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By Paul Bolton

10 December 2025

# Student Loan Statistics

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Summary

1 Student loans background
2 Take-up of student loans
3 Loan debt and repayment
4 Loan interest rates levels, the ‘low interest cap’ and the zero interest rate
5 International comparisons
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Number CBP01079

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# Summary

Student loans are the main method of direct government support for higher education students. Money is loaned to students on subsidised terms to help towards their maintenance costs and to cover the cost of tuition fees.

Graduates repay student loans to the government after their earnings exceed the threshold level. These loans are therefore one form of private contributions towards the costs of higher education. The student loans system aims to ensure that upfront costs do not deter potential students. *Graduates* repay student loans, and they generally have above average incomes.

This briefing gives a background to student loans, statistics on their take-up, total value owed, repayment, public expenditure, arguments for reform and factors that affect take-up. Student Loans Company data used to cover the UK as a whole, but devolution of student support arrangements caused a change in their geographical coverage. The figures from 2006-07 in this note are for England only.

### Scale of student loans in England

Currently almost **£21 billion** per year is loaned to around **1.5 million** higher education students in England. The value of outstanding loans at the end of March 2025 reached **£267 billion**. The Government forecasts the value of outstanding loans to reach around **£500 billion** (2024-25 prices) by the late-2040s.

The average debt among borrowers who finished their course in 2024 was **£53,000** when they first became liable to repay this debt (April 2025). Average debt is substantially lower in the rest of the UK.

The Government forecasts that around **56%** of full-time undergraduates starting in 2024/25 would repay their loans in full. This is more than double the forecast for the 2022/23 cohort (32%) because of reforms to student loan repayments for new students.

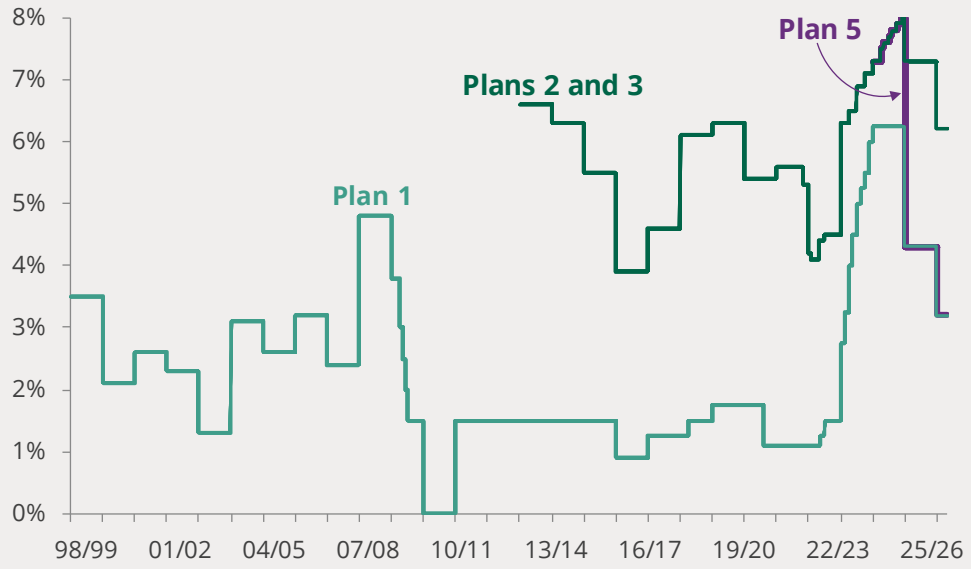
Student loans in England are large by international standards. The latest OECD analysis found that the average loan in England was substantially higher than in any other country included in the analysis.

### Trends in interest rates, amounts loaned and outstanding debt

The maximum interest rate on Plan 2 (post-2012) loans is currently 6.2%. The same rate applies to Plan 3 (postgraduate) loans. The rate on Plan 5 (new undergraduates from 2023/24) loans is lower at 3.2%, the same as for Plan 1 (pre-2012) loans.

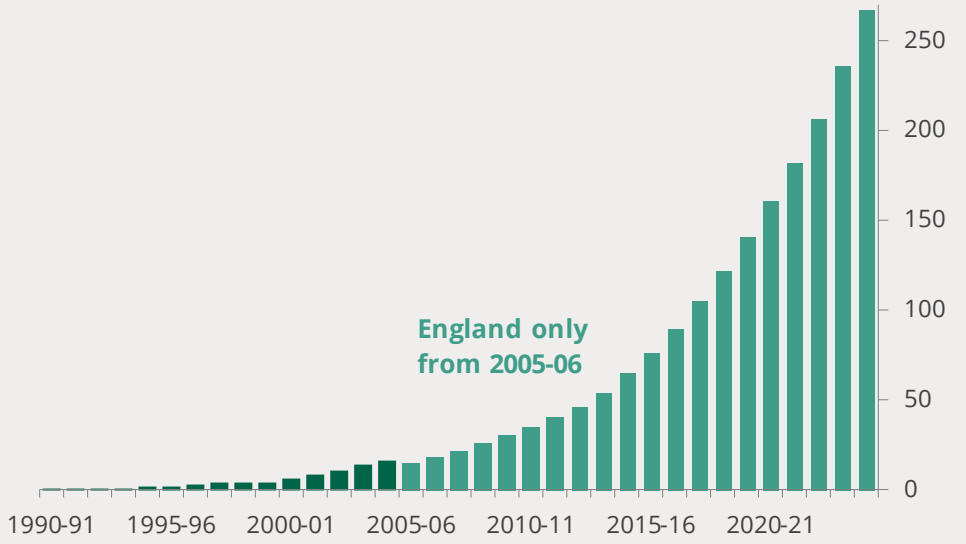
## All interest rates hit record highs in 22/23 and 23/24

