

Cutting winter fuel payments worse than ditching triple lock says ex-pensions minister

According to analysis by former pensions minister Ros Altmann, scrapping the winter fuel payment is equivalent to a 3 per cent state pension cut



Former pensions minister Ros Altmann says the removal of the winter fuel payments is equivalent to a 3 per cent cut for those on the basic state pension (Photo: UK Parliament)

By Emily Braeger

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Cutting the winter fuel payment for pensioners who do not receive pension credit is worse than ditching the triple lock, former pensions minister Ros Altmann said.

The move, which is part of a wider raft of cuts announced by the [Chancellor Rachel Reeves](#) earlier this week, will save more than £1bn by the end of next year.

But according to analysis by Baroness Altmann, the removal of the [winter fuel payments](#) is equivalent to a 3 per cent cut for those on the basic state pension.

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Winter fuel payments are currently automatically made to pensioner households, with those aged over 80 getting £300 and younger pensioners receiving a £200 payment. This winter, these fuel payments will only be paid to those on pension credit.

To qualify for pension credit your total weekly income should be under £218 if you're single and under £332 if you're are a couple of pension age.

According to gov.uk, when you apply for pension credit your income is calculated and it will top up your weekly income to £218.15 if you're single and top up your joint weekly income to £332.95 if you have a partner (who is also of pension age).

Ms Altmann said: "The shock announcement that the government wants to axe the winter fuel payment for 10 million pensioners is a real body blow.

"This makes a mockery of the pledge to protect the triple lock, which offers a minimum 2.5 per cent increase.

"Older citizens are already losing the extra cost of living payments they received last winter. Now, taking away the £200 or £300 many were expecting to receive this November, in just a few weeks' time, comes as a big hit for those just above the means-testing threshold."

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As an alternative, Ms Altmann says the Chancellor should consider taxing these payments rather than abolishing them.

She added: “I have long advocated rolling the winter fuel payment into a higher state pension and then it becomes taxable, which will itself mean cost-savings to the Treasury.

“£300 a year may seem insignificant to most policymakers, but to pensioners it can be really important. I do hope this sudden decision can still be reversed for this year at least.”

The full basic state pension for men born before 6 April 1951 or a woman before 6 April 1953, is £8,814 per year.

For those under 80, who get a £200 payment under the winter fuel allowance, the reduction is around 2.26 per cent, but for those over 80, who get a £300 payment, the reduction is 3.4 per cent.

The triple lock ensures the state pension increases by at least 2.5 per cent per year, but this is a minimum, as pensions go up by the highest of average earnings growth, inflation, or 2.5 per cent.

Last year, for example, the state pension increased by 8.5 per cent, which for those on the full basic state pension equated to £692 per year – those who do not get the full pension would see a smaller uplift.

Baroness Altmann added: “I do understand the attraction to the Treasury of saving £1.5bn in one fell swoop, but this will create real hardship for many older citizens, and I hope there will be some reconsideration here.

“There is already a stark cliff-edge that leaves those just above the means-test-cut-off losing thousands of pounds a year. This announcement adds to the problems already inherent in the current means-testing system.”

Some experts challenged the assertion that cutting winter fuel payments was worse than ditching triple lock.

Writing on social media, financial adviser David Hearn pointed out that increases to the state pension via the triple lock “compound,” meaning they stack on top of one another each year.

Steve Webb, who was appointed as pensions minister in 2010, 5 years before Ms Altmann, told **i**: “For the oldest pensioners it’s probably true to say that a generous uprating of the state pension like the triple lock is less important to them than losing £300 in winter fuel payments every winter. For younger pensioners they would probably do better to have a year-on-year more generous pension increase as that builds up over decades.”

He said the government could have opted to withdraw winter fuel payments from anyone paying higher or additional rate tax in retirement instead as an alternative.

He said: “Last year, there were 810,000 pensioners paying the 40 per cent rate and 101,000 paying the 45 per cent rate so even if you only took it away from them, you would save around £180 million – assuming a typical £200 payment.

“That’s obviously a lot less than the government will save but it would still be a meaningful saving, without leaving pensioners on very modest incomes in difficulty.”

In total, all departments were asked by Ms Reeves to find savings worth an estimated £3bn, while a number of projects including Boris Johnson’s programme to build 40 new hospitals and to restore old railway lines – will be reviewed or cancelled.

The Chancellor laid the blame for her decisions on the previous government, accusing the Conservatives of having “let people down” by making “commitment after commitment without knowing where the money was going to come from”.

She told the Commons on Monday: “Today, I am calling out the Conservatives’ cover up and I am taking the first steps to clean up what they have left behind.”

Shadow Chancellor Jeremy Hunt, who was sat opposite Ms Reeves, immediately challenged her characterisation of the previous government, saying her inheritance statement was “not economic, it’s political”.

He said: "Today, she will fool absolutely no one with a shameless attempt to lay the grounds for tax rises she didn't have the courage to tell us about." 