



## BRIEFING PAPER

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# Postgraduate loans in England

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## Summary

In the 2016-17 academic year, non-means tested loans of up to £10,000 were introduced for English-domiciled postgraduate students taking Master's courses at higher education institutions in the UK.<sup>1</sup> Student starting courses in the 2019-20 academic year will be able to receive loans of up to £10,906. Non-means tested loans of up to £25,000 for doctoral students were also introduced from the 2018-19 academic year. Students starting courses in 2019-20 can receive loans of up to £25,700. Postgraduate loans, encompassing both Master's loans and Doctoral loans, are also referred to as Plan 3 loans.

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.

### Master's loans

Following an initial announcement at the Autumn Statement 2014, in March 2015, the Coalition Government published a [consultation](#) on a proposed system of loans for postgraduate Master's courses. 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. Some minor changes have been made to the loans scheme since its introduction. Under the scheme as it stands for the 2019-20 academic year:

- Non-means tested loans of up to £10,906 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 up to three years with no full-time equivalent, are also able to access loans.
- Individuals who already have a postgraduate masters qualification or a higher level 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 alternative providers with degree awarding powers, and to students studying designated courses at an alternative provider. Students ordinarily resident in Scotland, Wales or Northern Ireland are not eligible.
- The interest on loans is RPI+3%.
- The repayment threshold is £21,000. The repayment rate is 6% and loans are repaid concurrently with undergraduate student loans.

In 2016-17 home and EU entrants to taught postgraduate courses were up by 22% among full-time students and 9% among part-time students. There was a further increase among full-time students in 2017-18. The funding council has attributed these increases to the introduction of loans.

The Complete University Guide's annual survey of fees suggests that the average home fee for a taught postgraduate course increased by 8.3% between 2017-18 and 2018-19 from £6,848 to £7,415. It has been suggested that the availability of loans may have been a factor behind recent rises in fees.

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

In 2016-17 64,100 students from England or EU students in England took out postgraduate loans totalling £510 million, or an average of just under £8,000. In 2017-18 the number provisionally increased to 82,000 and the total to almost £620 million. Early data for 2018-19 (up to the end of October only) showed a further increase in students paid a Master's loan to 69,800, around 3,000 higher than at the equivalent time in 2017-18.

### Doctoral students

Following earlier announcements, 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 for the 2019-20 academic year:

- Non-means tested loans of up to £25,700 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 research 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 Master's 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 first data on doctoral loans for the 2018-19 academic year (up to October only), found that 1,800 students had been paid a loan. The average requested for the year was £6,500 and just over £24,000 for the entire duration of the course.

# 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 included individual higher education institutions, Professional and Career Development Loans, and educational trusts and charities. 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>

### 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

Concerns were raised that some potential students risked missing out on the opportunities offered by postgraduate study because of difficulties with funding.<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, for example, 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> For example, see 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 533,000 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% – and among home students.

2016/17 saw a substantial increase in postgraduates for the first time since 2010, up to more than 550,000. There was a further rise in 2017-18. This trend was driven by the increase in full-time taught postgraduates, particularly home students. It has been strongly linked to the introduction of loans for these students.

Figures for home students only are included in the table opposite. Full-time numbers in 2016-17 were higher than in 2010-11. There was a further increase of more than 9,000 in 2017-18. However, part-time student numbers are still below 2010-11 levels.

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 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.

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>

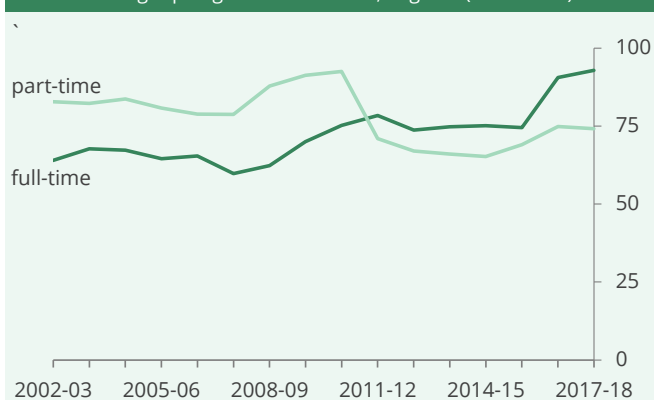
#### UK POSTGRAD STUDENT NUMBERS BY LEVEL AND MODE

