DWP State Pension warning as thousands losing £5,000 a year in cash freeze

"The Basic State Pension is currently £156 a week, but over half of those with a frozen pension are receiving £65 a week or less"

Half of those with a frozen pension are receiving a shockingly low pension of just £65 a week or less (stock photo)

Thousands of retirees living abroad are stuck in a low-income trap which would cost UK Government £860 million to fix, according to new figures.

Some people who relocated are left with just £65 a week to live on as shocking figures show it would cost the Department for Work and Pensions (DWP) another £80 million more to rectify in the 2023/24 financial year and then £930 million in subsequent years. State Pension is currently claimed by around 12.6 million people.

Most recipients are on the the old Basic State Pension that existed prior to April 2017. This pays a maximum of £156.20 a week, the equivalent to £8,122 a year.

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However, almost 500,000 Brits live abroad and will only ever receive the amount paid when they relocated. Half of those with a frozen pension are receiving a shockingly low pension of just £65 a week or less, a House of Lords member revealed this month during discussions centred on the 75th anniversary of the Windrush Generation.

He said that equates to lost income each year of £5,000 or more, BirminghamLive reports.

In guidance accompanying its updated calculations published last week, the DWP said: "UK state pensions for overseas residents are increased in line with the annual index-linked increases where there is a legal requirement to do so. An example of this is where there is a reciprocal agreement between the UK and the country of residence.

"As of March 2022, there were around 480,000 recipients of the UK State Pension living overseas who do not get State Pension increases – 84 per cent of those live in Australia, Canada and New Zealand."

Lord Davies of Brixton has raised the issue of frozen pensions particularly affecting the Windrush Generation. He told the House of Lords on July 7: "The frozen pensions policy has had a deleterious effect on large numbers of those with a Windrush heritage - not all, of course, but that simply goes to point out the injustice of frozen pensions.

"Recipients in some countries have increases each year in line with those granted to pensioners in the UK, but those in other countries, totalling half a million, do not: their pensions are frozen at the date they moved abroad and in real terms their State Pension falls each year. The impact is substantial.

"Simplifying somewhat, the Basic State Pension is currently £156 a week, but over half of those with a frozen pension are receiving £65 a week or less. That is lost income each year of £5,000 or more.

"British pensioners in all but two Caribbean countries have frozen State

Pensions. Those in Barbados and Jamaica are the lucky ones, but there are 300 people with frozen pensions in Antigua and Barbuda, 1,300 in Trinidad and Tobago, 900 in Grenada, 800 in St Lucia, and hundreds more spread across other Caribbean islands.

"The injustice of the policy is clear, but the Government and past Governments have hidden behind the need for so-called reciprocal agreements - we pay increases to our pensioners in country Y only if it pays increases to its pensioners in the UK. For many years, successive Governments have consistently refused to negotiate any more such agreements, leading to the entirely arbitrary distinctions we see today.

"Just to remind ourselves, members of the Windrush generation were invited to live and work in the UK to help run Britain, and they devoted their working lives to this country. It is manifestly wrong to punish them so severely simply because they have returned to their countries of birth for retirement."

All the countries where your State Pension is frozen

DWP data shows that your State Pension will be frozen if you emigrate to the following countries listed below. Ex-pats in these locations get their pension at the same rate as it was when they first became entitled, or at the rate on the date they left the UK if they were already pensioners then.

Afghanistan; Albania; Algeria; Andorra; Angola; Anguilla; Antarctic Territories (British); Antigua; Antilles (Netherlands); Argentina; Ascension Island; Australia; Bahamas; Bahrain; Bangladesh; Barbuda; Belize; Benin; Bhutan; Bissau (Guinea); Bolivia; Botswana; Brazil; Brunei; Burkina Faso; Burma (Myanmar); Burundi; Cameroon; Canada; Cape Verde Islands; Cayman Islands; Central African Republic; Chad; Chile; China People's Republic; Colombia; Comoro Islands; Cook Islands; Costa Rica; Cote D'Ivoire; Cuba; Democratic Republic of the Congo (Zaire); Djibouti; Dom Commonwealth (Dominica); Dominican Republic; Ecuador; Egypt; El Salvador; Equatorial

