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Ex-pat pensioners seek upratings for all

Some people who retire abroad can bask in the sun as their pension grows with UK inflation, while others are frozen out to the tune of £20,000

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If you harbour dreams of retiring somewhere hot, or you are keen to move abroad to join your grown-up son or daughter, make sure you don't end up a loser in the expat pension lottery.

Many Brits thinking about retiring abroad probably don't realise that where you choose to retire will have a huge impact on how much money you have to live on in your old age.

If you decide to move to Australia, Canada, South Africa or one of 170 other countries, your basic state pension won't increase annually, as happens in the UK. It will be permanently frozen at the date you retire or when you arrived in that country, and it will never increase, no matter how rich or poor you are, or how much you've paid in national insurance contributions.

However, if you move to an EU country, the US, or one of a seemingly random list of other countries including Israel and the Philippines, your state pension will increase in line with inflation.

There are around 555,000 "frozen" pensioners around the world, almost half of whom live in Australia. Some of the very oldest, who qualified for their state pensions in the 1970s, have had their payouts frozen at as little as £6 a week. Yet they would be getting up to £107.45 a week if they were living in Florida or on the Costa del Sol.

The frozen pensioners have long argued that these rules, imposed by the UK government, are discriminatory and unfair, and result in financial hardship for British citizens around the world. These rules are also preventing some older Brits from moving abroad to join children and grandchildren living in countries such as Canada because they are worried about becoming a financial burden to their family as the value of their UK pension dwindles.

Ten years ago this month the pensioners launched an ultimately fruitless legal challenge, which kicked off in the high court and went all the way to the European court of human rights. Ministers concede the rules are "illogical", but argue it would be too expensive to uprate pensions for everyone. They say the priority should be targeting money at the poorest pensioners living at home.

But the organisations representing the frozen pensioners refuse to give up, and have embarked on a multi-pronged campaign aimed at overturning this "immoral" policy.

Last week the International Consortium of British Pensioners (ICBP), which represents expat campaigning groups in Australia and Canada, launched its new Pension Justice website, aimed at highlighting their plight.

And, after exhausting the legal process, they have decided to appeal to the Queen in her diamond jubilee year. In a letter sent to her last month, 73-year-old Jim Tilley, who moved to Australia in 1971 and is honorary chairman of the British Pensions in Australia group, said: "We pray that ... you will see reason to request your government to be less intransigent about this issue."

The organisations have some supporters in high places. Australia's foreign minister, Bob Carr, recently met the UK's foreign secretary William Hague in London, and called on the British government to uprate the pensions of Britons living in Australia. "Australia's got a very strong case here ... I'm strongly opposed to what they're doing," Carr said earlier this month.

Meanwhile, an early day motion calling on the government to review the regulations and "treat all British pensioners with the dignity and fairness they deserve" has been signed by 102 MPs including former Lib Dem leaders Sir Menzies Campbell and Charles Kennedy. And an e-petition on the Directgov portal has 19,000 signatures.

So just how much does this policy cost people? Freezing pensioners' entitlements means they can lose out on up to £24,000 of income over 20 years of retirement, according to a report (pdf) published in December by the Runnymede Trust, a leading race equality thinktank. One British couple featured on Pension Justice, Geoff and Doris Dancer, who live in Ottawa, Canada, reckon that between them they have been denied around £40,000 of pension over the past 20 years. On reaching 65 in 1986, Geoff Dancer, who served in the RAF from 1939 to 1948, qualified for a 100% state pension of £38.30 a week - the same amount he receives today.

While some people argue there is no reason why UK taxpayers should have to fund people who live abroad and are now contributing nothing to the British economy, it would be hard to argue there is any logic to the system. British pensioners in Jamaica and Barbados, for example, get the increases, but those in Trinidad and Tobago, St Lucia and Antigua don't. Similarly, Mauritius is uprated, while its Indian Ocean neighbour the Seychelles isn't. Even the Falkland Islands don't get special treatment. The 70-odd British pensioners living there have had their pensions frozen - but, oddly, it's a different story for their counterparts in Bermuda, thousands of miles to the north, who enjoy uprated payouts.

And this isn't just an issue for the traditionally white British expats moving to the "old Commonwealth" countries, points out 79-year-old John Markham, the ICBP's director of UK parliamentary affairs, who moved to Canada in 1984, and says he has lost 50% of his pension entitlement because of the policy. It also affects many black and Asian people who came to Britain during the 50s, 60s and 70s, have lived and worked here for decades, paying their taxes and NI contributions, and are now looking to retire to their country of birth in the Caribbean, Africa or south Asia.

Phil Mawhinney, author of the Runnymede Trust report, says: "It is clearly unfair that the people who were encouraged to rebuild the UK after the second world war by [for example] working for the NHS should risk losing their entitlements if they return to the Caribbean or elsewhere."

Those people who quit Britain for a retirement overseas are arguably saving UK taxpayers money because they are not using services such as the NHS. The ICBP pointed to a March 2011 study by Oxford Economics which claimed that each pensioner who moves abroad saves the UK taxpayer about £7,700 a year in healthcare, pension and age-related costs.

Markham, whose grandfather served as Liberal MP for Mansfield, Nottinghamshire, says: "We are fighting this on the basis that it's unfair, it's not just, and it's not the British way of doing things. A number of these pensioners fought for this country in the last war."

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