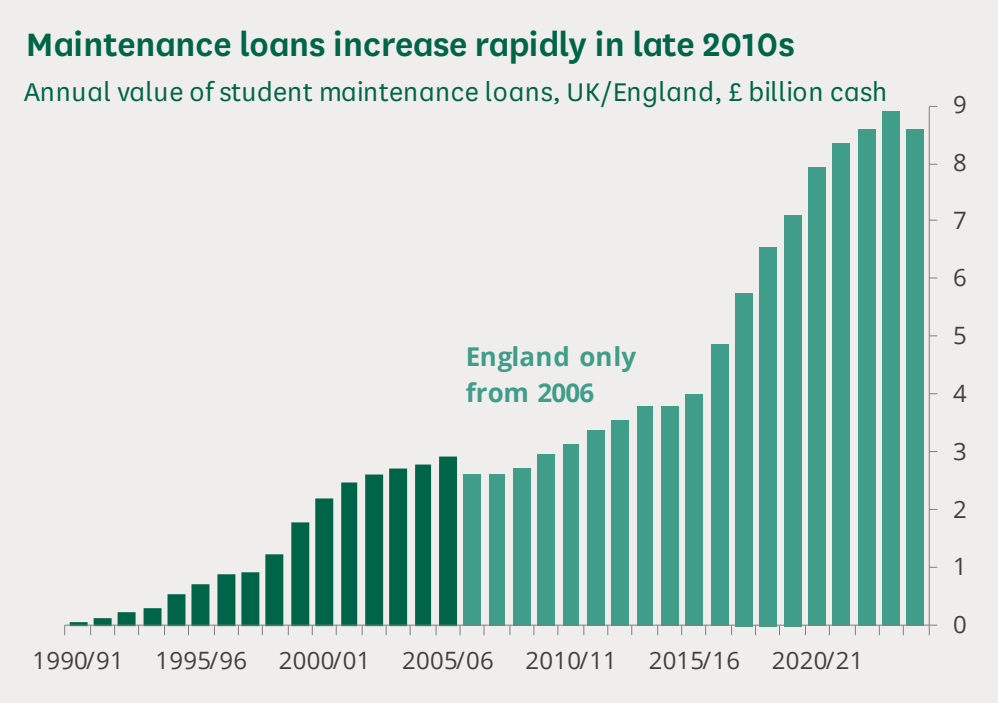
Maximum interest rates for plan 2 loans




## Student debt approaches £270 billion at the end of 2024-25

Loan debt outstanding at financial year end, UK/England, £ billion cash






### Recent reforms to student loan repayments

On 19 February 2018, then Prime Minister Theresa May announced that there would be a "wide-ranging review into post-18 education" including how future students will contribute to the cost of their studies. More detail can be found at: Review of Post-18 Education and Funding.

The Review report was published on 30 May 2019, Independent panel report to the Review of Post-18 Education and Funding. The Library's briefing paper The Post-18 Education Review (the Augar Review) recommendations give more detail.

The Government's final conclusions on this review were published on 24 February 2022. They made a number of changes to repayment terms for both new and existing student loan borrowers. The Library's briefing paper The Post-18 Education and Funding Review: Government conclusion gives more details of the proposals and analysis of the impacts.

In Budget 2025 the government announced that the repayment threshold for Plans 2 loans (post-2012, pre-2023 borrowers) would be frozen for three years from April 2027, rather than uprated for inflation.

### Further information

The following Library publications give related information about changes in this sector:

- Higher education finances and funding in England
- Higher education student numbers
- Tuition fees in England: History, debates, and international comparisons

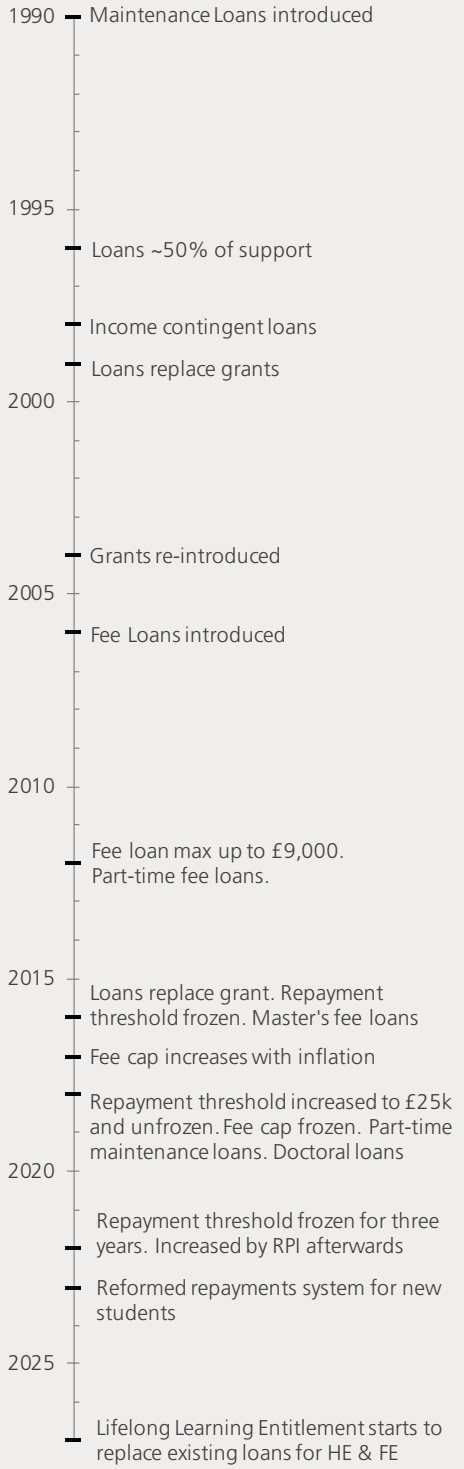
- Value of student maintenance support
- Student support for undergraduates across the UK
- Changes to higher education funding and student support from 2012/13
- The Post-18 Education and Funding Review: Government conclusion
- The Lifelong Learning Entitlement