Guinea; Ethiopia; Falkland Islands & Dep; Faroe Islands; Fiji; Gabon; Gambia; Ghana; Greenland; Grenada; Guatemala; Guinea; Guyana; Haiti; Honduras; Hong Kong; India; Indonesia; Iran; Iraq; Japan; Jordan; Kampuchea; Kenya; Kiribati; Kuwait; Laos; Lebanon; Lesotho; Liberia; Libya; Macau; Malagasy Republic; Malawi; Malaysia; Maldive Islands; Mali; Mauritania; Mexico; Monaco; Mongolia; Montserrat; Morocco; Mozambique; Namibia; Naura; Nepal; Nevis, St Kitts-Nevis; New Caledonia; New Zealand; Nicaragua; Niger; Nigeria; Norfolk Island; North Korea; Oman; Pakistan; Panama; Papua New Guinea; Paraguay; Peru; Principe and Sao Tome; Qatar; Republic of Armenia; Republic of Azerbaijan; Republic of Belarus; Republic of Georgia; Republic of Kazakhstan; Republic of Kyrgyzstan; Republic of Moldova; Republic of Tajikistan; Republic of the Congo; Republic of Turkmenistan; Republic of Uzbekistan; Republic of Yemen; Russian Federation; Rwanda; Sabah; San Marino; Sarawak; Saudi Arabia; Senegal; Seychelles; Sharjah; Sierra Leone; Singapore; Solomon Islands; Somalia; South Africa; South Korea; Sri Lanka; St Helena & Deps; St Lucia; St Vincents & Grenadines; Sudan; Surinam; Swaziland; Syria; Tahiti; Taiwan; Tanzania; Thailand; Togo; Tonga; Tours (this refers to individuals who are on tour between several different countries); Trinidad & Tobago; Tristan Da Cunha; Tunisia; Turks & Caicos Islands; Tuvalu; Uganda; Ukraine; United Arab Emirates; Uruguay; Vanuatu; Vatican City State; Venezuela; Vietnam; Virgin Islands (British); Western Samoa; Zambia; Zimbabwe

Where your State Pension will still go up each year

The Government's guidance says your State Pension will still increase each year if you go abroad to live in:

- the European Economic Area (EEA) - this includes all the EU countries (Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and

Sweden) and also Iceland, Liechtenstein and Norway
- Gibraltar
- Switzerland
- countries that have a social security agreement with the UK - these are Barbados, Bermuda, Bosnia-Herzegovina, Gibraltar, Guernsey, the Isle of Man, Israel, Jamaica, Jersey, Kosovo, Mauritius, Montenegro, North Macedonia, the Philippines, Serbia, Turkey, and USA. Note that The UK has social security agreements with Canada and New Zealand, but you cannot get a yearly increase in your UK State Pension if you live in either of those countries.

It cautions: "You will not get yearly increases if you live outside these countries. Your pension will go up to the current rate if you return to live in the UK."

Back in 2021, a House of Commons Library report said the All Party Parliamentary Group on Frozen British Pensions had called on the Government to "urgently review the frozen pension policy given the evidence of destitution facing many UK pensioners overseas" and drew particular attention to the impact on "veterans, former public servants and members of the Windrush Generation who have returned to their country of birth."

The Government has always indicated it has no plans to change this long-standing policy. It previously said: "The UK State Pension is payable worldwide to those who meet the qualifying conditions. It is uprated where there is a legal requirement to do so, for example, where recipients are living in countries where there is a reciprocal agreement that provides for uprating. The Government has no plans to change the policy on up-rating UK State Pensions overseas; the policy is longstanding and has been supported by successive Governments for over 70 years.

"The Government understands that people move abroad for many reasons and that this can have an impact on their finances. However, the decision to move abroad remains a personal choice. Advice that the UK State Pension is not uprated overseas except where there is a legal requirement has been provided to the public for many years. Information is provided in leaflets and on gov.uk."