



**BRIEFING PAPER**

Number 7049, 4 April 2017

# Postgraduate loans in England

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## Summary

From the 2016-17 academic year, non-means tested loans of up to £10,000 have been introduced for English-domiciled postgraduate students taking masters courses at higher education institutions in the UK.<sup>1</sup> The Government has also confirmed that it will introduce non-means tested loans of up to £25,000 for doctoral students from the 2018-19 academic year.

This briefing provides information on the development of policy relating to postgraduate loans, including the rationale for their introduction, the consultation process and the eligibility criteria. It refers only to the English loans schemes.

### Concerns with the previous funding of postgraduate study

The public funding available to postgraduate students has traditionally been limited compared to that available for undergraduates. Concerns were raised that a lack of available funding could be contributing to a decline in the number of UK postgraduate students, particularly those on taught courses, and could limit social mobility. Such concerns led a number of reports to recommend the introduction of some form of postgraduate loans system.

### Postgraduate masters loans

In the Autumn Statement 2014, the then Chancellor announced that the Government intended to introduce a new system of income-contingent loans for postgraduate students under the age of 30 on taught masters courses from 2016-17. The March 2015 budget additionally announced that the Government intended to introduce income-contingent loans of up to £25,000 for doctoral students and students on research-based masters courses.

In March 2015, the Coalition Government published a [consultation](#) on the proposed loans systems. In its [response](#) to the consultation, published in November 2015, the Government stated that loans of up to £10,000 for both taught masters courses and research-based masters would be available from 2016-17. Under the scheme:

- Non-means tested loans of up to £10,000 are available to eligible students aged under 60 on eligible 1 or 2 year full-time masters courses. Students studying part-time at a minimum of 50% intensity of full-time study, or on part-time courses of two or three years with no full-time equivalent, are also able to access loans.
- Individuals who already have a postgraduate masters qualification are not eligible.
- Eligible courses include taught, research, distance learning or professional masters courses across all disciplines.
- Loans are available to eligible students studying at a publicly funded higher education institution in the UK or at an alternative provider with degree awarding powers. Students ordinarily resident in Scotland, Wales or Northern Ireland are not eligible.
- The repayment rate will be 6% and loans will be repaid concurrently with undergraduate student loans.
- The repayment threshold will be £21,000 and will be frozen until 2021.
- Repayments will commence from April 2019, but individuals will be able to make voluntary repayments before this time if they wish.

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<sup>1</sup> Loans are also available for eligible EU-domiciled students taking masters courses at institutions in England.

## 4 Postgraduate loans in England

In 2015-16 home and EU entrants to taught postgraduate courses were up by 22% among full-time and 9% among part-time students. The funding council has attributed these increases to the introduction of loans.

### **Loans for doctoral students**

Budget 2016 reaffirmed the Government's intention to introduce loans for doctoral students and a technical consultation on the proposed scheme was launched in November 2016. The consultation closed in December 2016.

Budget 2017 confirmed that the Government would introduce doctoral loans from the 2018-19 academic year. The Government's response to the consultation was published on the same day as the Budget. Under the scheme:

- Non-means tested loans of up to £25,000 will be available to eligible students under the age of 60 as a contribution towards the costs of completing a doctoral qualification.
- Eligible students ordinarily resident in England will be able to take their loan to any UK university with degree awarding powers. Individuals ordinarily resident in Scotland, Wales and Northern Ireland will not be eligible for loans.
- The repayment rate for the loans will be 6%. For students also with a masters loan, repayment will be taken through one single postgraduate loan repayment of 6%. Repayment will be made concurrently with repayment of any undergraduate student loans.
- The repayment threshold will be £21,000, which will be frozen until 2021.

The full eligibility criteria will be set out in regulations prior to the introduction of the loans.

# 1. Background

## 1.1 The previous funding system

Public funding for postgraduate students has traditionally been limited compared to that available to undergraduates. Prior to 2016-17, Government funding was generally limited to specific courses, such as some postgraduate teacher training and some medical and healthcare courses, or provided indirectly through the Research Councils and the Postgraduate Support Scheme. Aside from self-financing, other sources of funding for postgraduate students were from individual higher education institutions, Professional and Career Development Loans, and educational trusts and charities.

### Box 1: Postgraduate education

Postgraduate education encompasses a broad range of provision and can be classified into two broad types: programmes that are largely taught and those with a significant research component.