	2010-11	2015-16	2016-17	2017-18	% change 2010-11 to 2016-17
<b>Full-time</b>					
Research	38,500	41,330	42,300	42,710	+9.9%
Taught	93,690	89,615	107,500	116,425	+14.7%
<b>Total</b>	<b>132,190</b>	<b>130,945</b>	<b>149,800</b>	<b>159,135</b>	<b>+13.3%</b>
<b>Part-time</b>					
Research	22,340	22,950	22,825	22,505	+2.2%
Taught	220,500	178,855	183,045	182,115	-17.0%
<b>Total</b>	<b>242,840</b>	<b>201,805</b>	<b>205,870</b>	<b>204,620</b>	<b>-15.2%</b>
<b>All modes</b>					
Research	60,840	64,280	65,125	65,215	+7.0%
Taught	314,190	268,470	290,545	298,540	-7.5%
<b>Total</b>	<b>375,030</b>	<b>332,750</b>	<b>355,670</b>	<b>363,755</b>	<b>-5.2%</b>

Source: HESA

#### POSTGRAD NUMBERS UP AFTER LOANS INTRODUCED

Home/EU taught postgraduate entrants, England (thousands)



<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. Loans for Master's 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 Master's 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 Master's 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.<sup>15</sup> The Sutton Trust, for example, stated that the proposed loans could make it easier for low and middle-income students to access postgraduate study.<sup>16</sup> Concerns were raised, however, 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>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 Master's courses and research-based masters.

### Loans for taught postgraduate masters courses

The consultation noted a "clear downward trend" in the number of UK students enrolling on taught Master's courses and highlighted financial concerns as "the most significant and commonly reported barrier for progression into postgraduate taught Master's study." It added that younger students "are more likely to be in a financially weaker position".<sup>20</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

<sup>15</sup> For example, see [Postgraduate loans welcomed, but what about mature students?](#), *Times Higher Education*, 3 December 2014.

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

<sup>17</sup> [Call to offer loans to graduate-entry medical students](#), BMA, 4 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.

<sup>20</sup> As above, p11



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>21</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>22</sup> The review would, it said, consider whether to introduce income contingent loans of £25,000 for postgraduate research students.<sup>23</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>24</sup> The response confirmed that non-means tested loans for postgraduate Master's 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 Master's courses.

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

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

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<sup>21</sup> As above, pp16-24

<sup>22</sup> As above, p29

<sup>23</sup> As above, p30

<sup>24</sup> Department for Business, Innovation and Skills, [Higher Education: Postgraduate Study: Government response to the Consultation on Support for Postgraduate Study](#), November 2015.

## 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>25</sup>

## 2.5 Eligibility for Master's loans

Some further changes have been made to the terms and conditions of Master's loans since their introduction in 2016-17. These include:

- The maximum loan amount was increased to £10,280 in 2017-18, to £10,609 in 2018-19, and to £10,906 in 2019-20.
- Since 2017-18 loans have additionally been available to students studying designated courses at alternative providers. Prior to the change, only courses at alternative providers with degree awarding powers were eligible for loans.

A summary of the terms and conditions for Master's loans in 2019-20 is provided in the box below. The precise details are set out in the *Education (Postgraduate Master's Degree Loans) Regulations 2016*, as amended by the *Education (Postgraduate Master's Degree Loans (Amendment) Regulations 2017*. [Guidance](#) from Student Finance England provides further information.

### Box 4: Terms and conditions for postgraduate Master's loans in 2019-20

#### Individual and course eligibility

- Loans of up to £10,609 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 up to three years with no full-time equivalent, 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 alternative providers with degree awarding powers, or to students studying designated courses at alternative providers.

#### Interest and repayment

- Interest on the loan is RPI+3% (currently 6.3% based on the RPI figure for March 2018) and is charged from the day of the first payment until it is repaid in full or cancelled.
- The repayment rate is 6% and loans are repaid concurrently with undergraduate student loans. The repayment threshold is £21,000 – it has not been increased to £25,000 as with post-2012 undergraduate loans.<sup>26</sup>

<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, p20

<sup>26</sup> [Repayment threshold changes](#), Student Loans Company, last accessed 14 August 2018.

