

Minutes

Collection of Student Loans Consultation Group

Tuesday 8 September 2015 (10:30-13:00)

Conference Centre, BIS offices, 1 Victoria Street, London, SW1H 0ET.

Attendees	Steven Darling (HMRC) Alex Lawrence (HMRC) Bethan Chant (HMRC) Shell Marwan (HMRC) Catherine Coggans (HMRC) Christine Rowse (HMRC) Angela Walker (HMRC) Waeeda Nazar (HMRC) Karen Duncan (BIS) Al Smith (BIS)	Geoff Castle (BCS) Peter Wilkinson (ICAEW) Ann Elmer (ATT) Samantha Mann (CIPP) Linda Pullan (Payroll Alliance) Linda Ennis (LITRG) Fiona Innes (SLC) Paul Mason (SLC)
Dialling in	Paul Curtis (DA Scotland)	
Apologies	Paul Crooks (HMRC) David Clarke (HMRC) Chris Jones (DA Wales) Laura Worku (DA Scotland) John Neill (DA Northern Ireland)	David Malcolm (NUS) Claire Hackberry (LITRG) Norman Green (BCS) Jackie Petherbridge (FSB) Matthew Brown (CIOT)
1. Welcome and introduction		
Steven Darling	<p>Steven welcomed everyone to the meeting and introductions were made round the table.</p> <p>Steven advised that Angela Walker and Waeeda Nazar from HMRC were joining the meeting later.</p> <p>Steven then outlined the agenda items we would be covering at the meeting.</p>	
2. Current consultation to freeze the plan 2 threshold		
Bethan Chant	<p>Bethan advised that she had sent out the link to the Group for the consultation issued by BIS on the proposal to keep the student loan repayment threshold at the same level for 5 years. The closing date for the consultation is 14 October 2015.</p> <p>Some key points are:</p> <ul style="list-style-type: none"> • Making sure the system in the future remains affordable for students and taxpayers. • Ensuring the system is sustainable. The Government set the repayment threshold to £21,000 for post-2012 borrowers, proposing that it would be up-rated annually in line with earnings from 2016. • Latest projections of student loan borrowers starting repayments in the April are lower than expected and this would increase the cost. 	

	<p>There are two options in the consultation document:</p> <ol style="list-style-type: none"> 1. To freeze the threshold for all Plan 2 loans, existing and new, from April 2016. (This is the Government's preferred option) 2. To freeze the threshold for new borrowers only. The threshold will be frozen from April 2020 (when new borrowers are expected to start repayment) for five years at the same level that the existing post-2012 borrowers' loan threshold has reached by then. <p>Al Smith added that a key driver was 'deficit reduction' and the Government set targets. There is also sensitivity around the first option as this may be seen as a retrospective change to the terms and conditions of the loan. Al asked the Group to consider the Consultation Document and provide their responses. They are also interested in their views on mitigating actions to lessen the impact of option 1 or option 2.</p> <p>Geoff Castle raised a point about how aware the student population is of threshold changes and terms and conditions. Al Smith advised that there is an understanding of threshold but it is greyer on terms and conditions. Fiona Innes added that they carried out customer testing and found that they older customers were more aware while the young were less interested.</p> <p>Linda Ennis highlighted that the student must sign the form so there is therefore little choice.</p> <p>Paul Mason agreed the view that very few graduates gave a great deal of thought and they would start repayment when they are earning enough. They would have a legitimate expectation that the threshold would increase which could cause a problem. The SLC is engaging closely with BIS to gauge impacts of the proposals, and HMRC are feeding in analysis of the potential burden on employers</p> <p>Bethan Chant highlighted that the options could split the borrower population into the two groups which could add additional burden. Samantha Mann advised that CIPP had surveyed their members and there was an 80:20 ratio in favour of option 1. There is also a view that there is enough complexity in the system without adding more.</p> <p>Al Smith advised that they would await the consultation responses and any decision would be based on the views expressed.</p> <p>Geoff Castle asked if the Plan 1 threshold would continue to increase. Karen Duncan advise that Plan 1 type loans are unaffected by this change as they are set in the regulations.</p>	
<p>3. The introduction of postgraduate loans</p>		
<p>Bethan Chant</p>	<p>The Post Graduate Loans consultation is now closed the document was published on 25 March 2015 and ran until 29 May 2015. The responses are being considered at the moment.</p> <p>Some key points are:</p>	

