



Department  
for Education

# **Consultation on part-time maintenance loans**

**Government consultation**

**Launch date: 4 November 2016**

**Respond by: 16 December 2016**

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# 1. Executive Summary

At Autumn Statement 2015 the Government announced it would introduce new undergraduate part-time maintenance loans to support the cost of living while studying.<sup>1</sup> This announcement said that a new undergraduate part-time maintenance loan would be in place by academic year 2018/19 and that the Government would consult on the detail of this offer.

This Consultation document seeks views and evidence on the introduction of the part-time maintenance loan. As set out in more detail later in this Consultation, some of the key terms of the proposed undergraduate part-time maintenance loan product are:

- Eligible individuals would be able to borrow up to an annually capped amount per academic year (AY) and a total capped amount over the length of their course. These loan amounts would vary according to the policy decisions taken following this consultation.
- The maximum annual loan amount in any circumstance would be capped at 75% of the equivalent full-time product.
- The maximum length of loan eligibility is based upon the student completing their part-time course in no more than four times the period required to complete a full-time equivalent course. As such the maximum length would be 16 years; reflecting a four year Full Time Equivalent (FTE) qualification studied at 25% annual intensity.
- The annual maximum loan available would vary per individual according to their intensity of study relative to the Full Time Equivalent.
- The loan would be intended as a contribution towards living costs.
- The loan would be available to individuals doing an Equivalent or Lower Qualification (ELQ) in certain STEM subject areas in line with existing Regulations.
- The loan would be available to individuals studying any Level 6 part-time qualification.
- The loan would be available to individuals studying on 'distance learning' courses.
- The loan will not be available until academic year 2018/19. It is intended that the loan would be available to eligible UK nationals ordinarily resident in England and other students that meet the loan's eligibility and residency requirements in place at the time. Full details of eligibility will be published in advance of the Student Loans Company opening applications for academic year 2018/19.

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<sup>1</sup> [UK Government Autumn Statement 2015, Section 7.3](#)

- Repayment terms will be structured to ensure the same interpretation as the part-time fee package.

The Government's objectives of introducing part-time loans are to:

- Promote parity between full-time and part-time undergraduate courses by reducing the differences in financial support available to part-time and full-time students.
- Support increased take-up of part-time study by providing greater access to finance to meet living costs for those who opt for this form of Higher Education.
- Widen participation in Higher Education by supporting those from less well represented backgrounds to study part-time, including Black, Asian and Minority Ethnic (BAME) individuals and those from disadvantaged backgrounds.
- Benefit employers and the economy by enabling more people to develop their skills and/ or change career paths and therefore increasing the supply of workers with the high level skills needed to stimulate an innovation-led economy.

This consultation seeks views on the technical detail of the proposed maintenance loans for part-time Higher Education, with a specific focus on the loan terms, eligibility rules and means testing arrangements.

The Government intends to support the introduction of this loan through existing regulatory arrangements as they apply for existing undergraduate loans in the Higher Education sector because it wishes to keep the introduction of new regulation to a minimum. The Government is therefore interested in understanding any potential unintended consequences associated with this proposal, and what it might do to mitigate these to inform the final design features of the loan. Views are also invited about how this new loan product may interact with existing features and other products within Higher Education. Further to this, views are invited about how this new loan product will avoid duplicative funding – instances where two different streams of public money are being used to fund the same activity.

Higher Education is a devolved matter, so the proposed loan product would be available to UK nationals who are eligible students ordinarily resident in England as well as non-UK nationals who meet the eligibility and residency requirements. The primary focus of this consultation is therefore England-based stakeholders. However, since the proposed loan can be used by eligible students for their studies at eligible HEIs UK-wide (i.e. also at HEIs located in Wales, Scotland and Northern Ireland) we also welcome the views of interested stakeholders from around the UK.

We will consider all responses and use these to inform the design of the undergraduate part-time maintenance loan product.

## 2. About the consultation

### 2.1 Respond online

To help us analyse the responses please use the online system wherever possible. Visit [www.education.gov.uk/consultations](http://www.education.gov.uk/consultations) to submit your response.

This is a public consultation and is open to anyone to respond. We would particularly welcome views from existing and prospective students – both part-time and full-time, as well as higher education institutions, employers and their representative bodies.

A list of those organisations and individuals consulted is in Annex 2. We would welcome suggestions of others who may wish to be involved in this consultation process.

When responding, please state whether you are responding as an individual or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear whom the organisation represents by selecting the appropriate interest group on the consultation form and, where applicable, how the views of members were assembled.

### 2.2 Other ways to respond

If for exceptional reasons, you are unable to use the online system, for example because you use specialist accessibility software that is not compatible with the system, you may download a word document version of the form and email it or post it.

Email to: [Part-timemaintenanceloans.CONSULTATION@education.gov.uk](mailto:Part-timemaintenanceloans.CONSULTATION@education.gov.uk)

By post to:

Part-time Maintenance Loans Consultation  
Department for Education  
Abbey 1, 5th Floor  
1 Victoria Street  
London  
SW1H 0ET

You may make printed copies of this publication without asking permission.

