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News

Mothers lose out on pensions in benefit loophole

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MORE than 38,000 mothers have missed out on future state pension payments under new rules that erase them from national insurance records if they forget to fill in a form.

Over the past three years, since means tested child benefits were first introduced, mothers have lost out on more than half a billion pounds in state pension rights, an analysis shows.

The number missing out is thought to be growing by 20,000 every year, meaning that within three years around 100,000 women will have been excluded from benefits to which they are entitled.

The loophole is hitting new mothers who fail to remember to fill in child benefit forms, handed out in hospital shortly after giving birth, when they are often sleep deprived.

It means they could be left without a state pension for up to 12 years as the UK's tax system does not recognise them for National Insurance purposes

if they do not work or claim child benefit. Every year of National Insurance contributions they miss will cost around £5,000 in missing state pension rights over the course of a typical retirement, according to an analysis by Royal London, the pension firm.

Baroness Altman, a former pensions minister, said: "This is another part of the Government's failure to communicate the State Pension to people."

Steve Webb, policy director at Royal London, said that unless urgent action is taken, a whole generation of women would run the risk of getting reduced state pensions.

Under the current system, a parent, usually a mother, receiving child benefit for a child under 12 gets a year of national insurance credits towards their state pension record. This means that even if a mother is not in paid work and does not pay national insurance, her state pension record is protected.

People generally need to have 35 years of national insurance contributions or credits to receive a full state pension.