Retiring abroad? Don't catch a cold because of the state pension freeze

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Geoff Amatt's family will gather at his home in Abergele, north Wales, next month to celebrate his 100th birthday. His only child, Jean, will be there, and his two grandchildren. But when the party, on 10 April, is over, Amatt will once more be all alone. It's not something 67-year-old Jean is happy about, but her home is more than 4,000 miles away in Calgary, Canada, where she emigrated in 1973, and where her son and daughter were born and live.

Amatt has lived alone since his wife died seven years ago. He would have loved to have moved to Canada, but would now be out of pocket by more than £4,300 a year and, all told, would have waved goodbye to more than £65,000 of basic state pension that he has received over the past 33 years by staying in the UK.

Had Amatt moved, he would now be one of the 558,000 "frozen" British pensioners living in one of the countries where their basic state pension doesn't increase annually, as in the UK.

If you move to one of more than 100 countries – including Canada, Australia, New Zealand and South Africa – your state pension will be permanently frozen at the date you retire or of your arrival there. However, if you move to an EU country, the US, or one of a seemingly random list of places including Israel and Samoa, your state pension will increase in line with inflation.

It is thought that around 95% of the frozen pensioners live in Commonwealth countries, and some of the very oldest, who qualified for their state pensions perhaps 45 years ago, have had their payouts frozen at as little as £6 a week.

Campaigners say the UK government's frozen pensions policy is discriminatory and inhumane, and results in financial hardship for British citizens around the world. However, the rules are also separating families. That's because people such as Amatt feel they cannot join children and grandchildren living in countries such as Canada because they fear becoming a financial burden to their family as the value of their UK pension dwindles away.

Back in 1981, when Amatt was 66, he and his wife were seriously considering emigrating. But if they relocated to Canada, their basic state pension would have been permanently frozen at £27.15 – the weekly amount at the time. They reluctantly decided that, financially, it was simply out of the question.

Jean recalls: "He said: 'It will be financial suicide if we emigrate.' I remember him saying that. And was he ever right. At that time he was getting £27.15 a week – it rose to £29.60 in November 1981 – and now he is getting £110.15. If he had come here he would still have been on that £27, despite paying into the system all his working life."

Guardian Money has calculated that the total sum he would have missed out on between 1981 and now, had he emigrated, is more than £65,000.

Amatt, who served in the Lancashire Fusiliers during the second world war, is now resigned to the fact that he is too old to make the move. Jean tries to get to see him as often as she can, but Calgary is a long way from north Wales. He has only seen his two great-grandchildren – aged eight and five – once.

"Frozen pensions are unbelievably unfair," says Jean. "The government is keeping families apart, and I worry about my father left all alone in Britain while we're thousands of miles away."

She adds: "I can't believe Britain is depriving pensioners of the right to choose where they live in retirement, and I also can't believe that Commonwealth countries are the ones being penalised. It's outright discrimination."

More than a decade ago a group of pensioners launched an ultimately fruitless legal challenge, which went from the high court 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, costing over half a billion pounds a year (£590m in 2014-15).

But the organisations representing the frozen pensioners refuse to give up. The International Consortium of British Pensioners (ICBP), which represents expat campaigning groups in Australia and Canada, runs the Pension Justice website, aimed at highlighting their plight, and has even appealed to the Queen.

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 Mauritius, for example, get the increases, but those living on the neighbouring Seychelles don't. And this doesn't just affect the stereotypical well-off white Brit moving abroad to soak up the sun – it also hits many black and Asian people who have lived and worked in Britain for decades and are now looking to retire to their country of birth in the Caribbean, Africa or south Asia.

Those who quit Britain for a retirement overseas are arguably saving UK taxpayers money. The ICBP estimates that the more than 1.1 million British state pensioners who have retired overseas (some 635,000 of whom have their pensions indexed every year) are saving the British economy about £3bn a year because they no longer call on the NHS, social services or housing.

The divide between the expat pensioner haves and have-nots will widen now that the annual increase in the basic state pension is protected by the "triple lock"; next month it will rise by £2.95 a week – from £110.15 to £113.10.

Sheila Telford, chairwoman of the ICBP, says most people don't realise the government's "inhumane" policy of freezing pensions affects not only the 550,000 currently frozen pensioners overseas, "but effectively, it limits the choice of where to live in retirement for countless thousands of other future pensioners still living in Britain". She adds: "As a consequence, in this world of ever-increasing mobility, families are shattered as elderly parents will decide not to join their families living in frozen countries because of their frozen pension, and so are denied the human right to a family life with their children and grandchildren. They must live out their last years alone."

A Department for Work and Pensions spokesman says: "The UK state pension is payable worldwide but is only uprated abroad where we have a legal requirement or reciprocal agreement. This has always been the case, and people who are considering emigrating abroad should always consider the impact the move could have on their future state pension entitlement."

Unfortunately for Jean, history is now repeating itself – she is now on a frozen pension too. She receives a state pension of £49 a week – the same amount she has received since she was 60. Weirdly, when Jean returns to the UK or travels to an 'unfrozen' country, she temporarily receives a higher pension over this period of time, provided she notifies the UK authorities. However, British pensioners in Canada can't be uprated when they visit the US, even though it is an unfrozen country. "The UK government knows they can cross the border easily and escape the winter. Just more discrimination for residents of Canada," she notes wryly.