



# Student and graduate debt statistics

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Section Social & General Statistics

This note looks at statistics on trends in average levels of debt connected with higher education, either among those still in higher education, or those who have recently graduated. It also gives a snapshot of variations in debt between different groups of students. Since the introduction of student loans there has been concern about the level of student debt and its effect on access to and retention in higher education. Changes to student support and funding arrangements since the 1990s have generally expanded the scale of student loans and increased concern about student debt.

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- [Entrants to higher education](#)
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# 1 Background

Since the introduction of student loans there has been concern about the level of student debt and its effect on access to and retention in higher education. Changes to student support and funding arrangements since the 1990s have generally expanded the scale of student loans and increased concern about student debt.

Student loans first became part of the student support package in 1990/91. In the first year of loans their maximum value<sup>1</sup> was £420 or around one sixth of the maximum amount of public support. Over the following years their value was increased at the expense of grants and stood at just under 50% of the maximum support level in 1996/97.<sup>2</sup> Student loan interest rates are set in line with inflation and hence have a zero real interest rate. Repayments of loans taken out before the late 1990s were made on a 'mortgage-style' system. They became repayable from the April after the student finished higher education when their gross income exceeded the threshold of 85% of national average earnings. If their income stayed above the threshold then repayments were made over 5 years in 60 equal monthly instalments;<sup>3</sup> hence 'mortgage-style'.

The Government partially introduced new arrangements for students starting in autumn 1998 (academic year 1998/99). In the first year new entrants received support through loans and grants. The maximum maintenance grant available was £1,000 less than that for existing students. This was compensated for by a matching increase in loan entitlement. Most new entrants were also expected make an income-assessed contribution of up to £1,000 a year to the cost of their tuition. From 1999 new entrants and those who started in 1998 received all maintenance support as loans which were partly income-assessed. Income contingent repayments were 9% of gross income annual above £10,000.<sup>4</sup> This threshold was raised to £15,000 in April 2005.

Further changes in the student finance system were introduced in 2006/07 when new students attending institutions in England and Northern Ireland could be charged variable fees of up to £3,000. New students could take out a Tuition Fee Loan to cover the cost of these fees. This means that upfront payment of tuition fees would effectively be abolished for new students as take-up does not affect maintenance loan eligibility. This option was also available to cover the (fixed) fees of students who started before 2006/07.

New students in 2006/07 in England were also eligible for a new income-assessed Maintenance Grant of up to £2,700. Unlike some earlier support this reduced the amount of Maintenance Loan someone was eligible for. In summer 2007 the Government announced changes to a number of the income thresholds for new students from 2008/09.<sup>5</sup> These should mean that more students receive some Maintenance Grant. They also announced student loan 'repayment holidays' of up to five years for these students.<sup>6</sup>

In 2007/08 the maximum Maintenance Loan for a student living away from home outside London was £4,510 (assuming they are not eligible for any maintenance grant). With a maximum Tuition Fee Loan this gives a theoretical maximum of £7,580, or £9,385 in London. In practice the actual maximum that most students can take out is less as 25% of the

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<sup>1</sup> Maximum for a full year student living away from home and outside London.

<sup>2</sup> DfEE statistical first release 48/2000 *Student support: statistics of student loans for higher education in United Kingdom -financial year 1999-00 and academic year 1999/00*

<sup>3</sup> If 5 or more loans are taken out repayment is made over 84 months.

<sup>4</sup> *Investing in the future: Supporting students in higher education*, DfEE

<sup>5</sup> On 29 October 2008 the Secretary of State for Innovation, Universities and Skills announced a number of changes to income thresholds to grants which were intended to reduce expenditure by £100 million a year. These changes are to apply to new students from 2009 and mean a less generous package of grants/loans for students with a household income above £25,000.