Postgraduate qualifications cover provision which is classified at level 7 or 8 on the Quality Assurance Agency for Higher Education framework. Level 7 qualifications include masters degrees (such as MSc and MA) and postgraduate diplomas and certificates – these are generally taught programmes. Level 8 qualifications are doctoral degrees such as PhDs or DPhils.

## 1.2 Concerns

The lack of available funding meant that postgraduate students often funded their studies from a wide range of sources, with most meeting some or all of the costs from private sources.<sup>2</sup>

Concerns were raised that some potential students risked missing out on the opportunities offered by postgraduate study because of difficulties with funding. For example, in a 2014 report on the issue Universities UK contended that improvements in student funding were required to “help stop [the postgraduate student population] declining even further.”<sup>3</sup>

The potential impact on disadvantaged groups was highlighted as a particular issue; an independent review of social mobility undertaken by Alan Milburn in 2012 described the lack of funding options for postgraduate students as a “social mobility time bomb.”<sup>4</sup> Similarly, a 2012 report from the Higher Education Commission noted that postgraduate qualifications were becoming a “de facto requirement for employment” and warned that “if action is not taken we could see the gains made from widening participation at undergraduate level diminished.”<sup>5</sup>

<sup>2</sup> For example, see Universities UK, [Postgraduate Taught Education: The Funding Challenge](#), May 2014, p21.

<sup>3</sup> Universities UK, [Postgraduate Taught Education: The Funding Challenge](#), May 2014, p3.

<sup>4</sup> [University Challenge: How Higher Education Can Advance Social Mobility: A progress report by the Independent Reviewer on Social Mobility and Child Poverty](#), October 2012, p6.

<sup>5</sup> Higher Education Commission, [Postgraduate Education An Independent Inquiry by the Higher Education Commission](#), 23 October 2012, p6.

Such concerns led a number of reports, including from the Higher Education Commission<sup>6</sup>, the IPPR<sup>7</sup>, the NUS<sup>8</sup>, Universities UK<sup>9</sup> and the Sutton Trust<sup>10</sup>, to recommend the introduction of some form of loans system for postgraduate students.

### Box 2: Postgraduate student numbers

The number of postgraduate students in UK higher education institutions decreased from 589,000 in 2010-11 to 532,000 in 2015-16 – a reduction of 56,000 students in five years. The decline was sharpest among taught postgraduate students, whose numbers fell by 14.0%; the number of students on postgraduate research degrees increased by 6% over the period. The decline was also greater among part-time students than full-time students – 18.4% versus 2.0%. The decline was greater among home students for some course/ mode types, such as all taught postgraduates. Figures for home students only are included in the table opposite.

#### UK-domiciled postgraduate students in UK higher education institutions

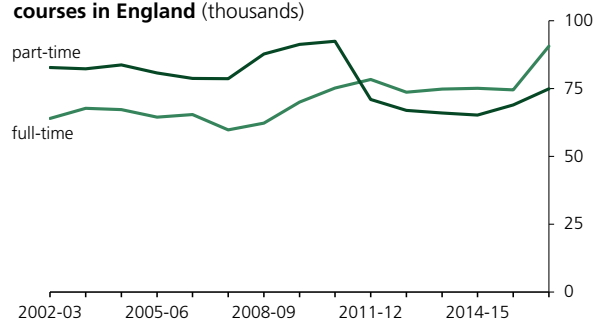
	2010-11	2015-16	% change
Full-time	132,190	130,945	-0.9%
Higher degree research	38,500	40,270	4.6%
Higher degree taught	59,900	54,995	-8.2%
Other postgraduate	33,790	35,680	5.6%
Part-time	242,840	201,805	-16.9%
Higher degree research	22,340	22,365	0.1%
Higher degree taught	125,640	99,990	-20.4%
Other postgraduate	94,860	79,450	-16.2%
All students	375,030	332,750	-11.3%
Higher degree research	60,840	62,635	3.0%
Higher degree taught	185,540	154,985	-16.5%
Other postgraduate	128,650	115,130	-10.5%

Source: HESA

Trends in home and EU entrants to taught postgraduate courses in England are shown opposite. Full-time entrants increased steadily at the end of the last decade from 60,000 in 2007-08 to just over 78,000 in 2011-12. From then to 2015-16 they have remained at around 75,000 each year. Part-time entrants to such courses also increased at the end of the last decade and peaked at 98,500 in 2010-11. Entrants then fell rapidly the following year and more modestly over the next few years to just over 65,000 in 2014-15. This was a fall of 34%.

Numbers increased somewhat in 2015-16 but remained well below their peak.

