

The Pensions Bill, 2025: Call for Evidence

Submission from the Pensions Action Group

We, the Pensions Action Group, are writing to the Committee to ask you to include an additional amendment to the current Pensions Bill that you are scrutinising.

The three amendments that have already been published give us no concern, but the omission of the potential amendment detailed below is notable by its absence, and no mention of it was included in The Bill, despite the DWP and the Pensions Minister being well aware of a need for it.

While we cannot write the amendment for you, we would suggest that it should read as follows:

‘The government should include provision within the Bill to provide a minimum level of annual indexation increases to the pre April 1997 period of pensionable service applicable to those in the Financial Assistance Scheme whose original occupational schemes provided it, and therefore those scheme members paid for it.’

The background to this is that the FAS, which was last substantially updated in 2007, fails to include any provision for indexation relating to the pre April 1997 element of a worker’s pensionable service. For many workers whose schemes failed in the late 1990’s this is most, and in some cases all, of their pensionable service.

Any post 1997 pensionable service is limited to a maximum of 2.5%pa based on the CPI, even though members paid for indexation at up to 5%pa based on the higher RPI.

In addition, the GMP element of any pension does not attract any indexation.

As you can imagine the lack of this indexation is making each pensioner’s life much poorer. The average FAS award is not a substantial amount, so the addition of the level of indexation that the member paid for is critical financially, especially after the last few years of high inflation.

Our living costs have risen substantially since the introduction of FAS in 2004, and again over these last few years we have seen unsustainable rises in our Council Tax, food costs, utility costs, transport costs, insurance premiums, to name but a few expenses that cannot be avoided.

We have attached several documents produced by the Pensions Action Group that give evidence and more detailed background to this situation.

Two members of the PAG previously gave this evidence to the Works & Pensions Select Committee in their research into Defined Benefit Pension Schemes in November 2023. Their Report was published in March 2024 when the then Pensions Minister was Paul Maynard, MP.

To summarise the Report's findings with regard to this matter we refer to Section 161 of the Report:

161. Financial Assistance Scheme (FAS) members are likely to have more of their service before 1997, so are particularly likely to be affected by non-indexation of pre-1997 benefits. Any improvements for PPF members should also apply to FAS members. Given the age of many FAS members, the Government should legislate as a matter of urgency to provide indexation on FAS compensation for pre-1997 rights, where their schemes provided for this, funded by the taxpayer. The Government should review the Financial Assistance Scheme, including looking at the case for removing other discrepancies in FAS compensation, compared to the PPF, such as the continued application of the compensation cap and lack of interest on arrears.

We understand that Paul Maynard, as Pensions Minister, reached an agreement to introduce the pre 97 indexation, with the approval of both the then Secretary of State and The Treasury. This was curtailed by the announcement of the General election in July 2024.

We met the new Pensions Minister Torsten Bell, MP in February of this year and he sympathised with our position and promised to look at in detail. However, since then, despite assurances from him to us and the PPF and the WPSC that he will take a decision this has failed to materialise, and was not mentioned in the introduction to the Pensions Bill last week in the House of Commons.

Mr Bell continues to state that he is looking at this issue, but our members and others in the FAS do not have the luxury of time to wait much longer. The number of FAS recipients has now reduced from the initial 140,000 to around 90,000 including over 4,000 who have passed away since we gave evidence to the WPSC in 2023. These pensioners need help now.

They have effectively not had any increase in their paid for pension for over 20 years, and many are now receiving in the region of 50% of their expected pension despite the FAS paying an initial 90%. Any spouses are who are due half of their widowed partners' awards are really struggling now. Furthermore, some recipients are now receiving a lesser nett amount than their initial FAS annual award due to the freezing of their income tax thresholds.

The Minister claims that the taxpayer will have to pay for this indexation, although the predicted total cost is not relatively large, between £400m and £700m spread over the next 10-20 years, the remainder of the life of FAS, as an ongoing basis, less any income tax receipts that will go back to HMRC. However, the Minister fails to acknowledge that the 2007 government took approximately £2bn of the residual assets of these closed schemes and absorbed those funds into the general government resources at that time to support their balance sheet, rather than ring fencing and investing them which could have provided the funds to provide our pre 1997 indexation.

The Pensions Action Group has been campaigning for the full restoration of our pensions since 2003, and our campaign helped to introduce the FAS and the PPF. The previous governments had failed to introduce a safety net scheme, as was required under EU law with Article 8 of the Insolvency Directive. At the same time government literature told the public

that their pensions were safe and guaranteed, no matter what happened to the sponsoring company. The Parliamentary Ombudsman in her 2006 Report 'Trusting in the Pensions Promise' found the government guilty of maladministration and recommended that our pensions be paid.

The Chair of the WPSC, Debbie Abrahams MP, recently raised the issue with the Pensions Minister, see attached letter dated 19th June 2025, and later as quoted in Hansard at the House of Commons debate on the 2025 Pensions Bill, stating:

There is another issue, which the Pensions Minister will know about. PPF and financial assistance scheme members, particularly those in their later years, are really struggling. I came across a piece—I think it was in The Daily Telegraph—that said that one of the key supporters of the Pension Action Group and a FAS member, Jacquie Humphrey died a few days ago, just 11 weeks after the death of her husband. They were both employed by Dexion, which folded, and, like hundreds of others, refused to leave it there. Is there any comfort that we can provide? I understand and recognise what the Minister says about the PPF surplus being on the public sector's balance sheet, but given that these people, who are in their 70s and 80s, are unable to live in dignity, what can we do to provide that for them in their later years?

We also know that the PPF, where there is now a £14bn surplus, are supportive of being allowed to pay pre 1997 indexation.

We have attached several documents as evidence to support our request for an additional amendment to be included within the Bill.

We would ask you to seriously study the matter and, if possible, to introduce the additional amendment to allow the government to provide the indexation as explained above.

FAS recipients are from the generation of hard working people who generally worked for just one or two companies over their working lives, and who took government advice, saved diligently for their pensions to provide a decent retirement, and who now feel let down by a succession of governments of all colours. We continue to campaign against our injustice and to fight for what we paid for.

The government is encouraging workers to save for their retirements, but when events occur and these workers lose a substantial part of their pensions through no fault of their own, the public confidence in saving for a pension is greatly diminished when the government later fails to accept its accountability and responsibility.

We are willing to attend an evidence session with you if required, or to provide any other relevant information or documentation that you may need to see.

[REDACTED]

15th July 2025