Truss to restore the £21bn pension promise Rishi Sunak broke

Leadership contender would restore the manifesto pledge that Rishi Sunak suspended

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Liz Truss has committed to the 2019 manifesto pledge, the Telegraph understands Credit: REUTERS

Liz Truss will uphold the state pension triple-lock in a spending commitment that will cost taxpayers £21bn over three years.

The Tory leadership contender will honour the Conservative 2019 manifesto commitment as Prime Minister, the Telegraph understands.

Rival candidate and former Chancellor Rishi Sunak suspended the pledge in a move that left pensioners with a 3.1pc pay rise while inflation rocketed to more than 9pc.

The lock – a key Conservative Party policy – ensures that state pensions rise by the highest of inflation, wage growth or 2.5pc each year.

But the Treasury broke the promise last year after the pandemic distorted the wage growth figure to more than 8pc. The Government has said that it will reinstate the policy next April.

The commitment to restore and protect the triple-lock in a period of high inflation will cost taxpayers an extra £21bn until the next general election, calculations by broker Interactive Investor show.

If inflation follows Bank of England forecasts, pensioners would receive increases of 10pc next year and 6pc the year after, before inflation settles to 2pc in 2024.

Next year's triple-lock rise would cost taxpayers £865 per pensioner, Interactive Investor said. With 12.4 million retirees in the UK, this would total around £10.7bn.

Helen Morrissey, of the investment service Hargreaves Lansdown, said that it was an expensive policy to pursue when inflation was so high.

She said: "The triple lock is controversial, but it was brought in to make sure that people on state pensions could get decent increases every year.

“We have an ageing population who we have to take care of. But it is a tricky balancing act with younger people, who are also struggling with the cost-of-living crisis.

“We must watch the policy closely to make sure that it does not become intergenerationally unfair.”

Rebecca O’Connor, of Interactive Investor, said that if the triple lock were scrapped, and an uprating of 2.5pc was agreed instead, then it would cost taxpayers just £2.7bn. Over the next three tax years this could work out to be almost £13bn cheaper than providing state pension pay rises that keep up with inflation.

She said: “Reform of the triple lock will be tempting for an incoming Prime Minister with cost savings to deliver, particularly based on the inflationary rises expected over the next couple of years.

"It's a very fine balance - pensioners have suffered hardship this year through increases far below inflation and could feel justifiably that there is some making up to do.”

She added that there could be pensioners who may feel "almost embarrassed" to receive extra amounts, if they already have adequate private pots to support themselves.