#### Home and EU entrants to taught postgraduate courses in England (thousands)



In 2016-17 there was a substantial increase in full-time entrants to taught postgraduate courses of 22%. Part-time entrants increased by 9%. This took full-time entrants to a new high for the period covered here. The Higher Education Funding Council for England has attributed these increases to the introduction of postgraduate loans.<sup>11</sup>

<sup>6</sup> Higher Education Commission, [Postgraduate education: an independent inquiry](#), 2012.

<sup>7</sup> Institute for Public Policy Research, [Reaching Higher: Reforming Student Loans to Broaden Access to Postgraduate Study](#), 30 October 2014.

<sup>8</sup> NUS, [Steps Towards a Fairer System of Postgraduate Funding in England](#), 2012.

<sup>9</sup> Universities UK, [Postgraduate taught education: the funding challenge](#), May 2014.

<sup>10</sup> Sutton Trust, [The Postgraduate Premium: Revisiting Trends in Social Mobility and Educational Inequalities in Britain and America](#), February 2013.

<sup>11</sup> [Higher Education in England](#), HEFCE

## 2. Introduction of loans for postgraduate masters courses

### 2.1 Announcements

#### Autumn Statement 2014

The then Chancellor, George Osborne, announced in the Autumn Statement 2014 that the Government intended to introduce a new system of income contingent loans for postgraduate students under the age of 30 on taught masters courses from 2016-17:

**1.154** Autumn Statement 2014 therefore introduces a new offer of income contingent loans for those under 30 years old wishing to undertake a postgraduate taught masters in any subject. These loans, of up to £10,000, are planned to be available from 2016-17 and will be repaid concurrently with undergraduate loans. The loans are designed so that, on average, individuals will repay in full, in recognition of the high private return to individuals, but they will beat commercial rates. The government will consult on the detail and will confirm the delivery plan. This is expected to benefit around 40,000 students, and enable around 10,000 more individuals to take advantage of the opportunity to undertake postgraduate study each year.

**1.155** To support students until these loans are in place, the Higher Education Funding Council for England (HEFCE) will allocate £50 million in 2015-16 to universities to offer bursaries on a match funded basis. These will be £10,000 each and will benefit 10,000 students.<sup>12</sup>

#### March 2015 Budget

In the budget statement on 18 March 2015 Mr Osborne announced that the Government would “add to the financial support...announced at the autumn statement for postgraduates, with new support for PhDs and research-based masters degrees”.<sup>13</sup> The Red Book stated that the support would include income-contingent loans of up to £25,000:

The government will introduce a package of measures to broaden and strengthen support for postgraduate researchers (including both masters and PhDs). This additional support will focus on seizing new opportunities in postgraduate research and build on partnerships with industry, charities, academies and individual members of society. It will include:

1. [...]
2. introducing income contingent loans of up to £25,000 to support PhDs (and research masters). These loans will be in addition to existing funding, and designed to minimise public subsidy. The government will consult with research councils, universities and industry to examine how best to design these.<sup>14</sup>

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<sup>12</sup> HM Treasury, [Autumn Statement 2014](#), Cm 8961, December 2014, p44.

<sup>13</sup> [HC Deb 18 March 2015 c776](#).

<sup>14</sup> HM Treasury, [Budget 2015](#), HC1093, March 2015, p98.

## 2.2 Reaction

The plan to introduce postgraduate loans was broadly welcomed by the sector, but concerns were raised about the Government's intention to limit eligibility to students under the age of 30. The British Medical Association also called for any additional funding for postgraduate students to be accessible for graduate-entry medical students.<sup>15</sup>

In its response to the announcement, the Sutton Trust stated that the proposed loans could make it easier for low and middle income students to access postgraduate study:

The extra loans and bursaries should make it easier for low and middle income students to take up postgraduate opportunities, which have become increasingly the preserve of well off students from the UK and overseas. It will be important to keep the level of the support under review to ensure that it is genuinely giving the opportunity of a post-graduate education to those who would otherwise lose out.<sup>16</sup>

Comments on the new scheme from a range of stakeholders were given in an article in the *Times Higher Education*:

### *UUK*

Nicola Dandridge, chief executive of Universities UK, said: "The introduction of a new postgraduate student loans system is good news.

"We support the government's recognition of the substantial benefits arising from postgraduate taught education, and the need for support to ensure that some students are not priced out of further study. The number of students starting a postgraduate taught course at a UK university fell by 10 per cent in the two years between 2010-11 and 2012-13."

### *University Alliance*

Steve West, the University Alliance chair and University of the West of England vice-chancellor, said: "We strongly welcome the chancellor's announcement today to develop a government-backed postgraduate loan system. Postgraduate study is vital to ensure Britain develops and grows global talent, which will be key to our future success."