Data from the Student Loans Company includes much more detail for recent years and has separate statistics for all parts of the UK.

The Student Finance Explained series of articles describes the financial flows under the current system and the impact of different hypothetical changes to student loan repayment terms, tuition fee levels and grants. The article What could reforms to student finance mean for teachers and nurses? looks at the additional loan repayments that new entrants to nursing and teaching could make over their working lives.

# 1 Student loans background

### Student loan timeline for England




## 1.1 Pre-2012

Student loans first became part of the student support package in 1990/91. In that year students could take out a maximum[1] of £420 or around one sixth of the maximum amount of public support. Over the following years their value was increased at the expense of grants and stood at just under 50% of the maximum support level in 1996/97.[2]

Student loan interest rates for those loans and all those to pre-2012 students are set in line with inflation and hence had a zero real interest rate. Repayments of loans taken out before the late 1990s were made on a 'mortgage-style' system. They became repayable from the April after the student finished higher education and they earned above the threshold. Repayments were made over 5 years in 60 equal monthly instalments; hence 'mortgage-style'.

The Government gradually introduced new arrangements for students starting in autumn 1998 (academic year 1998/99). In the first year new entrants received support through loans and grants. From 1999 new entrants and those who started in 1998 received all maintenance support as loans which were partly income-assessed.

A different repayment system operates for loans for new students from 1998. These are income contingent repayments where graduates repay 9% of gross income annual above £10,000.[3] This threshold was raised to £15,000 in April 2000.

2006/07 new students attending institutions in England and Northern Ireland could be charged variable fees of up to £3,000. They could take out a tuition fee loan to cover the cost of these fees. New lending from 2006/07 was subject to a 25-year maximum term after which they are written off. Previously the age related write-off was at 65.

[1] Maximum for a full year student living away from home and outside London.

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

[3] *Investing in the future: Supporting students in higher education,* DfEE

New students in 2006/07 in England were also eligible for a new income-assessed Maintenance Grant of up to £2,700. This reduced the amount of maintenance loan someone was eligible for.

## 1.2 Changes in loan amounts and repayment terms from 2012/13

The Government set out its proposals for higher education funding and student finance in late 2010. These came into force for new students starting in England from 2012/13. Alongside an increase in the fee cap to £9,000 and a related cut in direct public funding for tuition there were the following changes were made to student loans:[4]

- An increase in the earnings threshold to £21,000
- A real interest rate of will start to be charged when income is above the earnings threshold reaching a maximum of 3.0% above inflation when earnings reach a new higher earnings threshold of £41,000.
- The interest rate will be inflation plus 3.0% for students while they are studying and up to the repayment date (April following graduation)
- The length of time before all debts are written off is extended from 25 to 30 years

Repayments remained at 9% of income above the threshold.[5]

### Summer Budget 2015 reforms

In summer Budget 2015 the Chancellor announced that maintenance grants would be replaced in full by loans for new students in England from 2016/17.[6] He also announced consultations on freezing the repayment threshold for five years, allowing some universities to increase fees in line with inflation from 2017 and a review of the discount rate applied to loans in the public finances.

As grants are income assessed and loans partly so the biggest impact of the loss of grants would be on students from the lowest income households. Estimates of the impact of freezing the threshold, published as part of the equality analysis, for the graduate population as a whole were:[7]

- An extra 9% of will make some repayments
- A 'median borrower' will repay around £300 more per year, those on higher earnings will face the same overall annual increase in repayments

[4] *Reform for higher education and student finance*, BIS (3 November 2010)

[5] More detail and analysis is included in the note *Changes to higher education funding and student support from 2012/13*

[6] See Library briefing paper Value of student maintenance support for more detail.

[7] *Freezing the student loan repayment threshold. Equality analysis*, BIS (Nov 2015)

- The average present value of additional lifetime repayments will be in the £2,600 to £2,800 region
- The proportion of post-2016 borrowers repaying their loans in full will increase from 38% to 45%
- The largest increase in lifetime repayments in absolute terms is among middle earners (for graduates)
- The largest increase as a proportion of earnings is among lower earners

The consultation on freezing the repayment threshold estimated that if it were frozen in 2016 for five years for all borrowers then it would generate £3.2 billion in current/discounted values in additional graduate repayments from existing borrowers from 2016. On top of this one-off amount would be an additional £0.9 billion for each £15 billion of loans to new students.[8]

## Prime Minister's October 2017 announcement on student finance

On 1 October 2017 Prime Minister Theresa May announced that there would be changes to the student finance system: the fee cap would be frozen at £9,250, the repayment threshold would rise to £25,000 and a there would be a review of the student finance system. More detail and analysis can be found in the briefing paper Prime Minister's announcement on changes to student funding

In February 2018, the Prime Minister announced a wide-ranging Review of Post-18 Education and Funding led by Philip Augar. The Review was partly in response to increased debate around the cost and value of higher education following a period of reform which saw tuition fees rise to £9,250 per year, maintenance grants abolished and typical student debt rise to £47,000 from a three year degree. During the period of higher education reforms the further education sector had also experienced difficult times due to a sustained period of funding reductions. The Review therefore aimed to create a joined up post-18 education that which would work for students and taxpayers.