	<ul style="list-style-type: none"> • £10,000 loan per borrower as a contribution towards costs. • Payment will be made direct to the individual • Only applies to those under 30 • It will be repaid in the same way as the Higher Education loans • Repayments will be made concurrently with under graduate loans. • Loans will be available from 2016-17 • Repayments will start in April 2019 • Repayments will be administered in the same way as under graduate loans. <p>The consultation also covers support for postgraduate research, with a proposal for loans of £25,000.</p> <p>The have been a good number of responses, which are under consideration and the outcome will be published shortly.</p>	
4. Update from BIS		
Karen Duncan	<ul style="list-style-type: none"> • Gearing up for the introduction of the new Plan 2 type loans being made from April 2016. • Working on a paper to cover any questions from when borrowers took out the loan in April 2012 to when they come into repayment in April 2016. Based on customer insight most questions are likely to be around interest and statements: <ul style="list-style-type: none"> ○ Borrowers often don't understand the interest rates and that it changes from when they are studying to when they go into repayment. ○ Borrowers want to know when they will get a statement. • Working with the SLC and HMRC to bring the final preparations together. 	
5. Update from SLC		
Fiona Innes	<ul style="list-style-type: none"> • Cross departmental working to cover messages going out for the new Plan 2 type loans. • Checking that the SLC IT system can handle and cope with new loans, checking that <ul style="list-style-type: none"> ○ Interest is calculated correctly ○ The variable interest aspect is correct ○ The October date file to HMRC is accurate. • Communications are accurate and clear, looking at each part of the process for plan1 and plan 2. Also need to cover communications for Plan 1 as customers will not be aware that they are now a Plan 1. • Working on a social media strategy. Social media is used when students are taking out their loan and this will be extended to the repayment of the loans. • Testing aspects of the system including customer accounts 	

Currently things are going well and the SLC are ready for each phase. Paul Mason supported this by saying that preparations are going well on the technical aspects for example interest rates. As there will be a double cohort (Plan 1 and Plan 2 loans) he is also looking at call handling. Fiona Innes added they are also carrying out customer testing along the way, taking an Agile approach and changing as they go.

Alex Lawrence asked if they had a timeline for their communications to students and borrowers. Fiona Innes explained that it depends on the stage the customer is at but they are working on a calendar and looking at the different trigger points. Communications will be both digitally and by letter. Steven Darling added that HMRC communications will also line up with the SLC to ensure consistent messages.

Fiona Innes then referred to a newspaper article which Samantha Mann had flagged up. The article was about students who had paid off their loan but were still having student loan deductions. Fiona explained that the SLC does have a process to help prevent over-repayments. This involves the SLC reviewing the student loan account balance and looking at the loan repayments made in the previous year to determine if the loan is likely to be paid off in the next 23 months. If this is the case the borrower has the option to come out of repayment through the tax system and pay by direct debit to the SLC. However not all borrowers have taken up this opportunity. The SLC will be looking to improve communications and to increase the take up. A review of their complaints has shown that over-repayment is one of the top 5 and while RTI would help prevent the situation they are not at that stage yet.

Linda Ennis asked about moving to direct debit automatically. Fiona explained that they cannot do it automatically as the customer may have more information and know that they are not close to paying off their loan. Karen Duncan added that from a legal position they must have the choice.

Paul Mason added that RTI is high on SLC's agenda but they are currently updating the student loan IT platform. This covers their banking which has been upgraded to a new database and they have to ensure that any security aspects are covered first. They will be putting RTI in as quickly as possible as it is important for the SLC to resolve any over-repayment issues.

Fiona Innes thanked Ann Elmer for her feedback on students going overseas. Following the last meeting when there was a discussion about graduates going abroad to work and how did they cope with the SLC and repayments Ann had asked one of her members for their views.

Paul Mason added that the vast majority of overseas borrowers do repay. Overseas borrowers only make up a small proportion of the overall borrower population.

