Retired expats may lose £1,000 a year

Party's over for some expats (Mark Bowden)

PENSIONERS who retire abroad could be losing more than £1,000 a year because of the government's refusal to increase their state pensions in line with inflation.

Expats who retire to the "wrong" countries have each missed out on £23,348 over the past 20 years, according to the International Consortium of British Pensioners (ICBP), which is campaigning against the pension freeze.

Senior citizens who remain in Britain enjoy an annual pension increase in line with earnings growth, inflation or 2.5% — whichever is highest.

However, if a pensioner moves abroad to one of more than 120 countries, including Australia, India, Hong Kong and Canada, their state payout does not change from the date they leave Britain.

The Lords will consider the issue of frozen pensions tomorrow as part of the progress of the Pensions Bill through parliament.

About 560,000 people living abroad have frozen pensions, according to the ICBP. Those who retire to countries within the European Economic Area or countries that have a social security agreement with Britain, such as America, do receive annual upratings to their state pensions.

Sheila Telford, chairman of the ICBP, called the system "cruel and unjust". She said: "David Cameron recently said he wanted people to know that they can have 'dignity and security' in their old age. This is exactly what we are asking on behalf of those pensioners living overseas with frozen pensions."

The cost for the government of unfreezing the state pension is estimated at £580m for 2014-15. The ICBP claims that Britain is unique in freezing pensions for people living in certain countries.

Payment of the state pension to Britons abroad began in 1929. Gradually agreements were established with specific countries to increase the payout each year. The last country where uprating was agreed was Barbados in 1992.

The Department for Work & Pensions said: "The 'frozen' pension policy is a longstanding policy of successive governments for the past 60 years, where they have consistently focused on the interests of pensioners in the UK over those who have decided to emigrate."

It added: "The state pension is payable worldwide but is uprated abroad only where we have a legal requirement or reciprocal agreement. People who are considering emigrating abroad should always consider the impact the move could have on their future entitlement."

Gregg McClymont, the shadow pensions minister, said that while taxpayers should not be asked to pay extra to support people who live outside the UK, the government should review the costs and benefits of uprating overseas pensions.

According to the ICBP, Canada, Australia and New Zealand uprate pensions for their citizens living in the UK despite the lack of a reciprocal agreement.