

Underpaid State Pensions: NAO launch investigation into pension scandal

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Nobody lives a life of luxury in their later years off the back of the [State Pension](#).

In fact, analysis by the Organisation for Economic Co-operation and Development (OECD) found that the UK has a net replacement rate of 28.4% – essentially meaning that our State Pension is worth about a quarter of what people typically earn during their working life.



That's substantially below the OECD average of 58.6%, and the EU average of 63.5%.

The fact that our State Pension is far from generous makes it all the more galling that it has emerged that thousands of people – particularly women – have suffered from a “systemic underpayment” of their State Pensions.

And while the Department for Work & Pensions (DWP) has started to try to put things right, it isn't being left to its own devices.

The National Audit Office (NAO) – the independent public spending watchdog – has revealed it will be holding its own investigation into what's happened, and why.

Under investigation

The National Audit Office has confirmed it has scheduled its own investigation into the scandal, which will begin this Autumn.

It said that its investigation will cover the following issues:

- Who has been underpaid and why;
- How this happened;
- What the DWP is doing to put it right;
- What lessons the DWP has learned.

NAO reports can prove incredibly embarrassing for the Government, and given what this scandal centres on, I don't think it's far fetched to think that the investigation will lead to some further headaches for the DWP.

The State Pension underpayment scandal

So far as the NAO investigation is concerned, there are certain elements we know already, particularly when it comes to who has most commonly been underpaid, and that's women.

The pensions consultancy LCP – which has done sterling work on uncovering this particular issue – has outlined six particular categories of women who are most likely to have been caught out by the underpayment scandal.

The biggest cohort is believed to be married women whose husband turned 65 before 17 March 2008.

These women were entitled to an uplift in their State Pension, which essentially means that the pension they should get is based on their husband's National Insurance record rather than their own.

However, in many cases this uplift hasn't been claimed because the women

simply aren't aware of it.

Along similar lines, there are widows whose pensions have not increased after their husband has died.

These women can potentially receive both the full basic State Pension and a portion of their late husband's additional pension.

There are also widows whose pension is now correct, but may have been underpaid while their husband was still alive – as well as widowers and heirs of married women, where the woman has died but they were underpaid the State Pension during their life.

And don't forget the divorced women, who may have divorced post-retirement, and who may be entitled to benefit from the contributions of their former spouse.

These aren't small underpayments either; some of the victims should have seen their pension payments ratcheted up by as much as 60%. That's a potentially life-changing sum of money.

Putting things right

According to an official report from the Office of Budget Responsibility, the Department for Work & Pensions has set aside £3 billion to start putting this right over the next six years.

That's a lot of money, but the reality is that it seems nobody at the top has the foggiest what these payments will actually end up costing the Government.

The systemic failures are so substantial that there is no real idea of just how many people have been underpaid, though it's clear that at least tens of thousands, if not hundreds of thousands, of women have missed out on

money they should have been paid.

And we know that those payments have started being made already.

But without wanting to be too morbid, the reality is that plenty of the women who have been underpaid are now very advanced in years, or may even have passed away.

Their later lives have clearly been impacted negatively by this scandal, and the DWP has a moral duty to identify those who have been underpaid – and give them the money to which they are entitled – swiftly so that these women are not forced to undergo any unnecessary financial hardship.

What's more, with the eyes of the NAO on them, the DWP is going to have to come clean on precisely why this happened and what it is doing to ensure it is never repeated.