# Breakthrough for 'frozen' pensioners living abroad

## The Cabinet Office has agreed to look at a plan to unfreeze the pension income of retirees living abroad.

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by Michelle McGagh on Feb 04, 2016 at 10:41

Expats who have had their state pension payments 'frozen' are a step closer to justice after the Cabinet Office agreed to consider a plan to partially uprate the income they receive.

Around 1.2 million pensioners live abroad but depending on where they live, the state pension they receive is very different. Around half, 550,000, of those pensioners have had their pensions frozen as they are not entitled to annual increases in the state pension – known as uprating.

This means they are only entitled to the sum they received when they first started drawing their pensions, with some living on as little as £6 per week.

Sheila Telford, director of the International Consortium of British Pensioners (ICBP) said there was 'no rhyme or reason why the pension is uprated if you live in Turkey but not if you live in India'.

'It is illogical…it is wrong and it should be stopped,' she said.

## Ongoing campaign

The campaign to unfreeze pensions has been running for a number of years but Telford said it had made its most significant breakthrough following a discussion with Conservative MP and minister for government policy in the Cabinet Office Oliver Letwin.

Letwin has agreed the Cabinet Office will crunch the numbers for a partial uprating that have been provided by the All Party Parliamentary Group on Frozen British Pensions, which ICBP works closely with.

The partial uprating was described as 'an affordable policy alternative and a major step towards ending a great policy injustice'.

Under the plan frozen pensions would be increased 2.5% a year from their current figures (which is different for each individual depending on when they retired and what their state pension is), rather than bringing frozen pensions in line with unfrozen ones and then rerating from there.

In the first year, the cost would be £30 million, in the second £60.8 million, then £92.3 million in the third year, £124.6 million in the fourth and in the fifth year it reaches £157.7 million.

Although the figures look large, the ICBP argued that in the first year the cost is equivalent to 0.03% of total pension spending and even after a decade it is 0.31%.

## Costs could be offset

However, the uprating could be cost neutral, said Conservative MP Roger Gale, who is backing the frozen pension campaign.

This is because of the 'unquantifiable' savings that could be made by increasing pensions, which in turn allows pensioners to move abroad to be with their family or to return to their country of origin.

'The second half [of the calculation] is difficult to quantify because we do not know two significant factors: we do not know how many [pensioners] will come back [to Britain] because they cannot afford to stay overseas [receiving reduced pension] and they will become a charge on health services…and social services,' he said.

'The other side that is difficult to quantify is we don't know how many people drawing a pension in the UK and using the health and social system would return to their country of origin and would cease to be a charge [on these service].'

Figures calculated by the ICBP said there is an average £4,300 net saving for each pensioner that moves overseas and if 6,977 pensioners were encouraged to move because they would receive uprated pensions, the cost of the partial uprating would be covered.

## Cabinet scrutiny

Gale said Letwin was 'sympathetic' to the cause of frozen pensions and the numbers produced by the ICBP were currently being 'crunched by the Cabinet Office'.

'The Cabinet Office is going through the numbers to see if they stack up,' said Gale.

'We want them to recognise that this makes sense financially, and then we have a case to take to the Treasury.'

Gale added that he had spoken to pensions minister Ros Altmann 'who is supportive of the cause' but said the Department for Work and Pensions (DWP) did not have the money to agree an uprating.

'Ros Altmann said this is not something the DWP can deal with... the DWP has not got the money,' he said. 'If we want new money [to pay for it], that money will have to come from the Treasury. It may be possible to persuade the Cabinet Office and they may in turn be able to persuade the Treasury.'

The ICBP had campaigned for a full uprating of the frozen pensions but government concerns that it would lead to a legal battle for retrospective uprating has meant it has had to settle for fighting for a partial uprating.

Gale said it was a 'compromise' as the 'government is afraid of a retrospective challenge'.

'If they [fully] uprate tomorrow then someone somewhere in the world will say they want the last 30 years [of uprating they missed out on] back and that ends up with an astronomical figure [to pay out], so rather than do something the obvious choice [for the government] is to do nothing,' said Gale.

He added that a partial uprating 'would not be liable to any legal challenge'.

Telford said she has 'a great hope that someone is looking at the financial aspect let alone the moral aspect' of frozen pensions.

'It is wrong for people to be denied pensions they paid for,' she said.

The cause is also being supported by shadow pensions minister Angela Rayner who described frozen pensions as 'unfair and illogical'.

'Over 550,000 people are losing over half their money they worked hard for. The fought for their country, they worked hard, paid national insurance and paid tax, it is unjust and something has to be done,' she said.

'It comes down to decency…it is disrespectful not to [uprate pensions].'