State pension to increase by £289 but half a million to miss out

STATE PENSION will rise by almost £289 from April 2022, but over half a million pensioners will miss out.

By Mark Oldacres 07:33, Sat, Oct 23, 2021 | UPDATED: 07:33, Sat, Oct 23, 2021

Pensions triple lock scrapped for millions of Brits

Over 500,000 British retirees will not receive any extra income as their state pension payments remain frozen. Some pensioners who moved abroad in retirement have seen their state pension income locked in place, meaning their spending power essentially falls each year due to inflation.

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The state pension will rise by 3.1 percent from April 2022 in line with inflation, which is one of the metrics used to dictate the value of the state pension. The decisive inflation figure for the year to September 2021 was revealed on Wednesday.

The full new state pension will now be worth approximately £185.17 per week next year, an increase of £5.57 from £179.60 for the 2021/22 tax year.

Recipients of the full new state pension will therefore earn an additional £289.64 each year, taking their income from £9,339.20 for 52 weeks up to £9,628.84.

Meanwhile, those who get the full basic state pension will receive an increase to their income of £4.27 per week, rising from £137.60 to £141.87

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Over half a million Britons will miss out on the state pension increase (Image: GETTY)

That means recipients of the full basic state pension will get an extra £222.04 for the 2022/23 tax year, boosting their yearly income from £7,155.20 up to £7,377.24.

However, hundreds of thousands of pensioners will miss out on the additional income, as their state pension income remains frozen. In total, more than half a million people who moved abroad in retirement have seen the value of their state pension stuck in place.

Over 520,000 British pensioners have suffered from this issue, according to the campaign group End Frozen Pensions, which has cost those affected as much as £61.75 each week, or a whopping £3,211 over the course of a year. One such victim is 95-year-old Anne, who served in the Second World War and went on to pay her National Insurance in full, before departing the UK for Canada at the age of 76.

Her state pension has stalled at £72.50 a week, while if she had stayed in the

UK, it would have been £134.25. Because Anne's state pension does not increase each year in line with inflation, she essentially loses money in real terms every year.

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With the state pension increase for the 2022/23 now confirmed, those who have seen their pensions freeze will miss out on even more income compared to pensioners who still live in the UK.

The increase in inflation was confirmed after the Consumer Prices Index for the year to September 2021 was announced, with the rate of inflation for that period coming in at 3.1 percent.

This came as something of a surprise, with many observers, including the Bank of England previously predicting that inflation could be more than four percent for the 12 months to September, after it clocked in at 3.2 percent for the year to August.

Inflation rose sharply from two percent for the 12 months to July 2021 up to the August rate. That increase in inflation of 1.2 percentage points represented an all-time high in terms of a month-to-month increase.

What is state pension? (Image: Express)

The trend was expected to continue, however, the rate of inflation instead surprisingly dropped, leading to the confirmed value of the state pension for next year.

Had the state pension increased by four percent it would have meant the biggest increase in a decade, but pensioners will now have to settle for a lesser increase to their state pension income.

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Pensioners could have received even more of a boost to their state pension had the triple lock not been temporarily suspended for next year. Under the traditional terms, pensioners were on course for an increase to their state pension of more than eight percent.

An increase of eight percent would have meant recipients of the state pension receiving up to an additional £747.14 for the 2022/23 tax year, or £14.37 each week. This would have lifted their income from £9,339.20 up to £10,086.34 for the full 52 weeks. Such an increase would have been more than double the 3.1 percent pensioners have ended up with.

The state pension has not increased by as much as some expected (Image: GETTY)

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The state pension triple lock was introduced to ensure the value of state pension increases every year by the highest of three figures. These are average earnings growth, the rate of inflation, and 2.5 percent. It was brought in to help British pensioners keep their spending power over time as the cost of living rises.

However, the Government took the decision to suspend the triple lock for next year by removing the average earnings growth element of the policy, in the process breaking a manifesto pledge from the 2019 election, when they promised to continue to honour the triple lock.

They believed that the figure for average earnings growth was abnormally and artificially high due to many people returning to work from the furlough scheme, prompting the decision to alter the triple lock for the 2022/23 tax year.

The state pension was therefore increase by the higher of the two remaining prongs of the triple lock, with inflation coming in as the larger value.

The Department for Work and Pensions previously told Express.co.uk the policy on the uprating of the UK state pension for recipients living overseas is a longstanding one, and pensions are uprated when there is a legal requirement to do so.