- If a student subsequently takes out a doctoral loan (see section 3 below) this is added to the postgraduate master's loan and a single 6% repayment is made alongside repayments for any undergraduate loan. (A student cannot receive a Master's Loan and a Doctoral Loan at the same time.)
- Any outstanding loan will be written off 30 years after it becomes due for repayment.<sup>27</sup>

## 2.6 Impact on student numbers

In May 2018 the Office for Students published an analysis of postgraduate student numbers in 2016-17 following the introduction of masters' loans.<sup>28</sup> They found that home entrants to postgraduate courses (that were eligible for loans) in England increased by 22,000 or 31% in 2016-17. There was a 1% decrease in entrants to non-eligible courses. The proportion of students who went straight from undergraduate to a postgraduate study (one-year transition rate) also increased. It went from 8.1% for 2014-15 graduates to 10.9% for 2015-16 graduates starting eligible courses, but fell slightly for those on non-eligible courses.

Their analysis by student characteristics and background found that:

- The largest increase by age was for younger entrants aged 25 and under. They also had the highest loan take up rates.
- Black student numbers increased by more than any other ethnic group. These students also had the largest increase in the proportion going straight to postgraduate study and the highest loan take-up rates.
- Students reporting a disability saw a larger increase in student numbers. They were also more likely to take up loans than those without a reported disability.
- Students from the areas with lowest historical levels of participation<sup>29</sup> saw the greatest increase in numbers in 2016-17; up by 59% compared to a 24% increase in those from areas with the highest past levels of participation. They also had the highest loan take up rates and saw their one-year transition rate increase to above that for the other group.
- There was little difference in the impact by gender of student.

## 2.7 Issues with a postgraduate Master's 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 2015 consultation.

<sup>27</sup> [Postgraduate Master's Loan](#), Student Finance England, last accessed 14 August 2018.

<sup>28</sup> [The effect of postgraduate loans](#), Office for Students

<sup>29</sup> POLAR quintile 1. These areas are used as a proxy for the most disadvantaged areas by some organisations.

### 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>30</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 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.

### Brexit

In April 2017, the Government confirmed that EU students starting courses in the 2018-19 academic year would continue to remain eligible for student support, including postgraduate loans, even if their course concluded after the UK's exit from the EU.<sup>31</sup> A similar commitment for students starting courses in August 2019 was made by the Government in July 2018.<sup>32</sup>

### Repayment of loans and high marginal tax rate

The postgraduate loans are 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

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<sup>30</sup> [Postgraduate loans may be limited to students in STEM fields](#), *Times Higher Education*, 27 November 2014.

<sup>31</sup> [Government confirms funding for EU students for 2018 to 2019](#), 21 April 2017.

<sup>32</sup> [HCWS816](#), 2 July 2018.

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>33</sup>

The issue of concurrent payments was also 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>34</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 following the introduction of loans:

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>35</sup>

The issue 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, as it “gives a bit more of an incentive to institutions to set their prices according to what the available loan is”.<sup>36</sup>

In its consultation response, the Government stated that it did not intend to regulate tuition fees for postgraduate courses and noted 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

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<sup>33</sup> [\*The government's proposed new postgraduate loan scheme: will the RAB charge really be zero?\*](#), Institute for Fiscal Studies, 9 December 2014.

<sup>34</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>35</sup> [\*The government's proposed new postgraduate loan scheme: will the RAB charge really be zero?\*](#), Institute for Fiscal Studies, 9 December 2014.

<sup>36</sup> [\*Questions remain over postgraduate loan figures\*](#), *Times Higher Education* 11 December 2014.

## 14 Postgraduate loans in England

Higher Education Funding Council for England (HEFCE)  
and/or the Office for Fair Access (OFFA).<sup>37</sup>

The Government's impact assessment on the postgraduate masters degree loans regulations acknowledged the risk that providers could increase 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>38</sup>

The Complete University Guide's annual survey of fees suggests that the average home fee for a taught postgraduate course increased by 8.3% between 2017-18 and 2018-19, from £6,848 to £7,415. The average fee in 2015-16, the last year before the introduction of Master's Loans, was £5,901. It has been suggested that the availability of loans may be a major reason for the increase in fees.<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, p10.

