

WRITTEN MINISTERIAL STATEMENT

RT HON DAVID WILLETTS, MINISTER OF STATE FOR UNIVERSITIES AND SCIENCE; DEPARTMENT FOR BUSINESS, INNOVATION AND SKILLS

STUDENT LOAN REPAYMENT

21 MAY 2012

Today I have laid amending regulations which make provision for the repayment of student loans.

The new student loan repayment system is designed to be sustainable, affordable and progressive. Repayments will be income contingent, ensuring that repayments match ability to pay. By raising the repayment threshold to £21,000 and introducing a progressive rate of interest, there will be a greater protection to the lowest-paid graduates. After 30 years outstanding balances will be written off.

The changes to the repayment system to be implemented by these amending regulations will apply to new students who commence their studies in September 2012 or later. Certain students transferring courses or taking higher level courses starting after September 2012, but immediately after completing a previous Higher Education qualification, will remain under the existing arrangements.

The main changes are as follows:

Real and variable interest rates on student loans for students starting courses on or after 1 September 2012 are to be introduced. New students starting a higher education course from September 2012 onwards will be charged interest at RPI (Retail Price Index) + 3% whilst studying. This rate will apply until the borrower is liable to make repayments. Once a borrower has reached their Repayment Due Date, the rate of interest charged will depend upon the borrower's income. Borrowers earning £21,000 or less will be charged a rate equivalent to RPI. Interest will then be charged on a sliding scale up to £41,000 where the interest rate will be RPI + 3%.

The repayment threshold will be £21,000. Setting the contribution at £21,000 is a core part of making the system more progressive. It will mean that low earning graduates are not required to make payments and those that earn above £21,000 will contribute less each month than borrowers would under the current system. Raising the threshold for new graduates is part of the overall package of reforms to make the system more progressive and protect those that do not go on to enjoy high earnings – whilst asking those that do to contribute more.

After April 2016, those earning above the threshold who are due to repay will repay 9% of their income above £21,000. Full time students will be due to

repay from the 6th April after they complete or leave their course. Part-time students will be due to start repaying on the 6th April which falls after the 4th anniversary of the start date of the course or the 6th April which falls after the student leaves their course – whichever is sooner.

Write-off of loan – the outstanding balance of a loan will be cancelled 30 years after the Repayment Due Date. The loan will also be cancelled if the borrower dies or the borrower receives a disability related benefit and, because of the disability, is permanently unfit for work.

Credit balance - Interest Rate – We will implement new interest rate provisions for both new and existing borrowers who have a student loan balance in credit due to over-repayment. This change will apply from 6 April 2016, and will mean that the Student Loans Company will not, after a period of 60 days notice to the borrower, apply interest to credit balances.