The Review report was published on 30 May 2019, Independent panel report to the Review of Post-18 Education and Funding. The report was a detailed analysis of the post-18 education sector and the funding issues faced by stakeholders. The report contained 53 recommendations on the future structure of the sector and funding proposals. The headline recommendations related to student loans were:

- the reduction of higher education tuition fees to £7,500 per year
- Government to replace lost fee income by increasing teaching grant
- extending the student loan repayment period from 30 years to 40 years
- reducing the interest charged on student loans while students are studying

[8] This volume of loans is approximately the amount that might be lent to each cohort of new students.

- capping the overall amount of repayments on student loans to 1.2 times their loan
- reducing the income threshold for student loan repayments from £25,000 to £23,000
- reintroducing maintenance grants of £3,000 for disadvantaged students

The proposals are expected to cost an additional £0.3-0.6 billion in annual ongoing annual costs. The changes to student finance and funding are expected to reduce costs when taken on their own. They shift the balance of taxpayer funding from loan write offs to more direct funding for teaching and maintenance.

The Library's briefing paper The Post-18 Education Review (the Augar Review) recommendations give more detail

## Conclusion of Government's Review -reform package

The Government's conclusion to its post-18 education and funding review comprised a statement setting out policy interventions and proposals for consultation, a consultation on the lifelong loan entitlement, and an equality analysis.

The conclusion of the review announced several changes to the student finance system for new students and existing borrowers. For new students starting study from academic year 2023/24, this included:

- the annual salary threshold at which student loans are repaid will be lowered to £25,000 and remain at this level until 2027 and increased by RPI afterwards;
- the repayment term of the student loan will be extended from 30 years to 40 years; and
- the maximum interest rate on student loans will be set at inflation only, as measured by the rate of the Retail Prices Index (RPI).

For current borrowers, the salary repayment threshold will be frozen at its 2022-23 level of £27,295 until 2024-25. The Government had announced earlier that there would be no increase in the threshold in 2022-23, making a three year total freeze. From 2025-26 it will increase annually in-line with RPI inflation. In the past it has been increased annually in line with average earnings which is normally higher than RPI inflation.

The Government estimated that its reforms would reduce the impacts of the student finance system on the fiscal deficit by half over the next six years (combined).[9] The current system would cost around £11 billion in 2026-27,

[9] DfE, Higher education policy statement and reform consultation. Equality Analysis, February 2022, (p30).

while the reformed system would cost £4 billion. A saving of 64% in that year.[10]

The Government also announced tuition fees will be frozen for a further two years at £9,250, and the student finance available for higher technical qualifications at levels 4 and 5 will be aligned with the support available for degrees.

Consultations on whether to introduce caps on student numbers in higher education, and whether to establish minimum eligibility requirements to access student finance, such as achieving a grade 4 (previously a C) in English and maths at GCSE or two E grades at A level, were also announced.

The Government also launched a consultation on the ambition and scope of the lifelong loan entitlement, which, from 2026/27, will start to provide four years of funding for post-18 education for use over a person's lifetime.

The Library's briefing paper The Post-18 Education and Funding Review: Government conclusion gives more details of the proposals, responses from the higher education sector and analysis of the possible impacts. The briefing The Lifelong Loan Entitlement sets out the Government's plans and timescale for this policy.

## Budget 2025

In Budget 2025 the government announced that the repayment threshold for Plans 2 loans (post-2012, pre-2023 borrowers) would be frozen at its 2026-27 level of £29,385 for three years 2027-28 to 2029-30.[11] It had previously been uprated in line with inflation.

The Plan 5 repayment threshold (for 2023/24 and later borrowers) is due to increase from its level of £25,000 from 2027-28. The freeze on the Plan 5 repayment threshold will reduce the gap between the two thresholds.

### Loan types

**Plan 1**: Income contingent loans made to undergraduates who started before 2012

**Plan 2**: Income contingent loans made to undergraduates who started between 2012 and 2022 and Advanced Learner Loans to further education students

**Postgraduate or Plan 3**: Master's and Doctoral loans

**Plan 4 (not covered here)**: Loans to Scottish students who started after 1998

**Plan 5:** Loan to undergraduates starting from 2023/24

[10] DfE, Higher education policy statement and reform consultation. Equality Analysis, February 2022, (Tables 11 and 12).

[11] HM Treasury, Budget 2025 (26 November 2025)

# 2 Take-up of student loans

## 2.1 Aggregate data

Details of the growth in student loans, in terms of the number and value of loans and take-up are shown in Table 1 in the accompanying spreadsheet and summarised in the table below. The annual value of maintenance loans (only) is illustrated in the chart on the following page.