He added that the announcement "has the potential to create a fairer system for people who want to study a higher degree and transform their life chances".

### *Million+*

Michael Gunn, chair of Million+ and vice-chancellor of Staffordshire University, said: "Postgraduate study has declined significantly in recent years and the chancellor's announcement that a new postgraduate loan scheme will be introduced will be warmly welcomed by universities.

"However, the announcement only refers to young students - this scheme must be extended to all who want to study for postgraduate qualifications."

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<sup>15</sup> [Call to offer loans to graduate-entry medical students](#), BMA, 4 December 2014.

<sup>16</sup> [Post-graduate loans will help low and middle income students](#), Sutton Trust, 3 December 2014.



### *National Union of Students*

Megan Dunn, vice-president for higher education at the National Union of Students, said: "NUS and students' unions have been persistent in calling for financial barriers to be removed from access to postgraduate study, and today's announcement is a major step in the right direction. NUS and students' unions have been central in developing the conversation and lobbying decision makers across the country.

"Creating a government-backed postgraduate loans scheme will make a fundamental difference to the lives and opportunities of students. Many postgraduates are currently funding their study through potentially disastrous measures such as credit cards, overdrafts and personal loans."

### *Higher Education Policy Institute (HEPI)*

Nick Hillman, director of the Higher Education Policy Institute, said that Osborne deserved "two-and-a-half cheers, which is as good as it gets in austere times".

He added: "Postgraduate support was unfinished business from the 2012 university funding reforms and the new scheme is welcome.

'It will open up postgrad study to more people. The age limit will be frustrating to those who miss out and people will doubtless lobby against it. But it is a preferable starting point to many alternatives, like restricting the loans to certain subjects.'<sup>17</sup>

### **Box 3: Transition to the new system – the Postgraduate Support Scheme**

The Postgraduate Support Scheme (PSS) supported students who are under-represented at postgraduate level and were studying subjects in line with the Government's growth strategies. The scheme was piloted in 2014-15, with £25 million provided for 20 pilot projects that supported these aims.<sup>18</sup>

In the Autumn Statement 2014 the Government announced that the 2015-16 PSS would provide £50 million to institutions to provide bursaries to students on a match-funded basis. HEFCE stated that this would allow 10,000 masters students to each receive a £10,000 contribution towards the cost of their studies. The Government indicated that this would provide a bridge until the introduction of postgraduate loans from 2016-17.<sup>19</sup>

## 2.3 Government's consultation

On 25 March 2015, the Coalition Government published a [consultation](#) on the proposed loans systems. The consultation proposed different schemes for taught masters courses and research-based masters.

### **Loans for taught postgraduate masters courses**

The consultation referred to the "clear downward trend" in the number of UK students enrolling on taught masters courses and stated that:

Given the significant individual returns to a postgraduate degree, and the importance of the skills it offers to support the economy,

<sup>17</sup> [Postgraduate loans welcomed, but what about mature students?](#), *Times Higher Education*, 3 December 2014.

<sup>18</sup> [Postgraduate Support Scheme](#), HEFCE, last accessed 29 November 2016.

<sup>19</sup> HEFCE, [Postgraduate Support Scheme: Guidance for institutions receiving funding to support postgraduate students 2015-16](#), Circular letter 32/2014, December 2014.

## 10 Postgraduate loans in England

it is of concern that UK student enrolments on Master's courses have declined over recent years.<sup>20</sup>

It further stated that financial concerns "are the most significant and commonly reported barrier for progression into postgraduate taught Master's study" and that younger students "are more likely to be in a financially weaker position".<sup>21</sup>

Under the scheme proposed in the consultation:

- Loans of up to £10,000 would be available for individuals studying a postgraduate taught masters course in any subject. The amount would be a contribution towards costs and not intended to cover all the costs of study. The Government would not seek to regulate the fees of courses eligible for the loan.
- Loans would only be available to individuals aged under 30. The consultation stated that this was because "this group face the greatest barriers to accessing finance to pursue postgraduate taught Master's study."
- The individual eligibility for the loan would be the same as for undergraduate student support (i.e. students would have to be English domiciled or EU nationals and fulfil residency criteria).
- To be eligible, individuals would have to be studying at a HEFCE funded institution or at an alternative provider with degree awarding powers.
- Loans would not be available for distance learning or for courses that are already supported by the student loans system (e.g. PGCEs).
- Part-time students would have to be studying at a minimum of 50 per cent intensity of full time to be eligible.
- The repayment rate would be 9% and loans would be repaid concurrently with other student loans. The repayment threshold would be £21,000.
- The loans would be available from the 2016-17 academic year.<sup>22</sup>

