Spare a thought for the ‘frozen’ state pensioners

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The basic state pension will rise by 2.5% next April – double the rate of inflation – but spare a thought for the 550,000 UK pensioners living overseas who will get no increase in 2015, or in any future year. While it was confirmed last week that their UK-based counterparts will have an extra £150 in their pockets next year as a result of the basic state pension increasing to £115.95 a week, British pensioners in countries such as Australia and Canada won’t get a penny extra, but will instead watch the value of their UK pension dwindle.

That is because if you move to one of more than 100 countries around the world your state pension is frozen at the date you retire or of your arrival there, and never increases – no matter how rich or poor you are, or how much you have paid in national insurance.

However, if you move to an EU country, the US, or one of a seemingly random list of other places including Israel, Puerto Rico and Samoa, your state pension will increase.

There are thought to be around 558,000 “frozen” British pensioners living in countries where their basic state pension isn’t uprated annually. Contrary to what some might think, this doesn’t affect only the stereotypical well-off white Brit moving abroad to soak up the sun. It also hits large numbers of black and Asian people retiring to their country of birth in the Caribbean, the Indian subcontinent and Africa. Many came to Britain in the 1950s, 60s and 70s and have lived and worked here for decades, paying their taxes and NI contributions.

The former Play School and Play Away presenter and actor Baroness Floella Benjamin, now a Liberal Democrat life peer, was born in Trinidad – one of the long list of frozen countries – and turned 65 last month. In an article for Guardian Money she slates what she described as an "injustice" that had been "causing misery for years".

Guardian Money can also reveal the findings of a new survey that shows that while many black and minority ethnic (BME) people are considering retiring to their country of origin, nearly two-thirds (61%) are unaware that their UK state pension could be frozen for life, depending on where they move to.

The International Consortium of British Pensioners (ICBP) commissioned OnePoll to question 600 people from a BME background about their views on frozen pensions. Many said this issue would affect where they might spend their final years. When asked if being forced to accept a frozen UK state pension would affect their decision to move to a particular country, 40% replied "possibly", while 25% said "definitely".

Meanwhile, more than one in six of those questioned (17.5%) said they would "definitely" consider voting for a political party that committed to end the policy of selectively freezing pensions based on country of residence. A further 47% said they would possibly consider doing this.

When those who are considering moving back to their country of ethnic origin were asked about the likely timeframe for their move, 20% said two to three years, 43% said four to five years, and just under 20% said 10 years-plus.

Campaigners say the UK government's policy is discriminatory and inhumane, and results in financial hardship for British citizens around the world. Some of the oldest pensioners have had their payouts frozen at as little as £6 a week, when the maximum basic state pension is now £113.10. Someone who retired 30 years ago has typically lost around £60,000 of pension income.

The ICBP, which represents expat campaigning groups, runs the Pension Justice website, aimed at highlighting their plight.

While some people believe 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 a system that means someone retiring to Trinidad doesn't receive any pension increases, but someone retiring to Barbados does.

Twelve years ago the pensioners launched a fruitless legal challenge, which went all the way 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.