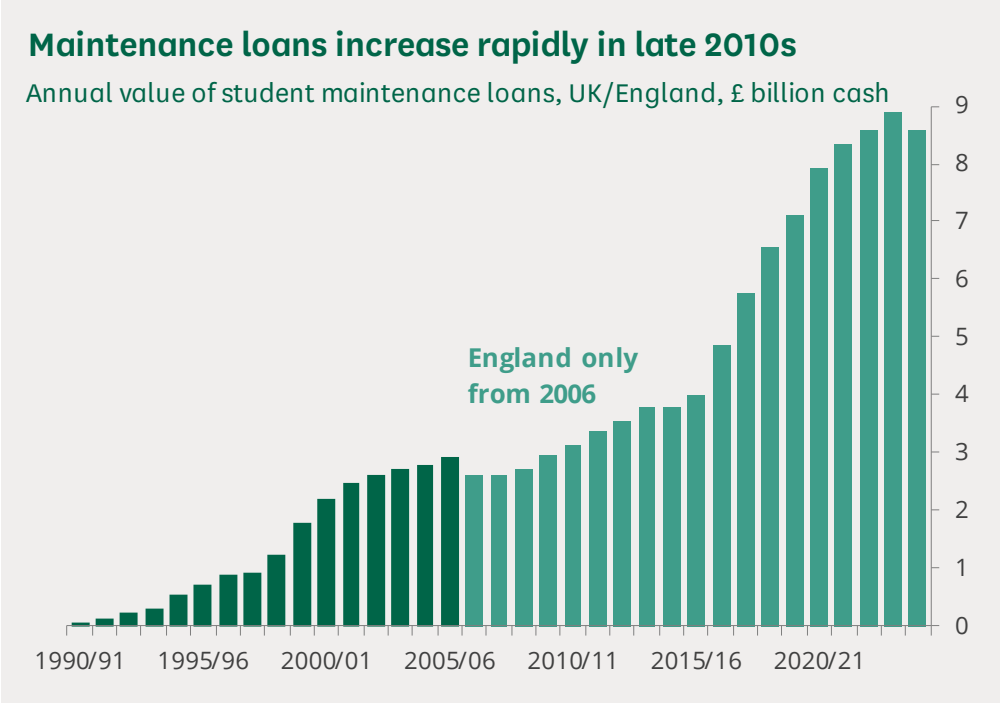
**Student loans: Value and take-up**
Full-time undergraduates in the UK, academic years

| | Number (thousands) | Value (£ million) | Average value (£) | *% of eligible taking loans* |
|---|---|---|---|---|
| 1990/91 | 180 | 70 | 390 | *28%* |
| 1995/96 | 560 | 701 | 1,250 | *59%* |
| 2000/01 | 760 | 2,204 | 2,900 | *78%* |
| *England only combined maintenance and fee loans* | | | | |
| 2010/11 | 909 | 5,601 | 6,160 | *86%* |
| 2012/13 | 987 | 7,794 | 7,900 | *91%* |
| 2015/16 | 1,064 | 11,741 | 11,040 | *94%* |
| 2020/21 | 1,188 | 17,863 | 15,030 | *95%* |
| 2021/22 | 1,218 | 18,371 | 15,080 | *95%* |
| 2022/23 | 1,226 | 18,673 | 15,230 | .. |
| 2023/24 | 1,235 | 19,146 | 15,510 | .. |
| 2024/25 | 1,249 | 18,424 | 14,750 | .. |

Source: Student Support for Higher Education in England 2025, and earlier editions, SLC

Each indicator shown in the table increased in every year up to 2023/24, other than the proportion of students taking out loans which fell slightly in 2004/05 and 2020/21. Growth in maintenance loans was generally slower from 2006/07 to 2015/16, this partially reflected the increases in the value of, and eligibility for, maintenance *grants*. The replacement of grants with loans for new students from 2016/17 was behind the faster growth in maintenance loan amounts in the late 2010s.

The total and average value of loans provisionally fell in 2024/25, but it has been common in recent years for provisional data to show a slight fall and final figures a small increase.




Source: Student Loans Company, Student Support for Higher Education in England 2025, and earlier

Between 1990/91 and 2005/06 the annual number of loans taken out went from 180,000 to 881,000, their average value from £390 to £3,330 and their total annual value from £70 million to nearly £3 billion. 2006/07 data for England (only) give an average value of £3,590; 3% above the equivalent figure from 2005/06. Subsequent increases in the value of maintenance loans were more modest over the following decade, in part because of the increase in the maintenance grant in 2006/07.

The 2016/17 to 2018/19 figures, when compared to equivalent earlier data, show little change in the number of maintenance loans taken out, but there were annual increases of 22%, 18% and 14% in the *total value* of maintenance loans in each year (see Table 1). This was driven by new students taking out larger loans to cover the loss of grants.

Increases in the total value of maintenance loans have been smaller since 2019 as growth in the average value of these loans slowed. The provisional data for 2024/25 shows a fall in the total value of both tuition fee and maintenance loans. If confirmed in final data it would be the first time this has ever happened. However, provisional data for 2022/23 and 2023/24 also showed a fall, but final figures were higher than in the previous year.

The average maintenance loan for those starting in 2015 was £4,000. This jumped to £6,100 in 2016 then to £7,690 for all students in 2023/24. There was a relatively modest increase in the total value of tuition fee loans awarded over these years. The average increased more slowly and has fallen since

2020/21. This is could to be due in part to increases in the number of students taken out loans at institutions with the lower 'basic' fee cap.[12]

Tuition fee loans are excluded from the chart above. In 2006/07 234,000 new students were awarded tuition fee loans with an average value of £2,740 and a total value of £639 million. A further 153,000 existing students were awarded tuition fee loans for regulated fees, these totalled £156 million at an average of £1,010. The number awarded and their total value increased in subsequent years as each year brought a new cohort liable to pay them.