### Loans for postgraduate research students

The consultation stated that the Government would also review how support for postgraduate research students, including PhDs, research master's, Engineering Doctorates and other professional doctorates (but excluding postdoctoral research), could be broadened and strengthened.<sup>23</sup> The review would consider whether to introduce income contingent loans of £25,000 for postgraduate research students:

The Review will consider whether to broaden support for postgraduate research students by introducing income contingent loans of up to £25,000 over the lifetime of a postgraduate research degree. The intention is to offer loans as an addition to the present system of grant funding, not as a replacement, widening access to postgraduate research degrees by offering support to those unable to obtain grants under the current system. The loans would be designed to avoid deadweight. There

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<sup>20</sup> Department for Business, Innovation and Skills, [Higher Education: Consultation on Support for Postgraduate Study](#), March 2015, p10.

<sup>21</sup> As above, p11

<sup>22</sup> As above, pp16-24

<sup>23</sup> As above, p29

is a trade-off between overall number and level of loans and the level of public subsidy. If the subsidy were higher, we would have to consider for example capping the total number of loans, or restricting to specific subjects.<sup>24</sup>

The consultation closed on 29 May 2015.

## 2.4 Government response to the consultation

The Government published its [response](#) to the consultation in November 2015.<sup>25</sup> The response confirmed that non-means tested loans for postgraduate masters courses would be available from the 2016-17 academic year. In comparison to the scheme consulted upon, the response stated that the eligibility for loans would be extended to additionally include:

- students under the age of 60
- distance learning courses
- English domiciled students studying elsewhere in the UK; and
- research-based masters courses.

Students ordinarily resident in Scotland, Wales and Northern Ireland will not be eligible for loans under the scheme.

The response also stated that the repayment rate would be lowered from the proposed 9 per cent to 6 per cent.

A summary of the terms and conditions for the loan is provided in the box below. The precise details are set out in the *Education (Postgraduate Master's Degree Loans) Regulations 2016*, with [guidance](#) from Student Finance England providing further information.

### Box 4: Terms and conditions for postgraduate masters loans

#### Individual and course eligibility

- Loans of up to £10,000 are available to eligible students aged under 60 on eligible 1 or 2 year full-time masters courses. Students studying part-time at a minimum of 50% intensity, or on part-time courses of two or three years with no full-time equivalent<sup>26</sup>, are also able to access loans. EU students, and individuals falling within certain specified categories, may also be eligible.
- Eligible courses include taught, research, distance learning or professional masters courses across all disciplines.
- Individuals who already have a postgraduate masters qualification are not eligible. Students ordinarily resident in Scotland, Wales or Northern Ireland are also not be able to access loans.

#### Institutional eligibility

- Loans are available to students studying at publicly funded higher education institutions in the UK or at an alternative provider with degree awarding powers. The explanatory memorandum to the regulations states that the Government intends to extend institutional eligibility to alternative providers without degree awarding powers from 2017-18.

#### Repayment

- The repayment rate will be 6% and loans will be repaid concurrently with undergraduate student loans. The repayment threshold will be £21,000 and will be frozen until 2021. Repayments will

<sup>24</sup> As above, p30

<sup>25</sup> Department for Business, Innovation and Skills, [Higher Education: Postgraduate Study: Government response to the Consultation on Support for Postgraduate Study](#), November 2015.

<sup>26</sup> HM Treasury, [Budget 2016](#), HC 901, March 2016, p34.

commence from April 2019, but individuals will be able to make voluntary repayments before this time if they wish.<sup>27</sup>

- If a student subsequently takes out a doctoral loan (see section 3 below) this will be added to the postgraduate master's loan and a single 6% repayment will be made alongside repayments for any undergraduate loan.

### Doctoral students

The consultation response re-affirmed the Government's intention to introduce loans for doctoral students but did not provide any further detail:

The Government is also committed to the introduction of income contingent loans for Doctoral study. As set out in the consultation, our intention is to offer these loans in addition to grant funding, not as a replacement.<sup>28</sup>

## 2.5 Issues with a postgraduate masters loan scheme

This section provides brief information on issues that have been raised with a postgraduate masters loans scheme, including in response to the Government's consultation.

