

Ouch! How Brexit is hurting UK pensioners in Canada



I was talking with my good friend James (*real person, but name changed*) the other day and he wasn't very happy. But first let me tell you a little bit about James. He has spent his whole retirement living here in Ontario – he is 83 and first started drawing his UK state pension in 1998. At that time he was paid £64.60 a week which in those days meant he was getting about \$150 a week; this was when gas cost 52 cents/litre, and a loaf of bread cost just \$1.30. Today, because of the UK's Frozen Pension policy, James is **still getting** £64.60 a week, which immediately after the Brexit vote converted to \$110/week (\$40/week **less** than he was getting in 1998) – the British pound instantly fell 18% against the loonie. Meanwhile the cost of gas has gone up to 94 cents/litre (\$1.15/litre in Western Canada), and a loaf of bread is now nearly \$3. How can anybody be expected to live on just over 100 bucks a week? James' British State Pension has fallen in real terms because the UK Government steadfastly refuses to annually uprate pensions for UK pensioners living in Commonwealth countries like Canada and Australia. The rate of inflation in Canada has increased and "frozen" pensioners continue to lose pace with the cost of living. How can that be right?

You can imagine what James said to me the other week when I told him that if he had retired to the southern side of Niagara Falls, in the USA, rather than the northern side in Ontario, or even if he had stayed in the UK, then he would have received about an extra \$46,000 CAD in pension money since he retired. What he said to me cannot be printed here!

James is not the only UK pensioner who is feeling the pinch. The CBC Vancouver radio station recently contacted the [Canadian Alliance of British Pensioners \(CABP\)](#) as part of its research on the immediate effect of Brexit on UK pensioners living in Canada. The UK State Pension is paid every four weeks and many pensioners cannot afford to pick and choose when they convert their sterling into Canadian dollars. They need the money as soon as possible because for some it is their only source of income. This means that they are hostages to fortune with regard to exchange rates – they have to take what is available on the day. The graph below shows the fall in the £ against CAD over the last three months- especially the dramatic fall the day after the Brexit vote.



Source: tools.currenciesdirect.net/currency-chart/

These rates are mid market rates at best; the rate received by pensioners is often a couple of cents less than shown in the graph above. This has hit UK Pensioners living Canada very hard and it's also a similar story in Australia.

Brexit will have a significant impact on the "frozen" pensions issue. The UK is only legally obliged to pay the annual increase to pensioners who live in the [European Economic Area \(EEA\)](#), [Gibraltar or Switzerland](#) or countries that have a social security agreement with the UK that allows for cost of living increases to the State Pension. The EEA includes all EU countries plus three other countries - Iceland, Liechtenstein and Norway.

There are over 400,000 UK Pensioners living in the EU and over half of them live in EU countries that had pre-existing (i.e. prior to them joining the EU) social security agreements with the UK, which *may* now come back into force post Brexit. However, the other half live in EU countries where, like Canada, there have never been social security agreements that facilitate annual uprating of the UK state pension.

If the UK is able to negotiate to join the EEA, like Norway - without being part of the EU, then one presumes annual uprating will then be restored to all EEA/EU countries. However, one of the tenets of the EEA is free movement of people and so it is not clear how the UK would be able to join EEA as opposition to free movement of people is thought to be the main reason for the "Leave" vote of Brexit.

Regardless the UK will not be able to ignore the new "frozen" pensioners in the EU. There are over 150,000 UK Pensioners living in Canada who are hoping that whatever the UK Government does for the new "frozen" pensioners in the EU then they will do the same for "frozen" pensioners living everywhere in the world – there can be no just or legal basis for treating the EU "frozen" pensioners any differently from the other "frozen" pensioners around the world! It is time to bring this unfair and immoral practice to an end, and then maybe my friend James can smile again.

Watch this space (as well as the [CABP website](#) and Facebook page) for further updates, both on Brexit and on how my friend James is managing to make ends meet.

On a separate issue, the CABP has recently been talking to the folks at CARP with a view to tackling some common issues that we have – check out what they are up to [here](#).

Nigel@britishpensions.com

Nigel is a regular contributor to Brits in Toronto, and is a member of the not for profit CABP, and a Director of the (also) not-for-profit [International Consortium of British Pensioners \(ICBP\)](#)