Thousands of retired firefighters will be compensated after a successful legal challenge found that they did not receive the lump sum in their pension that they were entitled too.

A complaint to the Pensions Ombudsman that the Government Actuary’s Department (GAD) failed to review the commutation factors within the 1992 Firefighters Pension Scheme from 1998 – 2006, was upheld.

Commutation is a procedure where a member of a pension scheme gives up a part of their pension in exchange for an immediate lump sum payment.

The Fire Brigades Union provided support and legal assistance to more than 5000 of its retired members who were affected.

Due to the number of grievances involved the pension ombudsman decided upon a test case basis. A retired firefighter and FBU member was the primary test case.

The test case found that GAD had failed to identify its responsibility to calculate appropriate commutation factors – the amount that needs to be given up in order to provide a lump sum – and that they should compensate the member for the loss of money and any tax liability.

This decision should now be applied to all affected firefighters in the 1992 scheme.

Matt Wrack, FBU general secretary, said: “This is a significant victory for retired firefighters.

“As the outcome has just been announced the FBU will be looking at the details and discussing the decision with its legal advisors.”

The news comes on the final day of the FBU’s conference in Blackpool where the union recommitted its fight for a fair pension scheme for all firefighters after the unworkable 2015 scheme was imposed on 1 April.