### EU students access to postgraduate loans

Students from the EU may, depending on their circumstances, be eligible for postgraduate masters loans. When the original proposal was announced in 2014, there was some debate about whether EU students should be allowed to access the loans:

The question of whether to allow other European Union students access to a postgraduate loans system, or how to prevent such access, may also prove to be an issue with immigration and the rise of the UK Independence Party high on the political agenda.

[...]

CentreForum's 2011 paper on postgraduate loans, written by Tim Leunig, now an adviser in the Department for Education, called for loans to be classed as being for maintenance, rather than fees. In principle, that would make EU students ineligible.

But any classing of the loans as maintenance would have to be "credible", some warn, otherwise there may be a risk of the Westminster government facing legal action from the EU.<sup>29</sup>

The Institute of Fiscal Studies (IFS) also raised concerns about the repayment of loans by EU students in an observation paper published in December 2014:

One assumption to which our findings are sensitive is that of repayment compliance. In 2012/13, 13.5% of new postgraduate students in the UK were EU domiciled. If the same proportion of EU students took out loans, but the government were unable to

<sup>27</sup> Department for Business, Innovation and Skills, [Higher Education: Postgraduate Study: Government response to the Consultation on Support for Postgraduate Study](#), November 2015, pp12-16.

<sup>28</sup> As above, p20

<sup>29</sup> [Postgraduate loans may be limited to students in STEM fields](#), *Times Higher Education*, 27 November 2014.

collect any repayments from these students, we estimate that the RAB charge would increase to 12.6%. This is another important consideration for the policy consultation.

## Repayment of loans and high marginal tax rate

The new loans will be repaid concurrently with undergraduate loans. In its 2014 observation paper (when the proposed repayment rate was 9%), the IFS commented on the high marginal tax rate under a system of concurrent payments:

An additional concern with the introduction of the government's illustrative example is the high marginal tax rate that individuals would face under the new system. Since repayments on the postgraduate loan would be made "concurrently" with undergraduate repayments, individuals earning between the lower loan repayment threshold (of £21,000 in 2016 prices) and the higher income tax-rate threshold would face marginal tax and employee NICs rates of 50%, while those earning above the higher rate tax threshold would face marginal rates of 60%. This could potentially affect the labour supply decisions of young postgraduates and hence may have wider consequences for growth and productivity.<sup>30</sup>

The issue of concurrent payments was a "key concern" raised in response to the consultation on the proposed loans scheme. In its response the Government stated:

The concurrent repayment approach is essential in order to achieve the affordability of the loan scheme for the public purse. However, we have reviewed the repayment terms and can confirm the loan will be repaid as 6% of income above a threshold of £21,000.<sup>31</sup>

## Increase in postgraduate fee levels

The IFS report, [The government's proposed new postgraduate loan scheme: will the RAB charge really be zero?](#), raised the issue of postgraduate fee levels and the possibility that institutions might increase fees when loans are introduced:

While the proposed postgraduate loan scheme does not link loans to fees in the same way as it does at undergraduate level, institutions with high market power might still respond to the increased availability of credit by raising prices, which would reduce the effectiveness of the policy in making the upfront costs of postgraduate study cheaper.<sup>32</sup>

The issue of increasing fees was also raised by Nick Hillman the director of the Higher Education Policy Institute (HEPI):

Mr Hillman said that by designating the £10,000 loan as being for fees, the government had created the possibility of fee inflation,

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<sup>30</sup> [The government's proposed new postgraduate loan scheme: will the RAB charge really be zero?](#), Institute for Fiscal Studies, 9 December 2014.

<sup>31</sup> Department for Business, Innovation and Skills, [Higher Education: Postgraduate Study: Government response to the Consultation on Support for Postgraduate Study](#), November 2015, p15.

<sup>32</sup> [The government's proposed new postgraduate loan scheme: will the RAB charge really be zero?](#), Institute for Fiscal Studies, 9 December 2014.

as it “gives a bit more of an incentive to institutions to set their prices according to what the available loan is”.<sup>33</sup>

### Box 5: Postgraduate tuition fees

Fees for most postgraduate courses are unregulated and can vary between courses and between institutions; one year taught masters courses can, for example, range in price from £3,000 to over £30,000 per year. The Complete University Guide’s survey of fees suggested that the average home fee for a taught postgraduate course in 2016-17 was £6,486.<sup>34</sup>

The Government has stated that it does not intend to regulate tuition fees for postgraduate courses. The consultation response stated the following with regards to the risk of fee levels rising:

1. Just over half of respondents (55% - including universities) believed that the loan will lead to increased demand for postgraduate Master’s courses, which could in turn impact tuition fee levels, depending on the strength of demand and places being made available.
2. To counteract this risk, respondents suggested that some form of tuition fee cap be imposed and/or that institutional fee changes should be subject to greater scrutiny or be made more transparent to mitigate this risk. Recognising the Government does not intend to introduce new or additional regulation, there could be a monitoring role for Higher Education Funding Council for England (HEFCE) and/or the Office for Fair Access (OFFA).<sup>35</sup>

The Government’s impact assessment on the postgraduate masters degree loans regulations acknowledged that there is a risk that providers could increase their tuition fees in response to funding for postgraduate courses being more readily available. However, it stated that “effective competition between providers for postgraduate students reduces the likelihood of this happening in practice”.<sup>36</sup>

### Other issues raised in the consultation

A number of other issues were raised by respondents to the Government’s consultation. A summary of these are included on pages 8-11 of the consultation response.

Some respondents to the consultation argued that:

- The minimum 50% study intensity criteria could potentially discriminate against individuals with a disability or suffering other health issues who might need greater flexibility in learning.
- Postgraduate Certificate and Postgraduate Diploma routes should be eligible for the masters loan.
- More than the maximum £10,000 loan amount may be needed. 51% of respondents felt that £10,000 was the right amount.

<sup>33</sup> [Questions remain over postgraduate loan figures](#), *Times Higher Education* 11 December 2014.

<sup>34</sup> [International and postgraduate fees survey, 2016](#), *Times Higher Education*, 18 August 2016.

<sup>35</sup> Department for Business, Innovation and Skills, [Higher Education: Postgraduate Study: Government response to the Consultation on Support for Postgraduate Study](#), November 2015, p10.

<sup>36</sup> Department for Education, [Postgraduate Master’s Loan Enabling Regulations: Impact Assessment](#), p28.

- Alternative Providers, specifically those validated at postgraduate level and subject to review by the Quality Assurance Agency (QAA), should be eligible for masters loans.<sup>37</sup>

## 2.6 Take-up of loans

The impact assessment published alongside the postgraduate masters degree loans regulations estimated demand for the scheme to be around 60,700 in 2016-17, with an estimated 7,600 anticipated to be additional students due to the availability of loans.<sup>38</sup>

Early data up to the end of October 2016 showed that 52,000 students had received postgraduate loans with an average value requested of £8,400.<sup>39</sup>

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<sup>37</sup> Department for Business, Innovation and Skills, [Higher Education: Postgraduate Study: Government response to the Consultation on Support for Postgraduate Study](#), November 2015, pp8-11.

<sup>38</sup> Department for Education, [Postgraduate Master's Loan Enabling Regulations: Impact Assessment](#), pp12-13.

<sup>39</sup> Student Loans Company, [Student Support for Higher Education in England 2016: academic year 2015/16 payments, 2016/17 awards](#)

## 3. Loans for doctoral students

Following on from the Budget 2015 announcement and the March 2015 postgraduate loans consultation (see section 2 above), Budget 2016 announced that loans of up to £25,000 for doctoral students without a Research Council living allowance would be introduced from 2018-19. It further stated that a technical consultation would be launched on the detail of the scheme:

**1.101** From 2018-19, loans of up to £25,000 will be available to any English student without a Research Council living allowance who can win a place for doctoral study at a UK university. They will be added to any outstanding master's loan and repaid on the same terms, but with the intention of setting a repayment rate of 9% for doctoral loans and a combined 9% repayment rate if people take out a doctoral and master's loan. The government will launch a technical consultation on the detail. Those who take out only a master's loan will still repay at 6%, as announced at Autumn Statement 2015.<sup>40</sup>

### 3.1 Technical consultation

In November 2016, the Department for Education launched the technical consultation on postgraduate doctoral loans. In setting out the Government's rationale, the consultation noted the need for a "highly skilled, research-driven workforce" and highlighted evidence of an "unmet demand for places on doctoral programmes."<sup>41</sup> It stated that the policy objective was to:

support take-up of doctoral study by providing access to finance to those not currently in receipt of a Research Council studentship; to broaden and strengthen the research base; and to benefit the economy by increasing the supply of workers with the high level skills needed to meet demand from employers and the research base and stimulate an innovation-led economy.<sup>42</sup>

Under the proposed scheme:

- Non-means tested loans of up to £25,000 would be available for individuals studying any level 8 doctoral qualification with a maximum course length of under six years. The loan would be a contribution towards the cost of study, rather than specifically to cover tuition fees or living costs.
- Loans would be available to eligible students aged under 60 who are not in receipt of a Research Council studentship (including fees only awards).
- Eligible students ordinarily resident in England would be able to take their loan to any UK university offering a doctoral programme. Individuals ordinarily resident in Scotland, Wales and Northern Ireland would not be eligible for loans.
- Loan payments would be made in tranches across the number of years of the programme.

