

The UK benefits system is broken

-uk-benefits-system-is-broken-one-third-of-benefits-are-not-paid-and-by-far-the-biggest-recipients-etc

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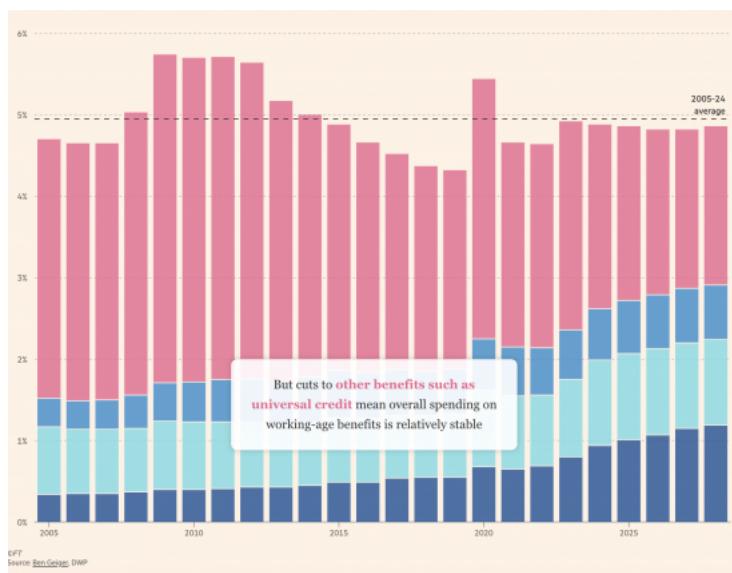
As the [FT notes](#) this morning:

Sir Keir Starmer has vowed to slash spending on Britain's "broken" and "indefensible" health-related welfare system, which is costing the government £65bn a year and is on track to hit £100bn by 2030.

As on so much else, Starmer is wrong. Let me offer four reasons why.

First, he is ignoring the cost of Covid and ultra-processed food poisoning, which are the primary causes of the increase in costs. What is indefensible is his refusal to tackle the causes of these issues. It is the government that is broken in that case, not the benefits system.

Second, overall benefit costs are in fact stable as a percentage of GDP, because of pre-existing punishing cuts to universal credit. Starmer is wrong to say costs are out of control. They are becoming increasingly mean:



The pink sector is universal credit. The dark blue is disability benefits, the lightest blue incapacity benefits and the intermediate blue care allowances.

Third, it is [now estimated](#) that at least one third of benefits due in the UK go unclaimed each year or more than £22 billion. That is what a broken benefits system looks like.

Fourth, as I noted on this blog very recently, but which I will repeat, none of this is necessary.

The FT notes that the 'broken' benefits system that protects the most vulnerable in the UK from harm costs £65 billion a year. They fail to note that this is less than the cost of the subsidy to the savings of the wealthy that Labour is happy to provide to them each year, without fuss being raised.

£5 billion of that subsidy goes to ISAs and £65 billion to pensions.

As I note in the [Taxing Wealth Report](#) (page 67):

In total tax and national insurance contribution relief on pension contributions made by the highest ten per cent earners in the UK are likely to amount to £38.6 billion per annum (£13 billion of national insurance and £25.6 billion of tax per annum). The remainder of the population enjoy a subsidy of £28.7 million between them.

In other words, the wealthiest enjoy a subsidy of more than £8,750 per annum on average towards their pension savings each year and the rest of the population enjoy a subsidy of almost exactly £1,050 per annum each based on the number of taxpayers in 2020/21.

To put these figures in context, the basic universal credit allowance a year is £4,416 per annum in 2023/24 for a person over the age of 25 and the basic old age pension in that year is £10,600 per annum, or not much more than the subsidy given each year to increase the value of the pension of the top income earners in the country, on average.

If there is in that case a group in society who need to forego their state benefits, it is the wealthy. Labour is choosing to make the poorest and most vulnerable do so. The question that needs to be asked is why that is the case.