



No way to treat an expat

British pensioners here are being discriminated against – it's time to unfreeze their state pensions annually

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Hundreds of thousands of Australian residents are now, and have been for decades, victims of a slow, creeping and remorseless injustice at the hands of the government of Britain. In opposition, British politicians are wont to bemoan the situation. In power, they always find that after all, nothing can be done.

The problem can be simply stated. Australian residents who have worked in Britain, and contributed to its state pension scheme, will receive far less for their money than most of their fellow pensioners. Why? Because whether a British state pension is indexed, and increased every year to keep pace with inflation, depends entirely on where the pensioner happens to live. The British state pension is not like the Australian age pension. Anyone who works in the UK is

obliged to pay National Insurance contributions, quite separately from general income tax, out of his or her salary or earnings. This money helps fund the British social security system – in particular, its age pensions.

In Australia, employers are obliged to contribute to their employees' superannuation. But the employees can make decisions about how that money is invested, and it remains theirs, not the government's. They may or may not also qualify for an age pension, which, unlike the British equivalent, is paid out of general government revenue and is means-tested.

An Australian age pension is therefore a taxpayer-funded benefit paid to those who need it. A British state pension is an entitlement paid to everyone who has contributed to it: the amount they receive depends not on their wealth, but purely on the number of years during which they have made National Insurance contributions during their working lives.

But suppose someone who has worked for years in Britain chooses, at some stage, to live outside the UK? Say, in the United States, in Portugal, in Jamaica or in 47 other countries around the world? Some 630,000 British pensioners have made that choice, and it has not affected their pension income at all. Each year their state pensions are 'uprated' to keep pace with the British cost of living index, exactly as if they had remained in the UK.

But over 550,000 British pensioners live elsewhere in the world – 95 per cent of them in Commonwealth countries like Australia, New Zealand and Canada, where every city square and country town contains a memorial for those who died fighting for what used to call itself the 'motherland'. Those people's pensions are frozen. The amount they receive in the week they leave the UK, or, if they are already living overseas, in their very first pension cheque, will be the amount they go on receiving for the rest of their lives.

Take the 102-year-old Annie Carr: she arrived in Australia in 1974 with a full pension of £6.12 per week. If she had stayed in Britain, or moved instead to the US, or to a country in the EU, or to any other country that negotiated a 'reciprocal agreement' with the UK back in the 1960s or 1970s, she would now be getting over £110 per week.

But she lives in Australia, and so she still receives £6.12 per week. She relies on the generosity of the Australian pension system to pay her an income on which she can actually survive.

A Liberal Democrat member of the British House of Commons, Steve Webb, addressed this issue back in 2004. 'We have a contributory pension system,' he told a Commons Committee. 'We ask people to make contributions all their life to accrue an entitlement. Why should that accrued entitlement vary according to where they choose to live? The British Government is free riding on the welfare states of countries British citizens are moving to. We are asking other countries' tax payers to support our pensioners.'

In 2007, Webb signed a House of Commons Early Day Motion that declared bluntly: 'The freezing of pensions is wholly unfair, discriminatory and irrational'.

That was then, when Labour was still in power. This is now, and Steve Webb is the Minister for Pensions in David Cameron's Conservative-Lib Dem coalition government. And now, the few hundred million dollars a year that it would cost to index half a million pensions – less than 1 per cent of the total cost of the British pension system – is too much. Webb says that there's nothing he can do.

'I've a passionate belief in equality for all,' said David Cameron in 2012. He was talking about gay and lesbian marriage. But his passion doesn't stretch to righting a gross inequality that has persisted for 60 years.

Both the British courts and the European Court of Human Rights have ruled – so far – that this is a political, not a legal, matter. But the politicians have generally failed to offer any justification, other than

budgetary pressure, for the status quo. And as recently as February this year, in rejecting the British government's position on another aspect of the pension system, the United Kingdom Supreme Court quoted approvingly from a judgement of the European Union Court of Justice: 'Budgetary considerations cannot justify discrimination.'

Back in 2000, the Labour government's Minister for Pensions, Geoffrey Rooker, was frank: 'I am not prepared to defend the logic of the present situation. It is illogical. There is no consistent pattern. It does not matter whether a country is in the Commonwealth or outside it. We have arrangements with some Commonwealth countries and not with others... It would cost some £300 million to change the policy for all concerned – the issue will not go away.' Indeed, it won't. And now British pensioners' organisations are lobbying Commonwealth foreign ministers to bring the issue up at the next CHOGM in November.

The Commonwealth Charter states that its members are 'committed to equality and the protection of economic and social rights for all without discrimination', and 'are implacably opposed to all forms of discrimination'.

The discrimination, in this case, is blatant. Until it is removed, the Commonwealth Heads of Government should argue, Britain should have its membership suspended. Perhaps even the threat might produce what 60 years of lobbying has not: enough shame to right a simple wrong.