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<sup>40</sup> HM Treasury, [Budget 2016](#), HC 901, March 2016, p34.

<sup>41</sup> Department for Education, [Consultation on postgraduate doctoral loans](#), November 2016, pp11-14.

<sup>42</sup> As above, p15.



- The repayment rate would be 6%, pending a final policy decision informed by the consultation. Repayments would be made concurrently with undergraduate loans but for students with a masters loan, repayment would be taken through one single postgraduate loan repayment of 6%. The income threshold would be £21,000 until April 2021.
- Loans would be available for students beginning programmes of study in the 2018-19 academic year.<sup>43</sup>

The consultation estimated that the average cost of doctoral study ranges from £45,000 (for a three year degree in lower cost location) to £73,000 (for a four year degree in a higher cost location). It noted that the proposed loan amount would cover around a third to a half of these costs and stated that this “balances the incentives, to ensure students will continue to make considered and informed decisions about pursuing further study at this level.”<sup>44</sup>

The consultation closed in December 2016.

## Government response

Budget 2017 confirmed that the Government would introduce doctoral loans from 2018-19.<sup>45</sup> The Government’s response to the consultation was published on the same day as the Budget.

The consultation response stated that the doctoral loan scheme has “the potential to reach a wider range of students with doctoral potential, and support new research areas and activities.” It added that the scheme would:

- Help overcome financial barriers to undertaking doctoral study and so enable more students to achieve this level of qualification.
- Help students reduce the time taken to complete their study by potentially allowing students to cut back on working commitments to complete their thesis.
- Help HEIs who may currently benefit less from Research Council funding to expand their research programmes.<sup>46</sup>

In comparison to the scheme consulted upon, the response stated that the eligibility for loans would be extended to include courses of up to eight years in duration compared to the originally proposed six years. The response also rejected introducing a capped number of loan places for higher education institutions and confirmed instead that loans would be introduced on a demand led basis.<sup>47</sup>

A summary of the terms and conditions for the loan is provided in the box on the following page. The precise details will be set out in regulations.

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<sup>43</sup> Department for Education, [Consultation on postgraduate doctoral loans](#), November 2016, pp17-18.

<sup>44</sup> As above, pp13-14.

<sup>45</sup> HM Treasury, [Spring Budget 2017](#), HC1025, March 2017, p42.

<sup>46</sup> Department for Education, [Postgraduate Doctoral Loans](#), March 2017, p4.

<sup>47</sup> Department for Education, [Postgraduate doctoral loans: government consultation response](#), March 2017, pp10 & 15.

### **Box 6: Terms and conditions for Doctoral loans from 2018-19**

#### **Individual and course eligibility**

- Non-means tested loans of up to £25,000 will be available to eligible students under the age of 60 as a contribution towards the costs of completing a doctoral qualification. Loans will be available for those starting an eligible qualification from the 2018-19 academic year. Individuals who already hold an equivalent or higher qualification will not be eligible.
- Anyone in receipt of a Research Council award or an NHS bursary will not be eligible.
- Students ordinarily resident in Scotland, Wales or Northern Ireland are also not be able to access the loans. The eligibility of EU students will be announced by the Government before 2018-19.
- Loans will be available for most level 8 doctoral qualifications, but not for doctorates by retrospective publication.

#### **Institutional eligibility**

- Loans will be available to students studying at higher education institutions in the UK with degree awarding powers. Only alternative providers with degree awarding powers will be counted as eligible institutions.

#### **Repayment**

- Interest on the loan will be RPI+3%.
- The repayment rate will be 6%. For students with a postgraduate master's loan, repayment will be taken through one single postgraduate loan repayment of 6%. The loan will be repaid concurrently with any undergraduate loans. The Government states that the combined maximum repayment rate of 15% will ensure that loans "will always be affordable for students."<sup>48</sup>
- The repayment threshold will be £21,000, which will be frozen until 2021 and subject to review.
- Any outstanding loan will be written off 30 years after it becomes due for repayment.<sup>49</sup>

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<sup>48</sup> Department for Education, [Postgraduate doctoral loans: government consultation response](#), March 2017, p14.

<sup>49</sup> Department for Education, [Postgraduate doctoral loans: government consultation response](#), March 2017, pp19-21.

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