### 2.3 Issue date and deadline

The consultation was issued on 4 November 2016 and will close on 16 December 2016.

## 2.4 Enquiries

If your enquiry is related to the policy content of the consultation you can contact the team on:

0207 215 1537 and ask for Miles Simpson;

or email:

[Part-timemaintenanceloans.CONULTATION@education.gov.uk](mailto:Part-timemaintenanceloans.CONULTATION@education.gov.uk)

If your enquiry is related to the DfE e-consultation website or the consultation process in general, you can contact the DfE Ministerial and Public Communications Division by email: [consultation.unit@education.gov.uk](mailto:consultation.unit@education.gov.uk) or by telephone: 0370 000 2288 or via the [DfE Contact us page](#).

## 2.5 Additional copies

Additional copies are available electronically and can be downloaded from [GOV.UK DfE consultations](#).

## 2.6 How responses to this consultation will be used

A wide range of views from stakeholders and interested parties are being sought through this consultation process. We also invite stakeholders to share any research undertaken and published that they consider relevant to the issues raised and to your response. Responses to this consultation will contribute to the evidence and advice that informs the final design decisions for part-time maintenance loans.

## 2.7 What happens next

The consultation will close on 16 December 2016. This will inform further development of the policy for part-time maintenance loans. The results of the consultation and the Department's response will be [published on GOV.UK](#) in 2017. This will include a summary of the views expressed and reasons for any decisions taken. It will be available on the DfE website, with paper copies available on request. Following this, the Government will seek to implement policy and establish an appropriate payment mechanism by AY 2018/19.

## 2.8 Confidentiality & Data Protection

Information provided in response to this consultation, including personal information, may be subject to publication or release to other parties or disclosed in accordance with

the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004). If you want information, including personal data that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

## **2.9 Devolved Administrations**

Higher education is a devolved matter in Scotland, Wales and Northern Ireland. This consultation relates to Higher Education policy in England only, as will the Government response. The consultation does not commit any of the Devolved Administrations of the United Kingdom to any UK-wide actions or a policy position in this respect.



## 3. About part-time undergraduate Higher Education

### 3.1 The part-time Higher Education landscape

#### 3.1.a The value of part-time study

The UK needs a highly skilled, innovative and educated workforce to enable businesses to succeed and to support growth in the UK economy. It is widely recognised that part-time education supports the growth of a highly skilled workforce and can therefore be instrumental in meeting this objective. Employers recognise a wide range of improved skills in their employees who study part-time<sup>2</sup> and see value in students undertaking part-time study, recognising that this can contribute to the development of the skills and attitudes they need in their workforce. Therefore part-time Higher Education can provide benefits for individuals, employers and the broader economy. Part-time study is particularly valuable because its flexibility promotes student choice and key stakeholders have identified its role in widening participation in higher education.<sup>3</sup>

#### 3.1.b Recent trends in participation in part-time study

There has been a significant decline in the number of undergraduate students taking part in part-time courses at UK HEIs over the past decade. The number of such students has fallen significantly since 2008/09, when there were 587,000 part-time undergraduates at UK HEIs. By 2014/15 this had fallen to 336,000<sup>4</sup>. There are a number of contributory reasons for the recent decline in part-time student numbers, as a range of pressures have come together to disincentivise some individuals from engaging in the sector. Consequently, the number of *entrants* to part-time undergraduate courses at UK HEIs decreased by more than half between the 2008/09 academic year and the 2014/15 academic year. There were 344,475 enrolments in 2008/09 and 157,835 in 2014/15.<sup>5</sup> The part-time maintenance loan product is being introduced to help reverse this decline.

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<sup>2</sup> [Geoff Mason, Table 3.2 “Employer support for part-time Higher Education students” \(2013\)](#)

<sup>3</sup> [Open University, The Role of Part-Time Students in Widening Access](#)

<sup>4</sup> [These figures are taken from table 1 of HESA SFR 142 and table 1a of HESA SFR 224](#)

<sup>5</sup> [These figures are taken from table 2 of HESA SFR 142 and table 2a of HESA SFR 224](#)

### **3.1.c Defining a part-time undergraduate degree for the purposes of this consultation**

For the purposes of this Consultation document a 'part-time degree/course' refers exclusively to those Level 6 qualifications, as classified by the Quality Assurance Agency's Higher Education Framework for Higher Education Qualifications<sup>6</sup>, which are studied at less than 100% intensity. As per Question 10 the Government is minded to make this maintenance loan exclusively available to those studying eligible level 6 qualifications. Further to this, we welcome views from stakeholders as to the potential value and challenges of expanding the product to Level 4 and 5 qualifications as well.

### **3.1.d Barriers to part-time Higher Education**

As with students in full-time undergraduate Higher Education there are a range of barriers faced by prospective and existing students to undertaking part-time Higher Education. Of these barriers, two of the most prominent are balancing study with work or home commitments and financial issues concerning funding living and study costs and course fees.