	<p>They are also working to replace the existing repayments process from paper to digital. Linda Ennis highlighted the data protection issue where parents need to act on behalf of their children. Paul Mason advised that this was also paper based but they are looking to make it easier in the future.</p>	
<p>6 Plan 2 loans entering repayment</p>		
<p>Catherine Coggans</p>	<p>Working on communications:</p> <ul style="list-style-type: none"> ○ Article in the August Employer Bulletin on the Plan 2 (Second threshold). ○ Article provided to Payroll Alliance for their Pay and Benefits magazine. Linda Pullan advised that this will be published in the November issue. Linda Pullan will let us know when it is published. Action - To notify Christine Rowse when published. <p>Following the last meeting Peter Wilkinson sent some concerns to HMRC raised by one of his members around a lack of communication. It is hoped that this is an isolated case. The following are the concerns and HMRC's response. The response also highlight the pathways to the developer's technical specifications.</p> <p>Concerns raised by an ICAEW member in relation to agenda item 8 (Student Loan Reform Project readiness) of the minutes of the June meeting:</p> <ul style="list-style-type: none"> • Sandra Hainie mentions that software developers are aware of the new regime and the necessary specifications have been issued. <i>I am not aware of this.</i> • She mentions that the SL1 will be updated to show which Plan is applicable and payroll software will be able to deal with this. <i>I am not aware that software developers have built in a new field in software which will allow users to identify Plan type (though it is sensible that this happens)</i> • There can only ever be one Plan type in existence at the same time. <i>Does this mean that a SL1 for Plan 2 will automatically override a Plan 1 SL1?</i> • The Starter Declaration (the new P46) will not have space on it to allow the new starter to identify whether they have a Plan 1 or Plan 2 loan. <i>Although there will be guidance (to students and employers presumably), this still sounds like an admin burden on the employer to me, ensuring that the new employee indicates correctly whether they have a Plan 1 or 2</i> • HMRC will be able identify whether the ex-Student is repaying under the incorrect Plan type by looking at the FPS. <i>However, the first RTI specs for 16/17 does not indicate that Plan types will be identified on the FPS and there is just one field for declaring the amount of Student</i> 	<p>(1) Linda Pullan</p>

Loan that has been deducted. Does this mean that HMRC's systems will be able to identify whether the deduction is correct by looking at the NIC'able pay and the amount that is deducted? Can we trust HMRC's systems to be able to do this?!

- The P45 from the previous employer will not show the Plan type for the new employer to take on.
Another administration burden for the employer, as they will have to ask the new employee which Plan type they have. Interesting comment about the P45 which says it is 'under review'. I wonder if this indicates it abolition soon. This possibility is even more likely with a comment further that says 'the P45 could be withdrawn and due to the potential short term of the form we would not be looking to update the form'

Response from HMRC

I can confirm the changes to introduce a second threshold for the collection of student loans from April 2016 has seen the Student Finance Team working closely with HMRC Software Developers Support Team (SDST) over the past 18 months to ensure communications being cascaded to ensure this change goes as smoothly as possible and this will continue through to April 2016.

The Software Developers Support Team have a database of payroll software developers which holds just under 1200 email addresses on the PAYE distribution list by which they hope to hit a vast majority of software developers who deal with payroll changes.

The developers have been kept posted for the duration of the past 18 months with emails and in addition to this SDST have publicised the change on the HMRC website and provided presentations at various forums attended by developers.

The developers technical specifications have been updated to include the plan type on the electronic SL1 are available in 'techpacks' at the following addresses.

[INTERNET] <https://www.gov.uk/government/publications/payee-internet-submissions-outgoing-data-provisioning-service-technical-specifications>

[EDI] <https://www.gov.uk/government/publications/real-time-information-electronic-data-interchange-outgoing-notifications>

There has also been various emails highlighting the technical specifications and SDST have updated their test services to return the plan type on any SL1 notifications for 2016-17 onwards.

Obviously the news that a developer hasn't received any information is concerning and if these communications have not reached the intended audience SDST are happy to arrange another tranche of communications to rectify the situation.

In answer to the other points raised:

- The information sent out by SDST has been to enable the developers to introduce the new plan type into their software so when the new SL1 is sent out from March 2016 then deductions can be made against the new plan type.
- We can confirm there will only ever be one plan type in operation at one time and guidance will state employers should deduct repayments based on the latest dated start notification. The example used 'a SL1 for plan 2 will automatically override a plan 1 SL1' provided the plan 2 SL1 is the latest dated SL1 then this is the plan type to operate.
- The Starter checklist is not a mandatory form, it is merely offered as an optional aide to employers to help them gather information from new employees. Employers can use it or they can choose to gather the information in any other way that suits their business as long as they keep a record.

