,000 pensioners living abroad miss out on the "triple-lock", which increases the state pension by whichever is higher of average earnings, CPI inflation or 2.5pc.

Campaigners have repeatedly called for the annual rise, known as "uprating", to include all expat British retirees. The majority of those affected live in Australia, Canada or New Zealand.

Savers with frozen state pensions could miss out on more than £50,000 over the course of their retirement, according to calculations by AJ Bell, a fund shop.

But to uprate pensions for half a million more retirees would cost the government as much as £3bn over the next five years. For those affected there is no sign of a reprieve, with successive governments rejecting calls to rethink the policy.

Tom Selby of AJ Bell, said: "People are understandably furious that, having paid into the system and retired abroad, they find their state pensions frozen.

"Over the course of someone's retirement this could have a huge impact, and might be the difference between living comfortably and struggling to make ends meet."

If Britain leaves the European Union without a mutually agreed deal, expat pensioners' situation could get worse.

At the moment the hundreds of thousands of Britons retiring to countries like Spain and France benefit from state pension increases through a reciprocal deal with the EU as a whole. Without a deal this is no longer guaranteed.

Mr Selby said: "The Government has only committed to uprating state pensions for people living in EU member states in 2019/20. Beyond this point these increases will depend on a reciprocal deal being struck, either with the EU or individual member states."

Helen Morrissey of Royal London, a pension company, said issues like this can blow a huge hole in someone's retirement planning.

"We need to ensure people are aware they could get caught in this trap," she said.

Those retiring from Britain to the EU could also see income from their private pensions disrupted or stopped entirely in the event of a no-deal Brexit.

Currently they seamlessly receive private pension payments into bank accounts set up in their country of residence. This is possible due to a reciprocal arrangement of EU laws and regulations between their UK pension provider and their European-based bank, known as "passporting".

A no-deal Brexit would put an end to passporting, so a British pension provider would not automatically have the right to make payments in the recipient's home country.

laura.miller@telegraph.co.uk