<sup>38</sup> Department for Education, [\*Postgraduate Master's Loan Enabling Regulations: Impact Assessment\*](#), p28.

<sup>39</sup> [\*International and postgraduate fees survey 2018\*](#), *Times Higher Education*, 16 August 2018.

## 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.<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.
- 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>

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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.

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



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 had “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 are set out in *The Education (Postgraduate Doctoral Degree Loans and the Education (Student Loans) (Repayment) (Amendment) (No. 2) etc.) Regulations 2018*, which came into force on 11 June 2018.

### Box 5: Terms and conditions for Doctoral loans from 2019-20

#### Individual and course eligibility

- Non-means tested loans of up to £25,700 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.

<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.



- Students ordinarily resident in Scotland, Wales or Northern Ireland are also not be able to access the loans. EU students can be eligible for loans.
- 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 research 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.

## 4. Take up of loans and forecast outlays

This section provides statistics on the take up of postgraduate loans, along with forecasts of loan outlays, repayments and cancellations.

Postgraduate loans, encompassing both Master's loans and doctoral loans, are also referred to as Plan 3 loans by the Government and the Student Loans Company.<sup>50</sup>

### 4.1 Take-up of postgraduate loans

The impact assessment published alongside the postgraduate Master's 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>51</sup>

In 2016-17 64,100 students from England or EU students in England took out postgraduate loans totalling £510 million, or an average of just under £8,000. In 2017-18 the number provisionally increased to 82,000 and the total to almost £620 million. Early data for 2018-19 (up to the end of October only) showed a further increase in students paid a Master's loan to 69,800, around 3,000 higher than at the equivalent time in 2017-18.<sup>52</sup>

The first data on doctoral loans, again up to October only, found that 1,800 students had been paid a loan. The average requested for the year was £6,500 and just over £24,000 for the entire duration of the course.<sup>53</sup>

In June 2018 the Department for Education forecast that around 65,000 students would take up Master's loans in each year until 2022-23. The number taking out Doctoral loans would increase from 10,000 in 2018/19 to 30,000 from 2020-21. The annual value of loan outlays would increase to £690 million in Master's and £215 million in Doctoral loans in financial year 2022-23.

### 4.2 Forecast loan outlays, repayments and cancellations

The Department for Education's loan term forecasts are that the annual value of postgraduate loan outlays will increase gradually after 2020 and reach around £2 billion in the middle of the century. Most of this increase is down to inflation; higher fees rather than more students. Repayments of Master's loans are expected to exceed loan outlays

<sup>50</sup> Plan 2 loans refer to undergraduate loans taken out English domiciled students since September 2012. Undergraduate loans taken out by English domiciled students prior to September 2012 are referred to as Plan 1 loans.

<sup>51</sup> Department for Education, [Postgraduate Master's Loan Enabling Regulations: Impact Assessment](#), pp12-13.

<sup>52</sup> Student Loans Company, [Student Support for Higher Education in England 2018: Full Year 2017/18 and Early In Year 2018/19](#)

<sup>53</sup> *ibid.*

around the end of the 2030s. Repayment of Doctoral loans are not expected to do so until around two decades later. Interest on these loans mean that the face value of outstanding postgraduate loans will increase over time and reach over £10 billion (in cash values) by the end of the 2020s, more than £20 billion by the mid-2030s and more than £30 billion by the mid-2040s.<sup>54</sup>

The value of loans which are cancelled is small until around 30 years after the first cohort of borrowers first become liable to repay. Then (automatic) write off is just over £1 billion a year. The Department for education expects that around 65% of those taking out Master's loans will repay their loan in full. This is more than twice the proportion of full-time undergraduates expected to repay their loans in full.<sup>55</sup>

The present value of repayments from those taking out Master's loans is forecast to be around 6% *more than* the value of loans made. While not all borrowers are expected to repay, payment of interest (at a rate higher than the Government's cost of borrowing) means that these loans represent a net benefit to the public finance. Loans to full-time undergraduates are expected to represent a net cost of around 45% of their face value.<sup>56</sup>

All these forecasts are subject to a large degree of uncertainty which increases the further into the future they are made.

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<sup>54</sup> Department for Education, [Student loan forecasts, England: 2017 to 2018](#)

<sup>55</sup> *ibid.*

<sup>56</sup> *ibid.*

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