The first year of new students under the post-2012 funding regime with its higher fees (and fee loans) caused the total value of tuition fee loans to exceed that of maintenance loans for the first time. This gap grew for the next few years, and the value of fee loans was more than double maintenance loans for the first time in 2014/15. The replacement of grants with loans for new students from 2016/17 has caused the gap to fall. The total value of fee loans was 16% higher than total maintenance loans in 2024/25.

## Forecasts

The Department for Education published its latest set of loan forecasts in July 2025. Their short-term forecasts are summarised below.

**Student loan forecasts by type of loan**

English students and EU students studying in England

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | *Change 2024-25 to 2029-30* |
|---|---|---|---|---|---|---|---|
| *Loan outlays in financial years (£ billion)* | | | | | | | |
| Undergraduate | 19.8 | 21.2 | 22.4 | 23.4 | 24.3 | 25.1 | *+27%* |
| Postgraduate | 0.8 | 0.8 | 0.7 | 0.8 | 0.8 | 0.8 | *+5%* |
| Advanced Learner Loans | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | *+0%* |
| **Total** | **20.7** | **22.0** | **23.2** | **24.2** | **25.2** | **26.0** | ***+26%*** |
| *Students receiving loans in academic years (thousands)* | | | | | | | |
| Undergraduate | 1,378 | 1,423 | 1,452 | 1,470 | 1,479 | 1,484 | *+8%* |
| Postgraduate | 82 | 82 | 78 | 77 | 77 | 77 | *-6%* |
| Advanced Learner Loans | 39 | 35 | 35 | 35 | 35 | 35 | *-10%* |
| **Total** | **1,499** | **1,540** | **1,565** | **1,583** | **1,591** | **1,596** | ***+6%*** |

Source: DfE, Student loan forecasts for England, financial year 2024-25

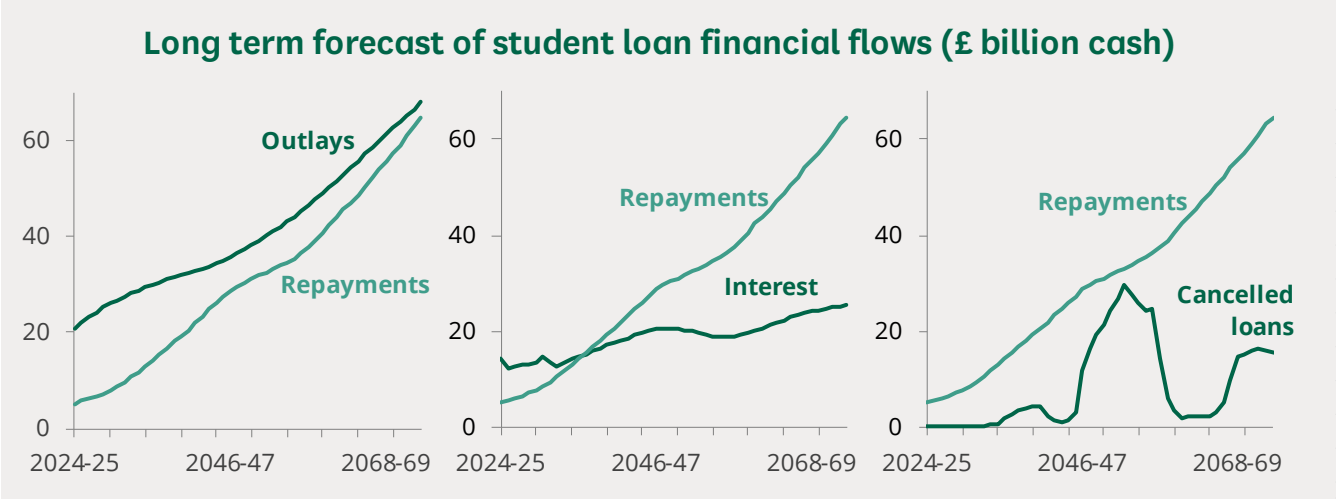
These forecasts cover the transition to Plan 5 loans for new students (apart from postgraduates) from 2024-25. They show that between 2024-25 and 2029-30:

[12] This is around £3,000 lower than the higher fee cap and applies to providers without an approved access and participation plan. This group consists of 'alternative' (private) providers without their own degree awarding powers, rather than conventional universities

- The total amount lent to students is expected to grow by £5.3 billion.
- Growth in the total value of undergraduate loans is much faster than for postgraduate loans. The value of Advanced Learner Loans (for further education students) is expected to remain broadly stable.
- The number of undergraduate students taking out loans increases by 8% over these years, while the number of postgraduate and further education students taking out loans is expected to fall.

These estimates take the 2022 reforms to student finance into account. They show that the majority of undergraduate loans will be to students under the new repayment terms (Plan 5 for starters from 2023/34) in 2024/25 and nearly all will be under the new terms in 2026/27.

The Department for Education makes long-term projections in the same publication. These are subject to an even greater degree of uncertainty. Projections of the main financial flows are given below.




Source: DfE, Student loan forecasts for England, financial year 2024-25

They show total loan outlays increasing steadily over time in cash terms to almost £70 billion a year in cash prices by the early 2070s. Repayments increase at a faster rate than outlays, but, unlike earlier forecasts, do not overtake outlays by the end of this period..

The interest added to loan balances is expected to be higher than repayments until the mid 2030s. It falls in the early 2050s as borrowers on earlier plan 2 loans reach the end of the terms and the stock of loans is made up of an increasing share of borrowers in plan 5 loans with lower interest rates.

