

'I went back to work in my 80s because my frozen pension became worthless'

Expat retirees face a tougher retirement as inflation eats away at payouts

[By Marcus Connolly](#) 3 November 2023 • 5:00am



Peter Sanguinetti's pension income has become fixed forever – depleting in value with every rise in inflation

Peter Sanguinetti hadn't planned on moving to Canada – but in 1984 a work trip to Vancouver led to a job offer and shortly after a new life in North America.

Little did he know that this fateful decision would have grave implications for his retirement many years later.

Mr Sanguinetti is one of hundreds of thousands of British expats receiving what is known as a "frozen pension". Recipients' state pension payments remain fixed, gradually becoming less and less valuable.

Ruinously high inflation over the past two years has made the problem more acute, and led to renewed calls for the British government to help.

Before he left Britain Mr Sanguinetti – who estimates he has lost £23,000 – had built up a state pension through his work in the rope-making industry as well as through his years as a National Serviceman with the Royal Hampshire Regiment, a posting through which he served overseas.

He ended up having to drive school buses in his 80s, before Covid meant he could not carry on.

He said: “My wife and I were concerned about making the move and we considered it very carefully before we actually committed, we researched schools and housing and other basic necessities.

“But as to the implications the move would have on my pension I had no idea what was in store.”



‘Frozen pensions’ forced Peter Sanguinetti to start driving school buses in his 80s

The latest official figures show that there are approximately 480,000 state pension recipients living in countries where payments do not grow in line with rising costs and wages.

Those relying on these frozen pensions, the vast majority of whom live in Canada, Australia, and New Zealand, are not [covered by the "triple lock"](#), that ensure retirees in the UK are shielded from inflationary pressures. Here, state pensions rise every April by the highest of wages, the rate of inflation or 2.5pc.

Sheila Telford, chairman of the International Consortium of British Pensioners (ICBP), said: "This is having a real impact on the standard of living for overseas British pensioners and it urgently needs to be addressed."

Under the terms of Britain's departure from the EU, arrangements to adjust pension payments were extended to Britons living on the Continent and additional agreements have since been signed with non-EU member states, such as Iceland, to index state pension payments to retirees living there.

However, despite a long campaign from British expats in a number of Commonwealth countries no such agreement has been made to increase their payments.

As part of continuing trade talks between Canada and the UK, the Ottawa government has on several occasions floated the possibility of putting an agreement in place to cover British pensioners in Canada but Whitehall has rejected such approaches.

Lord Davies of Brixton, a member of an All Party Parliamentary Group lobbying for change said: "It's clearly an injustice to anyone who comes across it.

"The Government hides behind this reciprocal agreement excuse but what's important about the Canadian case is that the Canadian government has said it's prepared to negotiate a reciprocal agreement and it's the British government who are saying 'no, we don't want one'.

"You can't say the only reason we don't do it is because we don't have a

reciprocal agreement if you're not prepared to even enter into discussions, it's clearly a blanket ban."

One hurdle the proposed extension faces is the huge perceived cost. This year pensioners in the UK received a 10.1pc boost to their payments as a result of the triple lock, and there are concerns about the sustainability of such rises as Britain's population ages and its labour force begins to shrink.

Recent analysis from the Institute for Fiscal Studies estimated that the triple lock in its current form could see the [annual cost of funding](#) the state pension surge by up to £45bn. This year, following the record 10.1pc rise, the total cost of the state pension will stand at £110bn.

But Ms Telford said the cost of indexing pensions in additional countries would be miniscule in comparison to the total figures involved. Recent ONS analysis estimates extending the protections to expats who are not yet covered would add £860m onto this year's state pension bill.

Nigel Nelson, a campaigner with the International Consortium of British Pensioners, said: "Right now there's roughly £81bn in reserves in the National Insurance Fund, each year those reserves are growing since contributions to the fund exceed payments from it. Clearly, the UK can afford to uprate frozen state pensions – so, why won't it?"

There is not a National Insurance "fund", as understood in the conventional manner, and those who argue against the triple lock point to Britain's worrying demographic trends that suggests state pensions will soon become unaffordable.

The campaigners also point out that in the face of their purchasing power being eroded by inflation, many expats may be forced to return to the UK for lack of means in their twilight years.

This outcome, they note, in light of care and medical needs, would likely cost

the Government many times more than the bill tied to extending the triple lock mechanism.

An example of one such move is close at hand for Ms Telford. One of her predecessors as chairman of the ICBP was forced to move back to the UK after his partner died and he faced funding his final years in Vancouver alone. He spent the final three years of his life living outside Brighton after having to leave his adoptive home country.

A particular frustration of those stuck with frozen pensions seems to be the arbitrary nature of which expats do have rising pensions, and which do not.

Ian Andexser, chairman of the Canadian Alliance of British Pensioners (CABP), said: "One of the reasons always given by the British government is that this is a long-standing policy that has been followed by successive governments for over 70 years and that they have no plans to change it. But using history as justification is absurd."

To rub salt into the wound of Canadians, British pensioners living in the US do have their pensions indexed.

Mr Andexser said: "It is ludicrous that a British pensioner living in Niagara Falls, Canada suffers a frozen pension and yet 400 metres across a bridge, a British pensioner in Niagara Falls, USA gets a fully indexed annual pension."

The extension of indexed pensions to retirees living in the EU, and even in countries as distant as the Philippines, is yet another affront to the campaigners who point out the close cultural and historic links between Britain and the Commonwealth countries not covered by such agreements.

Analysis undertaken by campaigners highlights the affect on frozen pensioners. An overseas retiree who first accessed their fully paid up but frozen basic state pension in the late 1990s would today be approximately £50,000 worse off than a recipient who had remained in the UK and received

annually adjusted instalments.

A government spokesman said: "Our priority is ensuring every pensioner receives the financial support to which they are entitled.

"We understand that people move abroad for many reasons and we provide clear information about how this can impact on their finances.

"The Government's policy on the uprating of the UK State Pension for recipients living overseas is a longstanding one of more than 70 years and we continue to uprate state pensions overseas where there is a legal requirement to do so."

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