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Rt Hon. Sir Stephen Timms MP
Chair, Work and Pensions Select Committee
House of Commons
London
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Sent electronically

1 May 2024

Dear Stephen

STATE PENSIONS UNDERPAYMENT – DIVORCE

Thank you for your letter of the 15 April 2024.

As you are aware, the Department undertakes regular fraud and error sampling exercises to identify potential areas of both claimant and official error as part of our ongoing prevention and detection strategy. Since 2021, the department has undertaken full benefit reviews of State Pension customers as part of the Fraud and Error sampling (first published in May 2022).

DWP requires individuals to report certain changes of circumstance to ensure they receive the correct amount of State Pension. This includes where people have divorced. The annual uprating letter reminds people of this responsibility.

Evidence gathered at the start of this LEAP exercise did not raise concerns that there was widespread error due to action not being taken on notifications of divorce. This was reviewed by the Government Internal Audit Agency (GIAA) who were satisfied that the department had taken appropriate steps to consider the risk of underpayments to divorced people.

However, I would like to assure the Committee that the Department is not complacent and in light of the Committee's concerns I have looked again at the issue. DWP's published Fraud and Error statistics have included, for the past two years, a sample of State Pension recipients. These State Pension recipients are interviewed in depth to ensure they receive their correct benefit entitlement. This sample has not shown any widespread error for divorcees - indeed the overall State Pension official error underpayment rate was 0.5% in FYE 2023.

We have also looked at those cases where State Pension recipients have contacted us, asking us to review their pension. We would expect the error rate to be higher in these circumstances, however we have not seen sufficient evidence to suggest there is a widespread issue relating to divorce (or any other issue). In the majority of cases where there was an error relating to divorce, it was due to the claimant had not notified us of the change to marital status. The Department’s internal checking regime has also not uncovered any underlying evidence to suggest there is a potential issue with divorce cases.

I would like to assure the committee that we remain committed to identifying and fixing any errors as quickly as possible to ensure that everyone receives their correct level of State Pension entitlement. Anyone who is divorced and on less than a full State Pension can contact us on 0800 731 0469 and we will check their case. In response to your final question, I can confirm that a married man who was divorced at the time of claiming the State Pension, could, in certain circumstances, be entitled to an uplift in their basic State Pension if they reached State Pension age before 6 April 2016, based on their ex-wife’s National Insurance record.

Yours sincerely
Peter Schofield

Peter Schofield CB
Permanent Secretary

Work and Pensions Committee

15 April 2024

Peter Schofield
Permanent Secretary
Department for Work and Pensions
(By e-mail only)

Dear Peter,

State Pension underpayments—divorce
I wanted to follow up on the Department's LEAP exercise to correct State Pension underpayments that we discussed at the session on 10 January 2024.

I understand that as part of LEAP exercise, DWP is manually reviewing at risk Category BL, Category D and widowed pensioner cases at risk of having been underpaid to determine whether an underpayment has occurred and the value of any arrears. However, another group potentially underpaid includes men and women who are divorced but do not qualify for a full Category A State Pension. They may be able to use their former spouse's National Insurance contributions to increase the amount of their basic State Pension (NAO, Investigation into the underpayment of State Pension, September 2021, para 4.4 and Figure 1).

Former Pensions Minister, Sir Steve Webb, has called on you to include divorced women in this exercise. In evidence to the Public Accounts Committee, he said that although a divorced woman could be entitled to a full basic State Pension (£169.50 pw in 2024/25), some 40,000 were receiving less than 60% of that amount, suggesting "there could be many divorced women losing out." He had identified several individual cases of divorced women who were being paid the wrong amount (or no pension at all) and in each case the Department had accepted that money is due and has paid substantial arrears. The Public Accounts Committee recommended that you explain how you assess the risk of systemic underpayments to divorced women (Underpayments of the State Pension, January 2022, para 22 and conclusions and recommendations, para 7). In response, you said you had found "no evidence of systemic error due to missing action taking on notifications of divorce."

It has since come to my attention that some divorced men are also affected. For example, a man divorced might be entitled to less than the full amount of the basic State Pension based on his own contributions, but to the full amount once the contributions of his former spouse are taken into account.

I would be grateful if you could confirm whether such a man, divorced at the time of claiming the State Pension, should be entitled to the full amount from the date of claim. In addition, I would be grateful if you would review the decision to exclude divorced people from the LEAP

exercise given the progress you have now made in correcting underpayments to two groups (married women and over-80s).

I would be grateful for your response to these questions by Wednesday 1 May. As is usual practice with the Committee’s correspondence, I will be publishing this letter and your response on the Committee’s website.

Yours sincerely,

Rt Hon Sir Stephen Timms MP
Chair, Work and Pensions Committee

cc. Sir Steve Webb, LCP

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