

UK's Sunak considers cap to annual pension rise - Sunday Times

Reuters June 19, 2021 4:00 PM PDT Last Updated a day ago



LONDON, June 19 (Reuters) - British finance minister Rishi Sunak is considering blocking a near 6% rise in old-age pension payments as part of a wider effort to rein in the cost of Prime Minister Boris Johnson's spending, the Sunday Times newspaper said.

Under a pension promise in the Conservative Party's 2019 election campaign, state pensions are meant to rise each year by the highest of the annual inflation rate, wage growth or 2.5%.

Due partly to distortions from the coronavirus pandemic, annual wages in the three months to April grew by an annual 5.6% - creating an extra 4 billion pound (\$5.5 billion) annual cost for future pensions.

The Sunday Times said the finance ministry wanted to break the link between pensions and wages for a year.

"Pensioners are going to be doing extremely well. It's not politically that difficult a thing to smooth it out for a year," the newspaper quoted an unnamed minister as saying.

The Sunday Times said Sunak was worried too about a potential 5 billion pound annual cost for a plan on social care for the elderly due to be discussed later this week, plus extra for a new government yacht to promote British exports.

An unnamed official was quoted as describing funding for the yacht as "a complete and utter shitshow".

Asked about the report, a British government spokesperson said: "The Prime Minister and Chancellor work closely together, and have been in lockstep throughout the most challenging period any government has faced since the Second World War."

"We always ensure that all government spending provides value for money for the taxpayer."

Sunak said in a television interview on Wednesday that pensions would be reviewed later in the year. [read more](#)

Britain's government borrowed 300 billion pounds last year - equivalent to 14% of gross domestic product and the most since World War Two.

Sunak has repeatedly said he wants to put the public finances in a more sustainable position when the economy recovers, due to concerns about higher interest rates.

The Sunday Times said Sunak opposed raising capital gains tax. The government has already promised not to raise the main rates of income tax, national insurance or value-added tax, limiting its ability to boost revenue.

(\$1 = 0.7242 pounds)

Reporting by David Milliken; Editing by Daniel Wallis

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