The bulk issue of Plan 2 SL1s scheduled for March 2016 means that for the vast majority of employees there will be no need for employers to gather starter checklist information.

The starter checklist will only come into play for those borrowers who:

- are not already in employment at the time HMRC complete the bulk issue of the 2016 SL1s, and who
- subsequently begin, or change employment at any time after that.
- HMRC systems have validation processes and will be able to identify the student loan deductions on the FPS match with the plan type we have on our systems.
- Regarding the P45, following RTI amending the P45 to incorporate student loan types was never planned, the focus for the plan types has always been the starter checklist.

Bethan Chant added that there are fortnightly calls between HMRC, the SLC and BIS to consider issues raised and they have communications strategies in place. Alex Lawrence advised that as well as an external communications strategy there is also an internal one to ensure smooth delivery. Guidance and a robust exceptions handling process is also in place.

Geoff Castle asked if there was a publishing date for the SL3 (Student Loan Deduction tables). While the date will probably be close to April 2016 it is needed before then for teaching and testing purposes. Alex Lawrence agreed to confirm the date.

	<p>Action – To confirm the date the SL3 (Student Loan Deduction tables) will be available.</p> <p>Samantha Mann added that it is not uncommon for these documents to be issued earlier. Samantha Mann also highlighted that Gov.UK’s approach to publishing when relevant is not always acceptable as some documents are needed prior to this.</p> <p>Samantha Mann asked if the article in the Employer Bulletin would also be in the Agent Update. It was confirmed that there are plans to include an article in the Agent Update as well.</p>	(2) Alex Lawrence
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7. HMRC Service update and how our service is changing

<p>Alex Lawrence</p>	<p>Service update</p> <p>The key area is repayment processing and we have sent just over three million (3,129,000) end of year returns for 2014-15 to the SLC. This is 95 percent of the expected returns.</p> <p>Fiona Innes added that at the SLC they have plans in place to load this information into the customer accounts, from July and August up to December. The customer’s balances will be updated and interest adjusted, statements will then be issued showing the new balance.</p> <p>Paul Mason asked about the number of borrowers in PAYE. Alex Lawrence advised that the split was roughly 92% in PAYE and 8% were SA, with a small percentage of borrowers being both PAYE and SA.</p> <p>Alex Lawrence explained that as the automatic process is nearing completion there may be queries from customers about their statements where they were expecting to see repayment details but there are none. This will be for the small number of cases where the repayment information has still to go to the SLC. HMRC will now operate a manual process where the borrower can provide evidence of their student loan deductions, for example a P60 and HMRC will arrange for this information to go to the SLC and they will send out an updated statement.</p> <p>Changes to our service</p> <p>We are starting a comprehensive review of HMRC’s operational activity on the collection of student loans process. It has been 15 years since the Income Contingent Repayment (ICR) process was implemented. Over the years there have been many changes to the repayment process which have impacted on our automated process and also our manual exception handling process.</p> <p>The exception handling process is dealt with by a dedicated team in East Kilbride who work closely with the SLC office in Glasgow and have developed a good working relationship. 15 years ago the East Kilbride team had a staff of three. Since then the borrower population has increased along with volumes of interactions and there are now five teams and 60 staff.</p> <p>Many changes have been the result of improvements identified by HMRC. This included the introduction of ‘process now check later’</p>	
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	<p>approach to exception handling which has reduced, by tens of thousands, the number of exceptions to be looked at. All cases which didn't look right were reviewed but it was found that the majority were correct. It was therefore agreed with BIS that all the cases would be processed first and then a sample would be reviewed later to provide assurance.</p> <p>There have also been a number of BIS policy changes including the Student Loans Reform which introduces plan 2 type loans and variable interest rates.</p> <p>HMRC changes include the P46 check list, end of year filing by employers and Real Time Information (RTI). The changes have been delivered individually and we are now looking at consolidating the changes, taking into account any issues and potential savings. The focus will be on 'value for money' and will consider:</p> <ul style="list-style-type: none"> • Are we doing it the best way? • Do we need to do it? • What is the value of doing it? • Is it the best service for the customer (borrower and employer)? <p>We have set up a project team and milestones set for the work to be completed in a year, with the work broken down into component parts. We are looking at individual work lists and have process maps and customer journeys to inform our decisions. If our findings show that a piece of work does not give 'value for money' then we will consider stopping the work. We are working with the SLC on the end to end processes and will get agreement from BIS to our proposed changes.</p> <p>Alex Lawrence advised that he would keep the Group up to date and let them know where there will be any impact on the employers.</p>	
8. HMRC digital update		
Bethan Chant	<p>We have already shared link with the Group to the "Making tax easier" document. This is a programme of work leading up to the end of the tax return. There are various strands of work which student loans are involved in:</p> <ul style="list-style-type: none"> • Legislation – need to put in place a legally enforceable charge without receiving a tax return. Once the legislation has been drafted it will be subject to consultation. • Developing Personal Tax Accounts – the idea is to bring all customer details into one place. It will show the in-year tax position and customers will be able to update their own information. It is currently in testing and the plan is to have an incremental delivery with each feature being tested separately then delivered. We are also working with the SLC who are delivering their own online statements to ensure they are aligned to HMRC's Personal Tax account. 	

