Is this the start of a thaw for frozen state pensions?

For many retired expats a pension that doesn’t increase with inflation appears unfair. But now there is a glimmer of hope

Dedicated worker: Richard Hyde, with his late wife Ana, after receiving his OBE in 2010. Photograph: Handout

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ichard Hyde has dedicated his life to working for the British government in a variety of posts around the world – including a spell as “our man in Madagascar”. He has been awarded both an MBE and an OBE. But while the government clearly values his work, it steadfastly refuses to give him the full state pension he has paid for.

Hyde, 73, is one of several hundred thousand older Brits living overseas who are out of pocket as a result of the “frozen pensions” policy.

While the basic state pension will rise by £3.35 to £119.30 a week in April – the biggest real terms increase since 2001 – Hyde, and around 560,000 other Britons, won’t get a penny extra. Instead they will watch the value of their UK pension dwindle away.

They are, say critics, being penalised because of where they have ended up living. If you move to one of more than 100 countries, including Australia, Canada, New Zealand and South Africa, your state pension will be frozen at the date you retire or when you arrived in that country, and will never increase – no matter how rich or poor you are, what type of job you did, or how much you have paid in national insurance.

But if you move to an EU country, the US or one of a seemingly random list of places including Macedonia, Puerto Rico and Samoa, your state pension will increase in line with inflation.

It’s an issue that Guardian Money has featured a number of times over the past few years, and at last it appears there might be a faint glimmer of hope for the frozen pensioners. As Green party MP Caroline Lucas, a member of the all-party parliamentary group on frozen pensions, says, the government “has finally agreed to take a closer look” at the issue.

Campaigners say the current policy is discriminatory and inhumane, and results in financial hardship for British citizens around the world. Some of the very oldest pensioners have had their payouts frozen at as little as £6 a week, when the maximum basic state pension is now £115.95.

Hyde grew up in Kent and started working for the British government in 1965. After a career in the diplomatic service that took him all over the world, he retired to Madagascar – where he had previously worked for a time – in 2002 with his Malagasy wife Ana. However, it wasn’t long before he was working again: in 2005 the British embassy in Madagascar was closed by the UK government to save money, and Hyde was asked to become the honorary consul there – a post he held until 2012. He then held another official position in the country before retiring for the second time in 2014.

Ana died in early 2014, and in August 2015 Hyde moved to Chiang Mai in Thailand, which he knew from an earlier stint working in Burma (now Myanmar).

Hyde’s state pension was frozen at £70.49 a week when he reached 65 in March 2007. Needless to say, Madagascar and Thailand are both on the list of “frozen” countries. Hyde, who has two children aged 45 and 43, says he can’t afford to move back to the UK because of the high cost of living, and points out that he doesn’t cost the government any money in terms of the NHS, social services etc.

“It has twice recognised my work with accolades, yet is still unwilling to pay my full pension – one I’ve contributed to during the whole of my working life,” says Hyde, who was awarded his MBE for work in

Belgium, and his OBE for services to the British community in Madagascar. "It's a major injustice that the government denies people their rightful pension. I expect the government to respect the right of people to the pension they have paid for."

But could there possibly be a breakthrough in sight? In November 2015 representatives of the International Consortium of British Pensioners (ICBP), which represents expat campaigning groups, and the chairman of the all-party parliamentary group on frozen British pensions, Sir Roger Gale MP, met with Oliver Letwin, the prime minister's policy chief, and a special adviser to work and pensions secretary Iain Duncan Smith, to discuss the issue.

At the meeting Letwin committed to take a look at a specific proposal for so-called "partial uprating" – the uprating of frozen pensions going forward, but from their current level only. The cost of this would be around £30m in year one. Money has always been the big stumbling block – the government has estimated that to fully uprate everyone's frozen pensions to current levels would cost more than £500m a year.

Having received a detailed and costed policy paper from the ICBP last month, Letwin has since confirmed to Gale that he has passed the paper to officials in the Cabinet Office to examine the numbers. Gale told the last meeting of the all-party group that Letwin remained "sympathetic" and "wanted to help".

The Department for Work and Pensions told Money: "The government has a very clear position which has remained consistent for around 70 years: the UK state pension is payable worldwide, but is only uprated abroad where we have a legal requirement to do so – for example in the EEA [European Economic Area] or in countries where a reciprocal agreement that allows for uprating is in place. There are no plans to review this."

The ICBP runs the Pension Justice website to highlight the issue. For a full list of countries that are and aren't frozen, go to britishpensions.org.au/frozenindexed.htm.