The first barrier is largely inherent in studying a part-time course because the nature of part-time study is such that students will have other commitments to maintain alongside their higher education, as they are not pursuing that education at 100% intensity. The second barrier is that of financial concerns experienced by students of a range of ages, backgrounds and past qualifications. These financial barriers are broadly identified as the cost of funding tuition fees and the maintenance costs associated with studying – e.g. travel, research, and book costs.

A lack of access to finance is likely to affect those from disadvantaged groups more than others as they are most likely to lack other sources of financial support whilst studying.

## **3.2 Funding part-time study**

### **3.2.a Existing funding for part-time**

For students studying a part-time course, tuition fee loans of a value equivalent to up to 75% of the maximum full-time fee loan are available. These loans are paid directly to the relevant Higher Education Institution (HEI) and are available to eligible students who study at an intensity of 25% or higher. This means a student must be planning to complete at least 25% of the equivalent full-time credits in each academic year and

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<sup>6</sup>[QAA, UK Quality Code for Higher Education 2014, page 26](#)

complete the whole course in not more than four times the period required to complete a full-time equivalent course. The total loan available will reflect the amount an HEI decides to charge, but cannot exceed 75% of the full-time fee loan maximum.

Maintenance loans are intended as a contribution towards the living costs incurred whilst studying. Maintenance loans have previously only been available to full-time undergraduate students, where they are means tested according to household income. This current situation results in a maximum annual full year maintenance loan payment of £8,200 in 2016/17, for new full-time students; living away from home and studying outside London, not eligible for benefits, aged under 60 at the beginning of the first academic year of their course, and with a household income of £25,000 or less. This payment then falls to a minimum £3,821 for the same cohort of students who are in households with an income of above £62,180. In addition to these loan products, there are a range of bursaries currently available at different institutions which are used by many recipients as a contribution towards their maintenance costs.

### 3.2.b Who studies part-time?

Part-time students are an extremely diverse group with a wide range of motivations, careers and differences in the barriers they face. Work by Universities UK (UUK) suggests that the population of part-time students can be separated into four broadly distinct groups<sup>7</sup>:

- A. Career enhancers:** Students who want to acquire new skills and qualifications to enhance their existing career.
- B. Career changers:** Students who want to acquire a new qualification in order to enter a different field of work.
- C. Career entrants:** Students who are looking to support the start of a career, potentially their first career, by entering into higher education for the first time.
- D. Non-career learners:** Students who are choosing to pursue part-time education for their own personal enjoyment. They are often termed as 'leisure learners' and 'hobbyists'.

From these four distinct groups, a broader classification can be made between those who are studying for employment related reasons (A,B,C) and those studying for interest/leisure (D).

The flexibility inherent in part-time education makes it appealing to students of all ages, backgrounds and subject areas, in particular those who would like to fit their learning around other commitments such as work or child-care. It is thought that older individuals are much more likely to study for interest or leisure, whereas younger individuals are

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<sup>7</sup> [Universities UK, 'The Power of Part-time 2013', page 10](#)

more likely to study for employment related reasons; reskilling or upskilling. In addition, the Open University identified that ‘13% of all students from low participation areas’<sup>8</sup> are studying there and that their research shows that ‘one in five undergraduates from neighbourhoods with low participation rates either chooses, or has no option but, to study part-time’.<sup>9</sup> Providing appropriate financial support for part-time courses should help those students from low participation backgrounds to sustain their involvement in a course where otherwise they may have withdrawn due to financial constraints.

## 3.3 Rationale for government intervention

### 3.3.a Overview

The Government is committed to supporting part-time learning in undergraduate Higher Education because it recognises the benefits that studying part-time brings to the individual, employers and the overall economy. Part-time study will support the future of the economy and play a significant role in achieving the Government’s widening participation and social mobility goals.

As highlighted in section 3.2 of this Consultation, the current range of funding for part-time is considerably less than that on offer to full-time students. As a result some people may be put off part-time study because of the immediate financial demand it will place on them, despite the longer term return it will deliver. While access to finance is just one of a number of factors behind the recent decline in part-time participation, it is an important barrier to study and the Government is committed to mitigating its effects.

The Government has recognised the seriousness of the decline in part-time Higher Education and has already taken a number of subsequent steps to help hardworking people who want to gain new skills and advance their careers by studying part-time:

- The Government introduced non-means tested loans for part-time students’ tuition fees for the first time in 2012/13.
- The Government has changed the restriction on previous study introduced in 2008 to allow new students to apply for tuition fee loans for a second, part-time honours degree in engineering, technology & computer sciences in 2015/16 and for a wider range of part-time honours degree STEM courses from 2017/18.
- The Government has supported and promoted the use of Higher & Degree Apprenticeships in order to widen access to the professions and develop the higher level technical skills needed across the economy.

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<sup>8</sup> [Open University, The Role of Part-Time Students in Widening Access, page 3](#)

<sup>9</sup> [Open University, The Role of Part-Time Students in Widening Access, page 4](#)

- The Government is encouraging employers to invest more in improving the skills of their workforce by introducing an apprenticeship levy and enabling employers to choose and pay for training, including part-time Higher Education.

### **3.3.b Policy objectives**

The Government wants to build upon these significant developments by introducing a new maintenance loan product for part-time students. The following five objectives provide the rationale for this intervention by Government.