	<p>Al Smith asked if the student loan balance and interest will be shown. Bethan explained that the ideal scenario would involve the HMRC account showing the student loan repayment, with a link to the SLC statement showing how repayments affected the balance and interest. However this will take many years to develop and work through, particularly the security aspects.</p> <p>Fiona Innes added that the SLC are focussing on getting their paper statements to look right first and they will transfer to an online view and make it interactive.</p>	
<p>9. SLC repayment website</p>		
<p>Fiona Innes</p>	<p>Fiona Innes advised that they were moving away from having full information on the GOV.UK site as not all the low level detail is suitable for GOV.UK.</p> <p>They will have a new URL address which will relate to student loan repayments and the customer will be able to make selections using the 'smart answer tool'. Depending on the answer they will be directed to, for example, Plan 1 only repayment information or, Plan 2 only or dual loan. The selection will take them to the repayment quick start guide and there will be links to HMRC, PAYE and SA information.</p> <p>The 'demo' is currently going through customer testing to get customer insight.</p> <p>Paul Mason advised that they are working towards a fully digital solution with online statements which will have an interactive feel.</p> <p>Samantha Mann asked if letters to borrowers will identify which plan type they are on. Fiona Innes advised that the letter stipulates the plan type and there is also guidance information on the letter. Paul Mason added that the letter has been market research tested. Samantha Mann explained her interest, which was that the letters may help an employer identify what information the customer may have to confirm the plan type. Employers will often be inputting the starter information to a tight deadline and will need to know the plan type. Paul Mason advised that they would be happy to share the letter with the Group.</p> <p>Action – To share the SLC letter sent out to borrowers confirming the plan type.</p> <p>Paul Mason added that they would be happy to make changes to make the letter clearer for employer purposes. However they are working to deadline and it was agreed that the Group would have to provide any responses before then.</p> <p>Action – To provide and suggested changes to the letters by 30 September 2015.</p> <p>Paul Mason added they had also allocated a budget for call handling to deal with any increase in enquiries.</p>	<p>(3) Fiona Innes</p> <p>(4) All</p>

10. Review of action points		
1/030615	<p>The Joint Repayment Strategy is still being finalised and will hopefully be published with the Statistical First Release (SFR) on 18 June. The paper has still to go to ministers and they may have further questions. Karen Duncan advised that she will also share the link to the SFR</p> <p>Action – To share the link to the Statistical First Release (SFR) when published.</p> <p>26.6.15 – Link sent to the Group</p> <p>Closed</p>	Karen Duncan
2/030615	<p>Anne Elmer advised that she had recently found out that interest and penalties is not written off with the loan if it is in arrears. Karen Duncan advised that this was in the regulations and she will provide a link for the Group</p> <p>Action – To provide a link to the regulations which show that interest and penalties are not written off if the loan is in arrears.</p> <p>26.6.15 – Link sent to the Group</p> <p>Closed</p>	Karen Duncan
3/030615	<p>Karen Duncan advised that BIS will be putting together a question and answer (Q&A) paper for April 2016 and asked the group to let her know if they had any questions.</p> <p>Action –To provide Christine Rowse with any suggestions for BIS's Q&A paper.</p> <p>8.9.15 – Feedback received from the Group passed to Karen Duncan, who will happily receive any further feedback as it arises.</p> <p>Closed</p>	All
4/030615	<p>Steven Darling highlighted the need for us to know about the longer term position for the SLC Repayment website and asked for an update for the next meeting.</p> <p>Action – To add as an agenda item for the next meeting, an update on the SLC Repayment website.</p> <p>19.8.15 - Included as agenda item for September meeting</p> <p>Closed</p>	Christine Rowse
5/030615	<p>Samantha Mann highlighted that on the website guidance at the bottom of a page there is a statement, “you should inform your new employer that”. However there is no link to what the employer should do. The guidance as whole does cover this process but it is not clear at this point. It was agreed that this would be flagged up to the HMRC guidance specialist. (Note: Samantha later advised that she was referring to the SLC</p>	Christine Rowse