The value of loans cancelled or written off remains low until the first cohort of those paying higher fees reach the end of their 30 year loan term (late 2040s), when it increases rapidly to almost £30 billion per year before falling back dramatically after most remaining borrowers with Plan 2 loans have their loans written off. Plan 5 loans are written off after 40 years, so there is a period in the late 2050s and early 2060s when very few loans are written off, before another increase in the late 2060s. The annual value of loans written

off at this time is much lower than the 'Plan 2' peak as more borrowers with Plan 5 loans are expected to repay them in full.

These figures include all loan products: Plan 2 loans to full and part-time undergraduates, Advanced Learner Loans for those in further education made under Plan 2 terms, Plan 5 loans to new undergraduates and those in further education from 2023/24 and Plan 3 loans to postgraduates.

Readers should note that these forecasts assume the current system stays in place as it is for the next 50 years.

## 2.2 Loan take-up and average debt

In 2011 the first set of data was published on the combination of loans individual full-time students took out. The latest figures are for 2021/22 when 4% of students who received a loan had maintenance only, 6% fee loan only and the remaining 90% had both. The average combined *annual* loan for those who took out both was £15,400; the average across all who took out any type of loan was £14,600.[13] The Government forecasts that the annual combined loan will increase steadily and reach £17,800 in 2029/30.[14]

The 2011 data also included the first estimates of maintenance loan take-up for some years. These showed the rate continuing at its earlier level of 80% up to 2008/09 then increasing to 82% in 2009/10. The latest data are for 2021/22 when estimated maintenance loan take up was 91%. Estimated fee loan take up was 95% for students in England and 64% for EU students.[15]

### Average debt before the 2012 reforms

The Government estimated that for students starting after 2006/07 the average Student Loan debt on graduation (maintenance and tuition fee loans) would be around £15,000[16] and take an average of 11 years to repay for men and 16 year for women.[17] In the past the Department for Business, Innovation and Skills had forecast that the average student loan debt on graduation would increase to £17,000 for 2010 graduates, £19,000 for 2012 and £21,500 for 2014 graduates.[18] The 2014 figure is inflated to an extent by the inclusion of some students who start under the new regime in 2012/13 are eligible for much higher fee loans and who either graduate from a short course or who drop out.

[13] SLC, Student Support for Higher Education in England 2023 and earlier editions. Table 3D

[14] DfE, Student loan forecasts for England, financial year 2024-25

[15] SLC, Student Support for Higher Education in England 2023 and earlier editions. Table 3D Tables 3A(ii) and 3B(ii)

[16] HC Deb 19 March 2007 c703W

[17] HC Deb 26 November 2007 c166W

[18] HC Deb 25 January 2011 c251-2W

## Average debt after the 2012 reforms

### Early estimates

Fee levels and maintenance arrangements from 2012/13 implied that for students starting in England in 2012/13, who took out average maintenance and fee loans, the typical debt on graduation could be almost £40,000.[19]

The Institute for Fiscal Studies (IFS) estimated the average debt on graduation among the 2012 cohort at £44,000 (2014 prices) compared to just under £25,000 if the pre-2012 system had still been in place. They also estimated that just under three quarters of these graduates would not repay their loans in full, more than double their projected rate under the old system. However, the total real value of repayments will be around 75% more because more graduates will repay their loans for a longer period (mainly high and middle earners).[20]

The ending of maintenance grants for students from poorer families from 2016 will increase the average debt across all students. Unlike the original 2012 system it is now likely that the average debt on graduation will be highest among poorest students. The IFS said that ending grants could push up their average debt from around £40,500 to around £53,000 (2016 prices). There would be no impact on students from richer households. They also said that lifting the fee cap would increase overall average debt by around £1,000.[21]

### Student Loans Company data

The latest data from the Student Loans Company on average debt is for 30 April 2025. It is broken down by cohort where, for instance, the 2024 cohort consists of borrowers who first became liable to repay in April 2024 (after graduation or leaving their course in 2023).[22] This shows a jump in the average amount owed by those who first became liable to repay from 2010. they were the first to mainly consist of students who had taken out larger fee loans for 'variable' fees. The average debt on graduation[23] of the 2009 cohort was £11,800, this increased to £14,700 and £16,200 in the next two cohorts.

The first large cohort of borrowers who took out loans under the post-2012 system was the 2016 cohort, but their average (£24,400) was lower than might have been expected as it included borrowers under the pre-2012 arrangements and part-time students. The average jumped in 2017, was around £45,000 between 2021 and 2023 before increasing again to just over £48,000 in 2025 and £53,000 in 2025. The large increase in recent years is due, in part, to higher interest rates in recent years.

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[19] Average fee and maintenance awards awarded to students from England in 2013/14. Interest rate calculated from *Simplified student loan repayment model* (December 2013), BIS