**a)** Promote parity between full-time and part-time undergraduate courses by reducing the differences in financial support available to full-time and part-time students.

Higher Education offers significant value to individuals regardless of the intensity at which a course is studied. The Government is therefore committed to decreasing the differences in financial support available to part-time and full-time undergraduate students. By ensuring that the financial support across these courses is more equitable, the Government hopes to provide students with the flexibility to choose the most appropriate pathway for themselves.

**b)** Close the finance gap for individuals.

By providing upfront undergraduate financial support through tuition fee loans and now through part-time maintenance loans, the Government will help reduce financial barriers. These loans will only need to be repaid by students once they are working and earning above a threshold level of income. The loan amount is intended to be a contribution towards living costs and to therefore complement income earned through work and other forms of financial support, including part-time tuition fee loans.

**c)** Widen participation and enable greater social mobility.

The Government is committed to widening participation in Higher Education and to promoting social mobility. Providing appropriate financial support for living costs for part-time will enable more people with the potential to enter Higher Education to do so. Part-time courses can often be studied at varying intensity and therefore more individuals will be able to combine this more flexible form of Higher Education study with their other commitments, helping raise participation from those who have traditionally been less likely to consider this path.

**d)** Address employer demand for high level skills.

UK employers need a highly skilled, well-educated workforce that can support their businesses to grow and innovate. Employers value the skills gained through part-time Higher Education as well as the abilities it demonstrates, including flexibility, determination and strategic thinking. However, the costs of part-time study make some

employers understandably reluctant to invest upfront in courses that can take a long time for students to complete despite their desire to build their staff skill base. Employers will therefore benefit from a loan that enables their staff to pursue qualifications on a part-time basis while staying in the workforce.

**e) Broaden and strengthen the UK economy and skill base.**

The UK economy requires a skilled, innovative and educated workforce in order to remain internationally competitive and enable businesses to grow and succeed. Higher Education has an important part to play in raising the level of skills and therefore measures taken to increase participation, such as this new part-time loan product, have the potential to deliver a sustained, positive impact upon the economy.

## 4. Key principles of the new undergraduate part-time maintenance loan

A number of principles underpin the design of the new product and establish an efficient approach to the loan's disbursement and collection. These principles should also ensure that public subsidy is minimised while achieving the loan's objectives and that public money is appropriately managed.

1. Policy design hierarchy: The details of this loan product have been developed using a hierarchy of three design principles which reflect the prioritisation of different design elements in relation to other relevant loan products. This hierarchy is identified in the table below.

<b><u>Design Principle 1</u></b>	<b>Align new product with Part-time Tuition Fee Loans</b> where suitable.
<b><u>Design Principle 2</u></b>	<b>Align new product with Full-time Maintenance Loans</b> where it is not suitable to align with Part-time Tuition Fee Loans.
<b><u>Design Principle 3</u></b>	<b>Develop unique characteristics for the new product</b> where it is not suitable to align with either of the above principles.

2. The policy objectives: The proposed loan should meet the Government's objectives to decrease the differences in financial support available across undergraduate Higher Education; support take-up in part-time study by closing the finance gap for individuals; widen participation and enable greater social mobility through Higher Education; address employer demand for high level skills; broaden and strengthen the UK economy and skills base.
3. Affordability and value for money: The proposed terms of the loan are intended to achieve the policy objectives detailed above, whilst also being affordable and offering value for money for the taxpayer.
4. Contribution towards living costs: The proposed loan is intended to be available as a contribution towards living costs. The Government is not seeking to provide financial support to cover all of a student's costs of living while undertaking a part-time degree, as it is expected that many part-time students studying at less than 100% intensity will utilise their time to work and earn as well as study.
5. Non-duplicative funding: The proposed loan is being designed to avoid duplicative funding – instances where two different streams of public money are being used to fund the same activity.
6. Better than commercial rates or on better terms: The Government intends to structure the loan product so that it is exempt from consumer credit regulation.

Where the loan is made in accordance with regulations under Section 22 of the Teaching and Higher Education Act 1998, they will be exempt from regulation under the Consumer Credit Act 1974 and the Financial Services and Markets Act 2000 pursuant to section 8 of the Sale of Student Loans Act 2008. According to Section 22, the loans must have interest rates falling below those prevailing on the market, or no higher than those prevailing on the market but with more favourable terms for the borrower. The existing undergraduate student loans are structured to fall within this exemption. The terms for this new loan will have to be designed to ensure it also adheres to this exemption. This will also secure compliance with the United Kingdom's obligations under the Consumer Credit Directive.

The Government wishes to develop a part-time loan product that meets all of these principles. It is against that backdrop that we are asking for respondents' views. The consultation seeks to provide sufficient information, through this and other sign-posted documents referenced within it, to allow respondents to provide considered and informed views.