	<p>Terms and Conditions for 2015-16).</p> <p>Action – To pass the information on to the HMRC guidance specialist.</p> <p>25.6.15 - Passed to the HMRC guidance specialist and also to the SLC, who will review and consider any changes.</p> <p>Closed</p>	
1/030315	<p>The Joint Repayment Strategy is expected to be published in July. The Strategy sets out where we've got to and where we're going.</p> <p>The Strategy will be circulated when published.</p> <p>Action – To circulate the Joint Repayment Strategy.</p> <p>3.6.15 - Carry forward</p> <p>8.9.15 – Al Smith advised that BIS were working towards a September publication date but with recess this is likely to now be October.</p>	Christine Rowse
7/030315	<p>Student Loan Reform Project readiness - Paul Crooks advised that he should be able to provide the Group with a more detailed update in September.</p> <p>Action – To provide the Group with a full update at the September meeting.</p> <p>3.6.15 - Carry forward</p> <p>19.8.15 - Included as agenda item for September meeting</p> <p>Closed</p>	Paul Crooks
6/090914	<p>Samantha Mann highlighted that the impact of Gov.UK on guidance and the closing of HMRC website are further changes of interest. Alex Lawrence added that if we understand the impact on the Group and by co-ordinating our understanding we can influence and change a lot by working together.</p> <p>Ann Elmer highlighted that we need to keep the historical information. Linda Pullan advised that there was an archive and will share the link with the Group.</p> <p>Action – To send the link to Christine Rowse for sharing with the Group.</p> <p>25.11.14 –Linda had some technical difficulties with the link and is consulting a colleague.</p> <p>3.3.15 – Christine Rowse will check with Linda Pullan if there is any update.</p> <p>3.6.15 - Linda Pullan advised that the technical difficulties were because some information had not been archived correctly. She will send on the link.</p> <p>22.6.15 – Linda Pullan provided the following:</p> <p>To find the old HMRC guidance remove the www. of the web address and add it to the prefix below:</p>	Linda Pullan

	http://webarchive.nationalarchives.gov.uk/+/ For example: http://webarchive.nationalarchives.gov.uk/+/hmrc.gov.uk/bulletins/ Closed	
11. Any Other Business		
	Steven Darling advised that both Christine Rowse and Geoff Castle will be leaving the Group. Christine Rowse has been successful in being accepted to a Tax Development programme and Geoff Castle is retiring from his organisation and will no longer be in a position to represent the BCS. Steven Darling thanked them both for their contributions to the Group. Geoff Castle added his thanks and that these meetings bring together a lot of disciplines and the chairing of them ensures that they are informative, contributions are listened to and they remain enjoyable; one of the aspects of my work that I will miss.	
	Samantha Mann raised a query about some other consultations, which although not related to student loans she had some queries for BIS and was looking for a contact. The consultations were: <ul style="list-style-type: none"> • Employment Intermediaries and Tax Relief for Travel and Subsistence – There is a section on ‘employment status and pay transparency, which refers to payslips and that the matter is being considered by BIS. • National Minimum Wage Karen Duncan agreed to look into these and get contact names for her. Action – To provide contact names in BIS for these consultations.	(5) Karen Duncan
Date and venue of next meeting (11:00 – 13:30)		
	Date	Location
	Tuesday 1 December 2015	BIS Conference Centre, 1 Victoria Street, London