<sup>6</sup> DIUS press release 5 July 2007 *Increased support for students in higher education*

Maintenance Loan is income assessed and those in receipt of the Maintenance Grant will have their loan eligibility reduced by up to £1,230.<sup>7</sup> The interest rate for loans in 2007/08 was 4.8% the level of all-items RPI inflation in financial year 2006-07. This was the highest annual rate since 1991/92.<sup>8</sup> The rate for 2008/09 was initially set at 3.8% reflecting the fall in inflation in 2007-08. However, the legislation also requires that interest rates for income contingent loans should not exceed one percentage point above the highest base rate of a specified group of major banks. The so-called 'low interest cap'. The large falls in Bank of England base rates have meant that this cap has been used for the first time. The interest rate on income contingent loans was reduced to 3.0% on 4 December 2008, to 2.5% on 9 January 2009, to 2.0% on 6 February 2009 and to 1.5% on 5 March 2009. Interest rates were lower in 1993/94 and 2002/03.<sup>9 10 11</sup>

## 1.1 Trends in debt

There have been a number of different surveys of student debt since the introduction of student loans. These did not all use the same definition of debt or cover the same types of students and they tended to ask respondents different supplementary questions and hence give different results and analysis. All look at the full range of student debt, Student Loans, overdrafts, credit card debt etc. The main distinction is in whether they ask current students about debt, or recent graduates. This section mainly concentrates on those surveys which have been running for the longest period, neither of which has given results for 2008.

### **Students**

The Barclays Student Debt survey ran from 1992 to 2002. Over this period the average debt among current students increased from £1,800 to £7,400 (both in 2008 prices<sup>12</sup>) a real increase of just over 300%. The largest increases were in 1999 and 2000 as we would expect from changes to student finance<sup>13</sup> The latest surveys from 2007 give a range of value from £5,800 (all students) and £7,800 (all students with debt) from UNITE,<sup>14</sup> to £8,200 from push.co.uk.<sup>15</sup> All that can be concluded about the period from 2002 is that debt among students in higher education seems to have increased at a slower rate than during the decade to 2002.

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<sup>7</sup> direct.gov.uk -Student Finance

[www.direct.gov.uk/en/EducationAndLearning/UniversityAndHigherEducation/StudentFinance/index.htm](http://www.direct.gov.uk/en/EducationAndLearning/UniversityAndHigherEducation/StudentFinance/index.htm)

<sup>8</sup> Facts & Figures, Student Loans Company [http://www.slc.co.uk/statistics/facts\\_figures.html](http://www.slc.co.uk/statistics/facts_figures.html)

<sup>9</sup> ibid.

<sup>10</sup> HC Deb 26 January 2009 c268W

<sup>11</sup> *Income Contingent Loans (ICL) - Maximum Loan Rates*, SLC

<sup>12</sup> Adjusted using the RPIX (all-items excluding mortgage interest)

<sup>13</sup> Barclays Student Debt Survey, 2002 and earlier

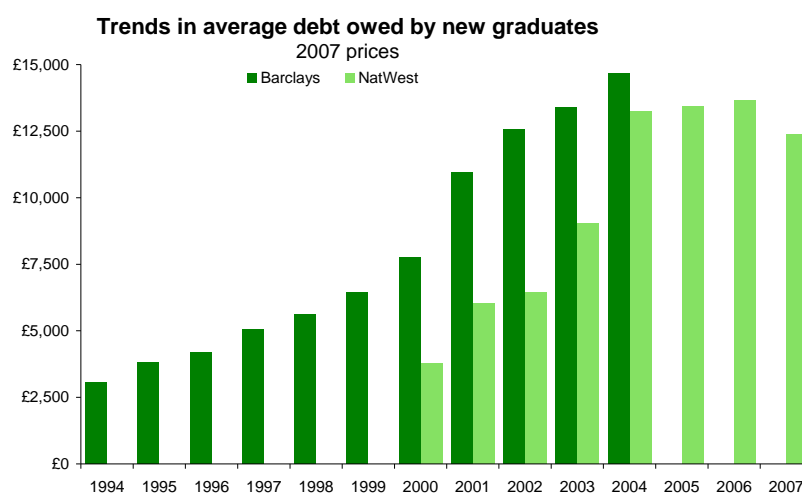
<sup>14</sup> *The student experience report 2007*, UNITE

<http://www.unite-group.co.uk/data/Reports/Student%20Experience%20Report%202007.pdf>

<sup>15</sup> *The Push Student Debt Survey 2007* <http://www.push.co.uk/press/Survey2007.xls>