## 5. The part-time maintenance loan proposal and consultation questions

### 5.1 Features of the proposed part-time maintenance loan

The features of the proposed undergraduate part-time maintenance loan product are listed below:

- Eligible individuals would be able to borrow up to an annually capped amount per academic year and a total capped amount over the length of their course. These loan amounts would vary according to the policy decisions taken following this consultation.
- The maximum annual maintenance loan amount in any circumstance would be capped at 75% of the equivalent full-time product.
- The maximum length of maintenance loan eligibility is based upon the student completing their part-time course in no more than four times the period required to complete a full-time equivalent course. As such the maximum length for part-time courses would be 16 years; reflecting a four year Full Time Equivalent (FTE) qualification studied at 25% annual intensity.
- The maintenance loan is intended as a contribution towards living costs.
- The annual maximum maintenance loan amount available would vary per individual according to intensity of study relative to the Full Time Equivalent.
- The maintenance loan would be available to individuals studying any Level 6 part-time qualification.
- The loan will not be available until academic year 2018/19. It is intended that the loan would be available to eligible UK nationals ordinarily resident in England and other students that meet the loan's eligibility and residency requirements in place at the time. Full details of eligibility will be published in advance of the Student Loans Company opening applications for academic year 2018/19.
- The maintenance loan would be available to individuals aged 59 and under on the first day of the first academic year of the course.
- Repayment of the part-time maintenance loan would be income contingent and commence at any point four years after the beginning of study, but only once the borrower has an annual income equivalent to the part-time fee loan repayment rate. This would then occur following the start of the next tax year on 6 April after the student withdraws from or completes the course.
- Subject to this consultation, the loan would be available to individuals studying on 'distance learning' courses.
- Higher Education is a devolved matter and therefore UK nationals ordinarily resident in Scotland, Wales or Northern Ireland will not be eligible for the loan.
- The maintenance loan interest would mirror the rates applied to part-time tuition fee loans.

- The maintenance loan would be available to individuals doing an Equivalent or Lower Qualification (ELQ) in certain STEM subject areas in line with existing Regulations, again mirroring the approach adopted for part-time tuition fee loans.
- The intention is for part-time loan repayments to be calculated at 9% of income above the income threshold. This loan would be added to any other outstanding undergraduate loan balance and repaid as a single loan.
- Any outstanding part-time loan debt will be written off 30 years after the point a borrower becomes liable to begin repaying a loan (the April after graduating or otherwise leaving their course).
- Repayments would commence after four years - the April following the September in which the student is expected to have studied for three full years. First repayments would therefore commence in April 2023 unless the student withdraws from or abandons the course, in which case repayments would begin earlier.
- The maintenance loan would be administered by the Student Loans Company (SLC).

The consultation questions have been designed to invite views on the specific detail of the proposal whilst recognising the Government's aim of developing a loan model that meets all of its key principles, and its rationale for intervention.

Respondents should note that, in order to meet the principle of affordability and value for money, amending one eligibility criterion of the proposed maintenance loan may need to be balanced by making at least one other criterion or term less favourable to the borrower.

The evidence and responses from this consultation will be used to inform the final design and terms of the proposed undergraduate part-time maintenance loan scheme.

## 5.2 Consultation questions

### 5.2.a Respondent information

**Q1. Are you answering on behalf of an organisation, or as an individual?**

- On behalf of an organisation (please state the name of your organisation below)**  
.....
- As an individual**

**Q2. If you are answering on behalf of an organisation which of the following stakeholder groups do you/your organisation belong to?**

- University representative groups**
- Higher Education Institution**
- Alternative higher education provider (with designated courses)**
- Alternative higher education provider (no designated courses)**
- Business representatives group**
- Industry**
- SMEs**
- Students**
- Student representative bodies**
- Individual researchers from universities, research institutes or industry**
- National Academies**
- Learned Societies**
- Other (please state which group):**  
.....
- Not answering on behalf of an organisation**

**Q3. If you are answering as an individual are you a current or a prospective student, or neither?**

- Current**
- Prospective**
- Neither**

**Q4. If you are answering as an individual what is the highest educational qualification you have obtained?**

- Doctorate (e.g. PhD or professional doctorate etc)**
- Master's degree or equivalent (e.g. MSc, MA etc)**
- Bachelor's degree or equivalent (e.g. BSc, BA etc)**
- Diploma of higher education or equivalent**
- Certificate of higher education or equivalent**
- A-Levels or equivalent**
- GCSEs or equivalent**
- Entry level qualification**
- No qualifications**
- Other**

## **5.2.b Key policy and delivery questions**

### **5.2.b.i Individual eligibility**

**The proposed loan would be available to individuals aged 59 and under on the first day of the first academic year of the course.**

The Equality Act 2010 prohibits direct discrimination on the grounds of age (section 13 (1) EA 2010). However, a person (A) does not discriminate against another person (B) on the grounds of age if A can show that treating B less favourably than others is a proportionate means of achieving a legitimate aim (section 13(2) EA 2010).

