Public Bill Committee, Pensions Bill 2025

Further Submission from the Pensions Action Group

Further to the written and oral evidence presented to the Committee by the Pensions Action Group (PAG) we would like to make the following comments:

During the session on Tuesday 2nd September 2025 Committee member Rachel Blake asked Roger Sainsbury of the Deprived Pensioners Association (DPA) and Terry Monk from the Pensions Action Group about the potential cost of providing Retrospective Indexation Plus Arrears (RIPA).

Roger Sainsbury replied in some detail about the costs involved with providing pre April 1997 indexation including RIPA to only the Pension Protection Fund (PPF) recipients, and he quoted the estimated figure of £3.5bn as taken from the PPF letter to the Secretary of State for Works & Pensions dated 21st August 2025.

Unfortunately, time ran out before Terry Monk, representing the Pensions Action Group could quote the potential costs of providing pre 1997 indexation to the recipients of FAS, and these figures were also included in the same letter from the PPF to the Secretary of State, copy of the relevant page attached.

Terry Monk did, however, comment that a meeting with the Pensions Minister was crucial so that costs could be ascertained once we knew what suggestions he was inclined to propose.

We think it is very important that all Committee members are fully aware of the substantially lower costs relating to FAS and pre 1997 indexation.

The PPF, as administrators of FAS, has quoted the figure of £10.3m per year for the following 10 years on an ongoing basis progressive only. This is to provide the maximum of 2.5% pa CPI on any pre 1997 pensionable service and to the maximum of 5%pa CPI on any post 1997 pensionable service.

As you can see, the PPF calculate the cost to be a total of just over £103m to be paid over the next 10 years, an average of £10.3m per year, and The Treasury will subsequently recover 20% of that amount in income tax payable by the recipients, netting down to a total of £82m for the 10 years, or £8.2m per year.

The PAG contend that this is affordable and should be implemented without any further delay, to avoid the financial hardships that FAS recipients have been suffering since their awards commenced. There will be other costs to cover Deferred FAS members and any back payments if they are awarded in due course but it is vital that the initial £10.3m per year is provided immediately given the number of FAS members passing away. We have already stated that the average age of the 90,000 FAS members is 73 years, and the average annual FAS award is less than £3000pa.

The Committee will be well aware that the inflation rate since FAS started in 2004 has reached a total of 66% over the period, which includes huge increases in food inflation, which hit 4.9% in the last 12 months alone, and there have been other massive increases since the introduction of FAS in 2004 on items that the FAS recipients have no control over such as Council Tax (average increase 106%) , Water costs (average increase 100%) and Energy costs (average increase 230%) to name just a few household expenditures.

While, in the meantime, a FAS recipient since 2004 will have received ZERO indexation for their pre 1997 pensionable service, and in addition, if a scheme had contracted out, the Guaranteed Minimum Pensions (GMP) element of their FAS award would also receive ZERO indexation increases.

The above PPF figures are based on providing the increased indexation to only those schemes that originally provided for it, and their scheme members had therefore paid extra for it.

While the PAG does not know the Parliamentary procedures involved in initiating the provision of the indexation uplifts we would urge urgent action to be taken in the case of the FAS as the members, and their spouses, are the oldest cohort among all the different classes of FAS and PPF award recipients.

The PAG respectfully point out to the Committee that with regards to the claim that taxpayer’s money would be involved in providing the above sums to FAS recipients the Government must accept that if it had acted to strengthen the regulations around scheme funding in the late 1990’s and had then introduced a robust safety net scheme as demanded in Article 8 of the EU Insolvency Act, then none of us would be in this position. The 2006 Parliamentary Ombudsman’s Report ‘Trusting in the Pensions Promise’ identified maladministration and recommended restitution.

In addition, The Treasury in the early 2000's, following the introduction of FAS, received over £1.9bn of the residual assets of the failed occupational schemes and absorbed these assets in to the Treasury, rather than ring fencing them to provide a return on investment which would have been able to cover these additional costs.

Responsibility and accountability of Government, plus confidence in saving securely for a worker's pension has to be a fundamental priority at all times.

A second point we need to raise is that there seems to be some confusion between the currently tabled amendments potentially allowing active pension schemes to pay discretionary pre 1997 indexation increases if the scheme is in a strong surplus or reserves position. As the Minister, Torsten Bell, has quite correctly pointed out these potential increases are not applicable to the PPF or FAS.

That is why we need a new suitable additional amendment to specifically apply to FAS, based on the rationale explained above. The PAG's aspirations on behalf of the FAS recipients is simply to receive the pensions that have been paid for by them.

Ann Davies, MP, Plaid Cymru, has tabled two new amendments, NC18 and NC19, which are specific to FAS and therefore we would ask you to consider including these new amendments within the Bill.

Submitted by:

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On behalf of the Pensions Action Group

8th September 2025