

Labour's big mistake

Why Rachel Reeves needs to hand the winter fuel allowance back. By Tom Haynes

Gordon Brown claimed the winter fuel allowance as one of New Labour's crowning achievements. At the Labour Party conference in 2009, it was the first thing the then-prime minister mentioned when describing "the Britain we've been building together", a country that showed politics "can make a difference".

Brown brought in the annual payment in 1997. It was just £20 back then but was increased to as much as £300 while Brown was chancellor.

A briefing note to Parliament explains that the payments were introduced to "tackle fuel poverty amongst pensioners".

It said: "Winter fuel payments give older people reassurance that they can afford to heat their homes in winter. Older people are targeted because they are particularly vulnerable to the effects of cold weather during the winter months and older people are more likely to be on fixed incomes."

Yet that reassurance was snatched away from 10m retirees last week when Rachel Reeves, Labour's new Chancellor, restricted

the payments to just 1m claiming pension credit to save the Treasury £1.4bn a year.

But now the Chancellor is facing a barrage of uproar over the decision – with charities, politicians and retirees demanding the decision is reversed. Reeves claims she was forced into difficult decisions after discovering a £22bn black hole in the Government's balance sheet. Yet Baroness Altmann, a former pensions minister, accused Labour of "balancing the books off the back of pensioners". She said: "It's such a bad decision and needs to be rethought. I don't think the policy-people realised how damaging this is. They think of pensioners as being well off, but millions – especially the over-80s – have either run out of savings, never had any, or don't have a private pension."

Mel Stride, shadow work and pensions secretary, said: "Rachel Reeves is taking vital support from vulnerable pensioners.

"Even those who rely solely on the state pension for their income will lose the payment, as will the hundreds of thousands who are eligible for pension credit but don't

currently claim it. The Chancellor is choosing to grant above-inflation pay deals for the public sector, paid for off the backs of pensioners who worked all their lives."

It comes as regulator Ofgem is predicted to set the energy price cap at more than £1,700 this winter. It was £993 four years ago. The loss of the winter fuel payment means most pensioners will see their bills rise by around 15pc, according to the End Fuel Poverty Coalition, a charity collective.

More than 50 charities have also written to the Chancellor urging her to reconsider.

Leading the calls was Caroline Abrahams, Age UK director, who said pensioners were £600 worse off than they were last year thanks to the Chancellor.

She said: "This coming winter, pensioners – who depend on staying warm for their health – will be facing an unprecedented withdrawal of help with paying their still-high energy bills, and one unmatched by any other group in our society."

Consumer champion Martin Lewis has also warned that restricting the payments

was "too narrow with the winter we have coming", adding that those just above the pension credit threshold would be the hardest hit. One in four retirees is reportedly a millionaire when property and pensions are taken into account. But the elderly are also disproportionately likely to live in poorly insulated homes, according to the Office for National Statistics.

Pensioners are also more likely to pay their bills in cash, also known as standard credit, for which energy providers are allowed to charge higher rates than for direct debit. Those living in off-grid rural areas use expensive heating oil and do not benefit from the energy price cap.

Telegraph Money has heard from more than 100 pensioners who are worried that the sudden removal of the payment will leave them struggling to afford their heating bills. Disability Rights UK has called for the fuel payment to be extended to those in England and Wales on Personal Independence Payment (PIP), Disability Living Allowance (DLA), or Attendance Allowance (AA).

Ken Butler, of the charity, said: "Cutting the incomes of older people, many of whom are disabled or struggling to make ends meet, will inevitably put further strain on the NHS and social care system as more people are unable to heat their homes."

A common thread among the letters to *The Telegraph* was a sense that policymakers were turning their backs on retirees: free TV licences for over-75s were taken away in 2020, and there are fears that Labour will increase capital gains and inheritance tax in its autumn Budget.

A government spokesman said: "We said we would be honest with the public and, given the dire state of the public finances we have inherited, this Government must take difficult decisions to fix the foundations of the economy."

"In these circumstances it is right winter fuel payments are targeted at those in most need, and we will work with local authorities to boost the uptake of pension credit."

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