The Government is aware that some part-time students pursue their studies purely for personal interest and without any particular intention to return to the workplace, or in some cases, to complete the course. Whilst these part-time degrees may be valuable in themselves, it is not the purpose of the loan to facilitate their uptake. This may be a particular risk amongst older cohorts, both those in retirement and those approaching retirement. We believe that this risk may be exacerbated by a loan whose repayment is income contingent. For those who are nearing the end of their working life, they may rightly calculate that they will not have to repay any of the loan if they expect their income to remain under the set repayment boundary, which will be equivalent to the part-time fee loan repayment boundary. Whilst the Government acknowledges that part-time undergraduate level education has value, irrespective of the age of the student who undertakes it, it also has a duty to ensure value for money for the taxpayer when dispensing public money.

An age restriction may therefore be important in mitigating the risk that the loan is disproportionately taken out by older students, who might be incentivised by the loan to pursue a part-time qualification, and who are unlikely to repay the loan in full. Were large numbers of older students to take out the loan and to have a low level of repayment, this would increase the amount of the loan which the Government does not expect to be repaid, and would reduce value for money for the taxpayer.

A part-time course may take more than ten years to complete, and the current proposal is for students to be eligible for the maintenance loan for up to four times the period required to complete a full-time equivalent course. As such the maximum length of eligibility would be 16 years – equivalent to a 4 year Full Time Equivalent course studied at 25% annual intensity. This means that older students would have a limited number of working years in which their skills would be available to the economy. As one of the objectives of the policy is to increase workforce skills throughout the economy, there is a value for money argument to be made for targeting the loans to those earlier in their working life.

Therefore, the Government is currently of the view that making the loan available only to those aged 59 and under would reduce the risk of the loans offering low value for money for the taxpayer.

**Q5. Restricting the availability of the maintenance loan to those aged 59 and under is intended to tackle the potential problem of low value for money, associated with lending large amounts of public money to cohorts of students who are unlikely to enter repayment. Do you think that an age eligibility restriction is an effective way of mitigating this risk?**

- Yes
- No

**Please explain your answer and give evidence where possible:**

**Q6. Students may qualify for support for part-time courses lasting up to four times the period required to complete a full-time equivalent course. As such the maximum length for eligibility would be 16 years in total (equivalent to a four year Full Time Equivalent course studied at 25% intensity each year and for the duration of the course). The older the student, the fewer the number of years they will have to repay the loan. In your view, which of the options relating to age eligibility below would best achieve the Government's aims - broadening and strengthening the skill base and addressing employer demand for high level skills - whilst also providing good value for money for the taxpayer?**

- An age eligibility restriction of 59 and under
- Another age eligibility restriction
- No age eligibility restriction
- Another specific method of achieving the Government's aims whilst mitigating the value for money risk associated

**Please explain your answer and give evidence where possible:**

### **5.2.b.ii Intensity of study**

The maximum annual maintenance loan available would vary according to each student's intensity of study. Depending on this intensity, they would fall into certain 'bands' and receive the relative loan amount. Two options are being considered (a) a simple approach that would have three 'percentage bands' at

**25%, 50% and 75% intensity of a full time equivalent (FTE) course; and (b) five ‘fractional bands’ approach that would more closely reflect common patterns of study intensity.**

Part-time education can be studied at a range of different intensities – where a student studies a certain percentage of the FTE course in a given academic year. The intensity of study which is available varies across institutions and even within some courses. The Government intends that this part-time loan product reflects the intensity at which a student studies, in order to provide financial support that is proportionate to the student’s academic involvement. A banded approach is proposed in order to offer financial support which reflects intensity of study while avoiding disproportionate implementation challenges for HEIs and the Student Loans Company. We also want to minimise the risk of disincentivising certain student behaviour so that loan recipients are not discouraged from studying at higher intensities due to the receipt of an equivalent loan at a lower intensity. Under both approaches, funding would only be available where the student is studying at an intensity of 25% or more.

a) Percentage Bands

This approach is the simpler of the two as it would provide differing funding to students studying within three percentage bands of roughly equal size. As the bands are equal size this would make a student’s loan options easier to understand. However, bands of this width and at these boundaries would create a relatively large ‘cliff edge’ for students on the cusp of each band. For example, a student studying at 50% intensity may be disincentivised from dropping below this as even a 1% change would lead to a halving of the financial support they received. Table 1 shows the different possible entitlements that would result.

*Table 1: Possible part-time maintenance loan entitlement for Percentage Bands*

<b>Intensity of study</b>	<b>&lt;25%</b>	<b>25-49.9%</b>	<b>50-74.9%</b>	<b>75%+</b>
<b>Percentage of FT package available</b>	0%	25%	50%	75%

b) Fractional Bands

This approach is based on current patterns of study at many HEIs. HEIs generally base their part-time undergraduate study offer on the QAA standard of achievement of 120 credits per year. Consequently, their modules sum to 120 credits, and this means that many students study at intensities which are factors of 12, i.e. a quarter, a third, a half, two thirds or three quarters. Such a system would be more complex than that set out above for (a), but it would accommodate existing course structures and reduce differences between bands, which may in turn reduce the impact of students adjusting their intensity on the cusp of the bands.