## Graduates

The Barclays Graduate Debt survey covered the longest period (1994 to 2004), but again it does not cover the last few years. A similar survey by NatWest started in 2000 and so far has run up to 2007. Together they give us an impression of changes over the whole period (opposite and appended table). There are considerable differences in the average debt owed in 2000-2003; these may reflect differences in timing and survey methods. The increase in debt is very clear, from an average of £3,100 in 1994 to £14,700 in 2004 on the Barclays series. The NatWest series shows only small increases in 2005 and 2006 and a fall in 2007. The data for both series asked graduates about debt 6-18 months after graduation. Data from other surveys gives some support to these trends. The push.co.uk survey showed average student debt static or falling in 2004 and 2005,<sup>16</sup> this is consistent with the trends in graduate debt in 2006 and 2007 shown above. The UNITE survey showed a small decline in average debt among students in 2005.<sup>17</sup> The push.co.uk survey also gave a projected debt on graduation of £12,900, slightly above the NatWest Figure.



## 2 Snapshot of results from recent surveys

Neither of the earlier surveys included figures for graduates who were liable for variable tuition fees. However, in 2007 push.co.uk estimated that students who started higher education in 2006/07 could expect to owe an average of 17,500 on graduation, while those starting in 2007/08 could see average debt increase to £21,500.<sup>18</sup> Their 2008 survey gave the same debt figures.<sup>19</sup> The Government has estimated that for those starting after 2006/07 the average Student Loan debt on graduation will be around £15,000<sup>20</sup> and take an average of 11 years to repay (16 for female graduates).<sup>21</sup> More recently a figure of £16,000 total personal debt was estimated for students starting in 2008.<sup>22</sup>

## 3 Student income and Expenditure Survey

### All students

The most comprehensive source of information on student finances is the *Student Income and Expenditure Survey*. The 2007/08 survey (the first for three years) was published in spring 2009 and covered English domiciled students only.<sup>23</sup> 93% of full-time students (across all years) had some form of borrowing and the mean across all students and types of borrowing was £8,900. A breakdown by broad type is given below. This clearly shows the dominance of student loans over other types of borrowing. Mean figures are above the medians as they are increased by the relatively small numbers with very large debt levels.

<sup>16</sup> *The Push Student Debt Survey 2007*

<sup>17</sup> *The student experience report 2007*, UNITE

<sup>18</sup> *Student debt rises 24%*, push.co.uk press release 14 August 2007

<sup>19</sup> Push news release 11 August 2008, *Push releases figures for 2008 student debt survey*

<sup>20</sup> HC Deb 19 March 2007 c703W

<sup>21</sup> HC Deb 26 November 2007 c166W

<sup>22</sup> HC Deb 9 May 2008 cc1267-8W

<sup>23</sup> Johnson et al, *Student Income and Expenditure Survey 2007/08 English-domiciled Students*, Institute of Employment Studies/ National Centre for Social Research, DIUS research report 0905

### Average borrowing of full-time English-domicilled students, 2007/08

£ at year end

	Mean	Median	% with borrowing of this type
Commercial credit	440	0	16%
Overdraft	414	0	41%
Outstanding student loan debt	7,961	7,770	88%
Other	74	-	-
<b>Total</b>	<b>8,889</b>	<b>7,900</b>	<b>93%</b>

Source: Student Income and Expenditure Survey 2007/08 English-domicilled Students, DIUS research report 99

The figures in the table average out totals across all students whether they have that type of debt or not. Among those with student loans the mean outstanding debt was £9,100 and the mean for those with commercial credit and overdrafts had average borrowings of £2,700 and £1,000 respectively. Among part-time students who have no access to student loans mean borrowing was £2,800 and the main source (75%) was commercial credit.

This research analysed the aggregate figures by different student characteristics. Among full-time students the following patterns were found:<sup>24</sup>

- Students from routine/manual socio-economic backgrounds had higher mean borrowing than those from professional/managerial backgrounds (£9,400 v £8,700). The main difference was in student loans, but they also had higher levels of commercial credit.
- Older students had higher levels of borrowing from commercial credit and overdrafts
- Lone parents had the highest mean borrowing of any family type, nearly 50% higher than couples with children (£10,900 v £7,600).
- Mean borrowing among white students was 17% above that for students from minority ethnic groups.
- Higher levels of borrowing were also found among medical students, those living away from home and disabled students.

#### **Final year students**

In 2007/08 few final year students were under the new support system and hence liable to pay variable tuition fees. The results therefore give us a snapshot of estimated debt on graduation for one of the last cohorts to graduate under regulated fees. Mean debt for those final year students not on a one-year course was £10,400 (median £11,000). This is markedly lower than the estimates given earlier in this note.

