Retirement blow for 560,000 expats who will get a worse deal from state pension top-ups despite paying the same as UK residents

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- **Expats in 150 countries will get a poorer deal than UK and EU residents**
- **Cost of state pension top-up is £890 for £1 of income, DWP announces**
- **Some expats will see this income rise with prices, but others won't**

By ADAM UREN

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More than 500,000 British expats living in 150 countries around the world will get a much poorer deal than their UK-resident counterparts if they take up a Government offer and buy additional state pension income.

The Government announced **today** that people who retire before April 6, 2016 will be able to buy up to £25-a-week extra state pension income between October 2015 and April 2017 at a cost of £890 per £1 of weekly income.

The offer is being made as these individuals will not qualify for a higher state pension - worth £155 in today's money - that is due to arrive in April 2016

Frozen out: Expats living in Australia don't see rises in their state pension.

But qualifying expats living in countries such as Australia and Canada will not get the same deal as UK residents despite having to pay the same amount for the extra income. Specifically, these expats will not see this extra state pension income rise in line with inflation, unlike their UK and European counterparts.

This is because the country they live in does not have an agreement in place with the UK to increase their state pension income, and as such their payouts have been frozen ever since they moved there.

There are more than 150 other countries around the world, including many Commonwealth nations, who are deprived of this increase.

For years expats in these countries have seen the value of their state pension eaten away by inflation, but the latest move will be another kick in the teeth as they will be paying the same price as UK, European Community and American residents for a vastly inferior income.

Under the changes, someone aged 65 who pays £22,250 to get the maximum £25 a week extra will get and additional £1,300 state pension in their first year.

But while they would see this rise to an extra £1,623 income in the tenth year after they buy the top-up (based on 2.5 per cent inflation), an expat in Canada will still be getting that flat £1,300, leaving them thousands of pounds poorer over their retirement.

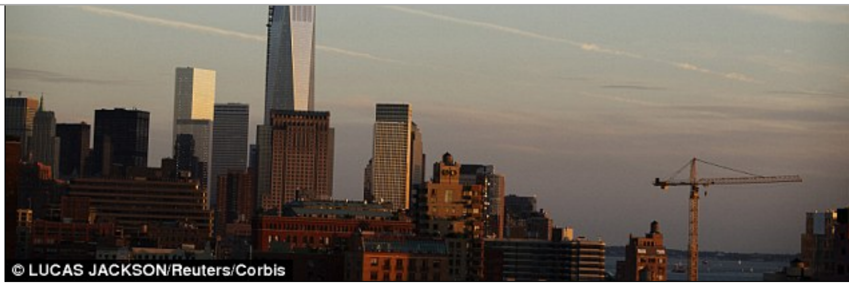
Government after government have steadfastly refused to bite the bullet and spend the extra money to lift the ban, the cost of which would be hundreds of millions. However, campaigners argue that the cost is lower than it would otherwise be as this group is not drawing on the UK's health system.

There has been sustained campaign by organisations like the International Consortium of British Pensioners to get the freeze lifted.

WHERE EXPAT PENSIONS INCREASE

Countries outside the UK where expats get an annual state pension increase:

All EEA Countries and Switzerland, Barbados, Bermuda, Bosnia-Herzegovina, Croatia, Guernsey, Isle of Man, Israel, Jamaica, Jersey, Mauritius, Montenegro, Philippines, Serbia, Turkey, United States of America, Former Yugoslav Republic of Macedonia



Uprated: Those living in the USA get index-linked rises to their state pension.

The freeze is a blanket one across all forms of state pension, whether basic, additional or top-ups, and this won't change for the latest top-up offer, which will be available for 18 months starting from October next year.

It has left some who retired abroad decades ago with state pension incomes worth less than £15-a-week, while those still living in the UK get at least £110.

The Department for Work and Pensions said that those planning on retiring abroad will need to 'bear in mind' what country they're moving to, given that they won't see the annual increases to their pensions in some.

This is Money has been calling for a lifting of the ban on state pension freezes.