Table 2: Possible part-time maintenance loan entitlement for Fractional Bands

Intensity of study	<25%	25-32.9%	33-49.9%	50-65.9%	66-74.9%	75%+
Percentage of FT package available	0%	25%	33%	50%	66%	75%

**Q7. What are the benefits, issues and unexpected consequences which may result from providing loans according to a banded intensity approach?**

**Please explain your answer and give evidence where possible:**

**Q8. With particular regards to any operational and delivery complications for students, providers, the SLC or otherwise which approach outlined do you believe would be most appropriate?**

**Please explain your answer and give evidence where possible:**

### 5.2.b.iii Distance learning

**The proposed maintenance loan would be available to individuals studying on eligible part-time distance learning courses.**

Distance learning, where a student chooses to study a course provided by an HEI they do not physically attend, is an option at some HEIs for both full-time and part-time Higher Education. Both full-time and part-time undergraduate distance learning courses attract fee loan support. The new loan set out in this consultation would, in its proposed form, also offer maintenance support to part-time distance learners.

Maintenance support has not been offered to distance learners to date as it has been assumed they are more likely to receive income from another source. However, the Government recognises the strong added value that distance learning courses offer to part-time students, employers and the wider economy. These benefits need to be balanced with the policy design principles of affordability and value for money, as well as the associated challenges of monitoring student participation, course completion and continuing quality provision.

**Q9. What are the benefits, challenges and impacts upon demand associated with extending maintenance loans to part-time undergraduate distance learning courses and what checks and balances would be appropriate to manage these challenges?**

**Please explain your answer and give evidence where possible:**

### 5.2.b.iv Level of qualification

**The proposed maintenance loan would be available to individuals studying on eligible part-time Level 6 courses.**

There are different 'Levels' of Higher Education courses. These Levels reflect the type and standard of qualification which a student earns by completing the course. The proposed maintenance loan would definitely be available to individuals studying eligible part-time Level 6 courses, as classified by the Quality Assurance Agency's Higher Education Framework for Higher Education Qualifications.<sup>10</sup> The Government is also interested in understanding more about the potential benefits of extending the loan to Level 4 and 5 qualifications, alongside the risks of broadening the scope of the loan in this way.

**Q10. What are the benefits and challenges associated with extending maintenance loans to part-time undergraduate Level 4 and 5 courses and what checks and balances would be appropriate to manage these challenges?**

**Please explain your answer and give evidence where possible:**

### **5.2.b.v Means testing**

**The proposed maintenance loan would be means tested, in the same way it is for full-time students.**

In the full-time system all full-time students qualify for a minimum rate of loan with additional support provided for those from lower income households. We undertake means testing to ensure students from those lower income households receive more maintenance support than those from higher income households. Students declare their family income in their application form, a small number of disregards may be applied, the SLC verify this with HMRC, and the resultant figure is used to calculate the amount of loan the student is offered. Therefore, Ministers set the rates of loans offered and a student will receive either the minimum or maximum, or a figure anywhere between the two, according to their exact family income.

### **Dependent Students**

Most full-time students aged under 25 on the first day of an academic year of a course are treated as being dependent on their parents when their maintenance loan is assessed. This is why the amount of maintenance loan a full-time student qualifies for is based on the household income of their parents, or where applicable, the parent and parent's partner with whom they normally live. A standard measure of income - 'taxable income' - is used as the basis for calculating household income in the household income assessment. Taxable income for student support purposes is the total income on which a person is charged income tax before deductions are made by HMRC for income tax reliefs and personal allowances. Where applicable the student's taxable income, less any income from work carried out during the academic year, is added to the parental income when determining the household income.

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<sup>10</sup> [QAA, UK Quality Code for Higher Education 2014, page 26](#)



When applying for support a dependent student's parents should provide details of their taxable income for the financial year which ends in the calendar year prior to the start of the academic year for which the student is applying for support. For example, a full-time dependent student applying for maintenance support for a course starting in academic year September 2016 would need to provide their parental income details for the 'prior financial year', which in this case would be the financial year ending in April 2015. If the student has their own taxable income, they would also need to provide taxable income details for the financial year which ends in the same calendar year as the academic year begins for which the student is applying for support.

### **Independent Students**

Full-time students aged 25 or over at the start of an academic year of their course and certain other groups of students – e.g. those who are married or in a civil partnership before the start of the academic year – are treated as independent students when their full-time maintenance loan entitlement is calculated. Independent students are assessed using their own income and, where appropriate, their partner's income. Single independent students would need to provide taxable income details, as described in the 'Dependent Student' section above, for the academic year for which the student is applying for support. Independent students' partners' taxable income for the prior financial year is also taken into account when assessing the student's entitlement to maintenance loan.

### **Part-Time Students (pre-academic September 2012)**

Means-testing also applies to support arrangements for part-time students who started their courses before 1 September 2012. This group of students are treated as independent students and qualify for a means-tested fee grant and course grant. The amount of support they qualify for is based on the gross income of the student, and where applicable, their partner, excluding tax credits and any higher education bursary. A part-time student applying for fee grant and course grant support for an academic year starting in September 2016 would need to provide income details for the financial year ending in April 2016, the 'preceding financial year'.