#### **First year students**

First year students would have been liable for variable fees and hence able to take out tuition fee loans of up to £3,070. Mean borrowing from all sources for full-time first year students in 2007/08 was £5,800 (Median of £6,400) or more than half figure for final year students. Compared to first years in 2004/05 (the last such survey) the mean maintenance loan had fallen by £500 in real terms, but the amount taken out in the new tuition fee loan more than outweighed this. The total student loan taken out increased from £3,100 to £4,800 (both in 2007/08 prices) a real increase of around 55%. Mean borrowing went from £4,400 (2007/08 prices) for 2004/05 first years to £5,800 for 2007/08 first years; an increase of 33%.

<sup>24</sup> *ibid.* chapter 6

### ***Attitudes to debt and the impact of financial difficulties***

Overall 25% of full-time students in 2007/08 agreed or strongly agreed with the following statement, '*I nearly did not come to university because I was concerned about the debts I would build up.*' 26% had done so in 2004/05. Students from routine/manual backgrounds were more likely to agree (37%) than those from intermediate (23%) or professional backgrounds (17%). Students under the new support arrangements were more likely to agree with a statement that student funding and the support available to them affected their decisions about studying in some way (35% v 28%). Overall 82% of students agreed or strongly agreed with the statement: '*I think that in the long term the benefits of Higher Education are greater than the costs.*' This was slightly less than the 86% agreement among 2004/05 students.

33% of fulltime students had considered dropping out at some point; a very similar rate to 2004/05 (34%). Among those who had considered dropping out, financial reasons were the most commonly cited reason (26% in 2007/08 and 31% in 2004/05). There was no real variation in the proportion who mentioned financial difficulties by year of study or old/new support system. 56% of students said that financial difficulties had affected their academic performance compared to 60% in 2004/05. The majority of them said the impact was 'a little'. 9% of all students said such difficulties had affected their performance 'a great deal'. The most common ways in which academic performance was affected were worry/stress, needing to work part-time and difficulties in buying course material.<sup>25</sup>

Other surveys have also aspect about attitudes to debt. 34% of respondents to the 2007 UNITE survey agreed with a statement that they were seriously worried about the debts they would incur as a result of higher education, up from 27% in the 2006 survey. First year students were more likely to agree with this statement as were those from lower social classes (39% of C2DEs compared to 30% of ABC1s). 24% responded to questions that they "can't afford to continue studying (too expensive)" or are more concerned about the "potential level of debt at graduation". These students were more likely to be from the C2DE groups. However, the proportion of students who said they were actually struggling financially has not increased and 85% of students said that higher education was a worthwhile investment.<sup>26</sup>

A more recent survey commissioned by the National Union of Students found that 23% of students were not concerned<sup>27</sup> about their level of debt and 24% had high levels of concern about their debt.<sup>28</sup> 49% of students said their debt levels were as expected and 6% said they were lower than expected. Overall women tended to show higher levels of concern about their debt and were more likely to say that their levels of debt were higher than expected.<sup>29</sup>

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<sup>25</sup> *ibid.* chapters 7-9

<sup>26</sup> *The student experience report 2007*, UNITE

<sup>27</sup> Gave their level of concern as 1 or 2 from a scale of 1 to 7

<sup>28</sup> Rated at 6 or 7.

<sup>29</sup> *NUS/HSBC student survey* (August 2008)

## Average debt of new graduates

£

Survey year	Barclays survey		NatWest survey	
	cash 2008 prices		cash 2008 prices	
1994	2,210	3,190	-	-
1995	2,820	3,950	-	-
1996	3,200	4,360	-	-
1997	3,950	5,250	-	-
1998	4,500	5,810	-	-
1999	5,290	6,670	-	-
2000	6,510	8,050	3,170	3,930
2001	9,370	11,370	5,170	6,270
2002	11,000	13,040	5,640	6,680
2003	12,070	13,890	8,130	9,350
2004	13,500	15,240	12,180	13,750
2005	-	-	12,640	13,950
2006	-	-	13,250	14,280
2007	-	-	12,360	12,850

Note: Values uprated to 2008 prices using the RPIX (all-items excluding mortgage interest)

Sources: *Barclays Graduate Survey 2004 and earlier*  
*Student Money Matters, NatWest press release 14 August 2007*