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Ima_Brokolbuga, Toronto-Canada., 2 years ago

Freedom of Information request 595/2013 Received: 7 February 2013 Published: 7 March 2013 Information request DWP response Question.... (Please supply) confirmation that reciprocal agreements are not necessary to uprate pensions in countries where this is no such agreement. i.e. confirm up-rating could be done by domestic (UK) legislation¿ Reply.... Bi-lateral agreements are not necessary in order for pensions paid outside Great Britain and the EU to be up-rated. There are currently no plans to change the existing longstanding policy of successive governments on the up- rating pensions overseas; this policy was upheld in a ruling by the European Court of Human Rights in 2010 which found in favour of the UK government.

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pedro, Udonthani, Thailand, 2 years ago

My pension the OAP has been frozen since I started getting it, because I decided to live where I wish although this has been debated time and time again.Now I have a few health issues, I'm glad I live in a warmer climate as in the uk they would be worse.

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cwjones, london, 2 years ago

Yet more shabby treatment of older people. We are a international disgrace.

Click to rate 13 5

Old Chap, Caribbean, Grenada, 2 years ago

This shabby treatment of British expats pensions needs testing in the Courts, particularly the ECHR because it is WRONG - WRONG - WRONG

Click to rate 18 9

decon, brasil, 2 years ago

I've just realised that there is no return in investing and extra sum so the 4.6% I mentioned is wrong. Over 15 years as a taxed expat, if you drew down the money at 20 pounds per week from your bank account.(the amount after tax) Then at least you would have money left for

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mikeman, Eastleigh, United Kingdom, 2 years ago

Well said C3PO if the money is spent in the U.K it benefits the U.K once it goes abroad its lost, i have no complaint with people emigrating but once you turn your back on your country don't expect anymore than you were entitled to when you left the U.K. The only money sent overseas should be your pension entitlement at time of leaving the U.K. no other money such as benefits should be sent abroad.

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Ratcatcher, Westminster Sewers, 2 years ago

If people have paid into the pension system all their life they are entitled to everything they would receive if they were still living in the UK despite the bleatings of the jealous few who have never left the end of their street.

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decon, brasil, 2 years ago

Have I miss read something here. Where is the mention of tax??? Unlike pensioners living in the UK, If you live in a country without a tax treaty, you pay tax on all your UK pension at 20% and you can't claim that back from the country where you live. So someone who moves to say Brazil now with a 110 pounds pension will have to pay 22 pounds tax per week giving them a net 88 pounds per week and no benefits. So not only have they contributed, but the continue to contribute until they die. What pensioner in their right mind is going to lend the government 22, 500 to get back 20 pounds per week after tax. So not only do they lose out on the inflation rises, but they actually get less than the 25 pounds per week to start will. Now do the calculation of the difference over say 15 years. The net fixed rate they are getting is around 4.6% and won't alter eve if the bank rate goes to say 8% at some time during those 15 years.

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decon, brasil, 2 years ago

Actually, it's worse than 4.6% because you don't get to keep the capital like you do when it's invested. The sooner you die, the more the government gains. If you die at 80, which is likely, then it has cost you 1500 per year (28.84 per week) for the privilege of the them paying you less than that. back if you are an expat in a none tax treaty country. What a joke.

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N Fox, London, United Kingdom, 2 years ago

Tax payer expecting free dentist......I think not,as for winter fuel allowance and bus passes we will be saying goodbye to them from 2015

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cwjones, london, 2 years ago

Yes, they're hoping it'll kill a few more thousand pensioners so they can save on their Pensions.

Click to rate 29 0

N Fox, London, United Kingdom, 2 years ago

Tax payer expecting free dentist......I think not,as for the winter fuel allowance and bus passes we can say goodbye to them from 2015

Click to rate 6 0

ron, Cornwall, United Kingdom, 2 years ago

Just a thought folks, and I am not a Maths Professor, however......If, and I mean "If" you could afford to chuck in another 25K then, based on only 1.09 % xx 1300 = on my calculator, pressed = 15 times , I got £42902 approx; Now, to be able to chuck in 25K and a tax payer at 20% (not 40%) you would pay tax of £8580 on that figue over 15 yrs so would gain £34322 - £8580 tax so would net £9322 ! The same £25000 in your new Super Isa over 15 years for anyone with £25000 spare has to be a no tax no brainer. All answers on toilet paper and flushed please ! Why 15 years ? age 65yrs to 80 yrs old, by then the youngsters will be hunting us down and the Government paying them.

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