

FULL TIME AND PART-TIME STUDENTS : LOANS FOR TUITION

1. On 3 November, responding to Lord Browne's review of higher education funding and student support, the Government accepted the recommendation to put eligible full and part-time undergraduates in England on the same footing in terms of loans for tuition for students entering higher education from 2012/13 academic year. Since then, the Government has been developing the details.
2. At the moment part-time students are eligible for a means-tested grant towards tuition costs of up to £1,230, and a means-tested grant of up to £265 for course costs so long as they study at the equivalent of 50% of a full-time course. Some 60,000 students benefit.

The policy : tuition loans for part-time students

3. The proposal is that students who study at the equivalent of 25% or more of a full-time course will be eligible for a non-means tested loan for tuition. Responding to concerns from the sector this has been improved from the 33% intensity threshold recommended by Lord Browne.
4. It is estimated this will cover up to 175,000 students - 75% of part-time students studying for the first time. In common with full-time students, this will not apply to students who already hold a qualification at an equivalent or higher level, or to post-graduate students.
5. Clause 71 of the Education Bill currently before Parliament amends the Higher Education Act 2004 to extend the arrangements for loans for tuition for full-time courses to include specified part-time courses. In particular, the Government proposes a limit on what higher education institutions can charge for tuition so that the tuition loan can match the tuition costs in full with nothing paid by the student up front.
6. The Government expects the limits to be pro rata to those for full-time students. The maximum charge for a part-time course should not exceed the equivalent of 75% of a full-time course.

The policy : repayment terms for full-time students

7. For full time students we have a well-understood Statutory Repayment Due Date (SRDD), which is the April after the student leaves higher education, coinciding with the start of a tax year. Before the SRDD, under the arrangements proposed for full-time students entering higher education from 2012/13 academic year onwards, interest accrues at RPI +3%.
8. Once the SRDD has been passed and the student has left the course, then, under the new arrangements, the interest that accrues will be dependent on income. Those earning below £21,000 will accrue interest

at RPI, those earning between £21k and £41k will accrue interest at between RPI and RPI + 3% on a gradual scale, and for those earning £41k or more RPI +3% will apply. What triggers the switch is the student passing the SRDD. For a typical full-time degree, that will be the April after three years of study have elapsed.

The policy : repayment terms for part-time students

9. To create a level playing field, the terms for part-time loans will be the same as loans for full-time students: repayments will be at 9% of salary above the threshold of £21,000, normally deducted by employers alongside income tax and national insurance. Any loan balance outstanding after 30 years will be written off. And the interest rate on the loan (until the student becomes liable to repay) will be RPI +3%. After that date, the interest rate will depend on income.
10. But for part-time students we propose the SRDD is not linked to the student leaving HE, but is fixed at the April three years after the part-time course began. (The exception will be part-time courses that last less than three years, in which case liability to repay will be from the April after the student leaves the course.) This means that the part-time student will benefit from the reduced interest rate at about the same time as a full-time student reaching repayment after a three year course but could mean also that an individual part-time student with income over £21,000 will have to start paying back whilst they still studying.
11. And passing the SRDD as a part-time student will still trigger the change from interest accruing at RPI +3% to accruing at a rate dependent on income as above, with no repayments and no real rate of interest until income exceeds £21,000.

Conclusion

12. The loans are as progressive for part-time students as they are for full-time students: those who earn less repay less, those earning more pay back more towards the cost of tuition. Both part-time and full-time graduates can be confident that if higher education does not bring the financial benefits they expect, the Government will make a higher contribution to the cost. In contrast, if higher education brings higher than average financial benefits, the graduate will be asked to pay proportionally more.

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