**Q11. Should means testing of any sort be applied to this part-time maintenance loan product?**

- Yes
- No

**Q12. If yes, would replicating the existing means test arrangements currently used for dependant and independent students claiming the full-time maintenance loan product be the most suitable approach, or should a different approach be applied?**

**Please explain your answer and give evidence where possible:**

## 5.2.c Central question

In light of this policy's objectives - as identified in 4.1, its principles for design – as identified in 4.2, and this Consultation's Executive Summary, please consider the following question.

**Q13. Given the specific features of this policy including: the length of part-time courses and the flexibility of distance learning, the Government's commitment to delivering value for money, and the overall Higher Education loan landscape, do you have any comments about the unintended policy consequences, practical implications and/or possible changes in life chances, which may arise as a result of this policy?**

- Yes  
 No

**Please explain your answer and give evidence where possible:**

## 5.2.d Value for money

### 5.2.d.i Repayment terms

- **Eligible individuals would be able to borrow up to an annually capped amount per academic year and a capped amount over the length of their course. These loan amounts would vary according to the policy decisions taken following this consultation.**
- **The maximum annual maintenance loan amount would be capped at 75% of the equivalent full-time product.**
- **The loan interest would mirror the rate applied to part-time tuition fee loans.**
- **Repayment will be 9% of salary above the income threshold.**
- **Repayment terms will be structured to ensure the same interpretation as the part-time fee package.**
- **Payments will be made alongside any other outstanding undergraduate loan in accordance with the terms and conditions of each type of loan.**
- **Any outstanding part-time loan debt will be written off 30 years after the point a borrower becomes liable to begin repaying a loan (the April after graduating or otherwise leaving their course).**

The undergraduate part-time maintenance loan repayment terms have been modelled to ensure that they will be interpreted in the same manner as the full-time equivalent package. In adapting the full-time package, the Government will maintain repayment based on a number of key principles including affordability, value for money and that repayment of the loan must be income-contingent. This will ensure repayments are achievable and affordable, as well as being made through the tax system and adjusted

accordingly. For example, if an individual's earnings decreased or they stop work, repayments will be reduced or stopped as appropriate.

The repayment terms in this consultation will be confirmed with the final loan design terms. The Government will configure the loans to be within Section 22 of the Teaching and Higher Education Act 1998, so that they are exempt from consumer credit regulation by virtue of section 8 of the Sale of Student Loans Act 2008.

With consideration of the product's suggested repayment terms, the potential timeframe of loan payments, and possible interaction with other financial provision and the benefits system, please consider the following question.

**Q14. What safeguards and controls should be in place as a proportionate and effective measure to ensure that this loan product provides value for money to the taxpayer?**

**Please explain your answer and give evidence where possible:**

## **5.2.e Additional considerations**

### **5.2.e.i Public Sector Equality Duty**

The proposed loan does not make any distinction regarding the Public Sector Equality Duty protected characteristics, with the exception of age, in determining eligibility. The protected characteristics include: age, gender, gender reassignment, disability, race, marriage and civil partnerships, pregnancy and maternity, sexual orientation, religion and belief.

Please note the Government introduced primary legislation in May 2016 which will, subject to Parliament, allow the Secretary of State to offer alternative student finance, consistent with the principles of Islamic Finance, alongside his current powers to offer loans and grants. Work on the alternative student finance model is on-going and this will include consideration of an alternative student finance product equivalent to the part time maintenance loan in due course.

**Q15. Are there other issues Government should be aware of, which would impact on the take-up of this proposed loan by those with any of the protected characteristics, and what steps might Government take to mitigate any negative impact?**

- Yes
- No

**Please explain your answer and give evidence where possible:**

### 5.2.e.ii Other

**Q16. Is there anything else we should take into consideration in the design of the part-time loan product?**

- Yes
- No

**Please explain your answer and give evidence where possible:**

## Annex 1: Consultation principles

The principles that Government departments and other public bodies should adopt for engaging stakeholders when developing policy and legislation are set out in the consultation principles.

<http://www.cabinetoffice.gov.uk/sites/default/files/resources/Consultation-Principles.pdf>

### Comments or complaints on the conduct of this consultation

If you wish to comment on the conduct of this consultation or make a complaint about the way this consultation has been conducted, please write to:

Part-time Loans Consultation  
Department for Education  
Abbey 1, 5<sup>th</sup> Floor  
1 Victoria Street  
London  
SW1H 0ET  
E-mail: [Part-timemaintenanceloans.CONULTATION@education.gov.uk](mailto:Part-timemaintenanceloans.CONULTATION@education.gov.uk)

## Annex 2: List of stakeholders

A list of stakeholders from whom we would welcome views from is set out below. We would welcome suggestions of others about who may wish to be involved, and we would be happy for you to draw their attention to this consultation.

- University representative groups
- Higher Education Institutions
- Alternative higher education provider (with designated courses)
- Alternative higher education provider (no designated courses)
- Universities
- British representative groups
- Industry
- SMEs
- Students
- Student representative bodies
- Individual researchers from universities, research institutes or industry
- National Academies
- Learned Societies

All other individuals and organisations are welcome to respond.



Department  
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write to Information Policy Team, The National Archives, Kew, London, TW9 4DU

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