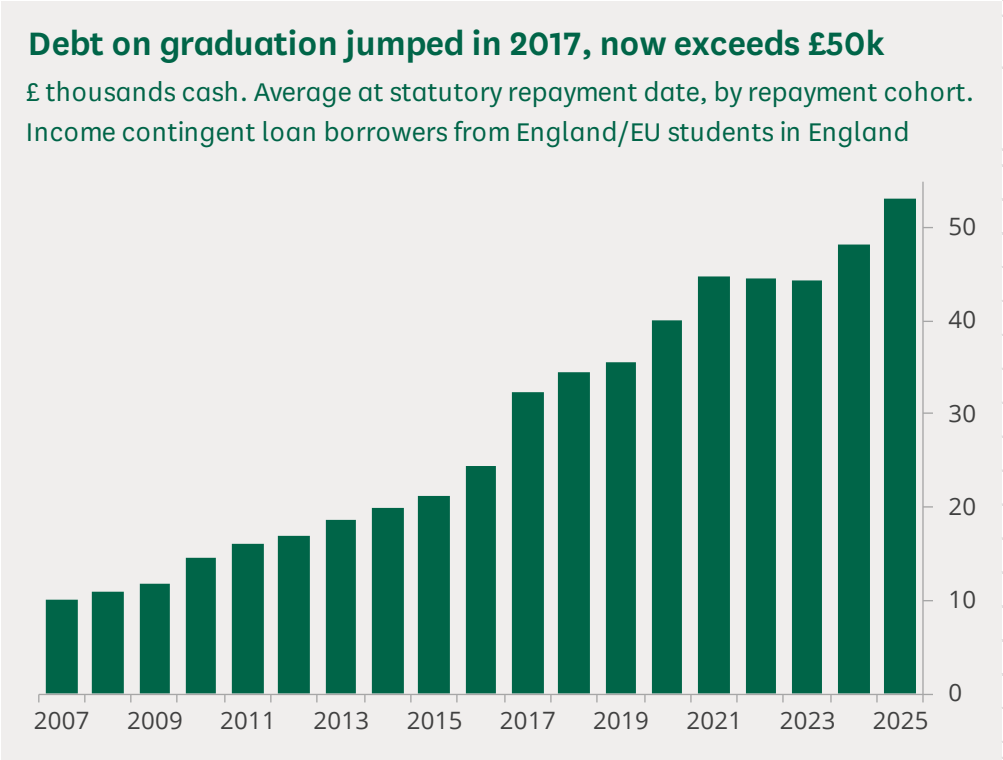
[20] *Payback time? Student debt and loan repayments: what will the 2012 reforms mean for graduates*?, IFS April 2014

[21] Analysis of the higher education funding reforms announced in Summer Budget 2015, IFS

[22] SLC, Student Loans in England: Financial year 2024-25, (Table 5A(iii))

[23] The average amount owed at the statutory repayment date (April after completing their course)

Trends are shown below. These figures include EU students who were not eligible for maintenance loans. The average for English students alone was somewhat higher at £53,500.




Source: SLC, Student Loans in England: Financial year 2024-25 (Table 5A(iii))

Average debt in the rest of the UK for the 2025 cohort is much lower than in England. It was £39,500 for Wales, £28,000 for Northern Ireland and £18,000 for Scotland.[24]

### Forecasts

In 2023 the Department for Education forecast that the average debt on graduation[25] for the last cohort staring under the current Plan 2 terms in 2022/23 would be £45,600. [26] This was expected to be lower for those starting in 2023/24 under Plan 5 terms at £43,600.[27] This was due to the lower interest rate for new students under the reformed system. The latest forecasts, for those starting in 2024/25 is that average debt on graduation will be £45,600.[28]

[24] Student Loans Company, UK comparison - to financial year 2025 (figure 2) (Average loan balance on entry into repayment - to 2023-24)

[25] Average loan balance at Statutory Repayment Due Day, the April after the borrower has finished their course.

[26] DfE, Student loan forecasts for England, financial year 2022-23

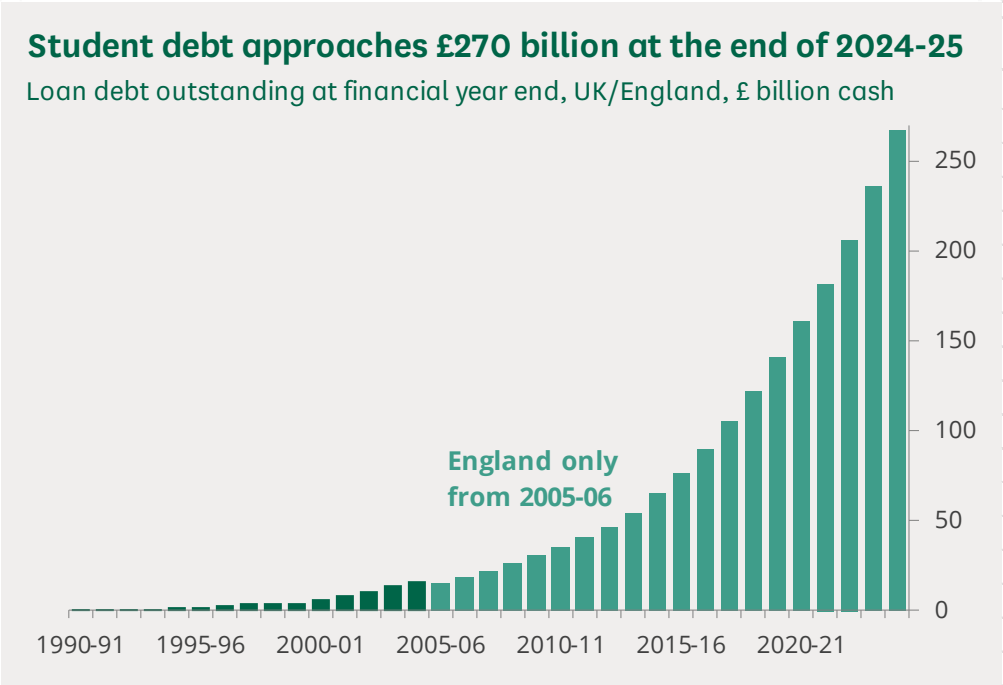
[27] DfE, Student loan forecasts for England, financial year 2023-24

[28] DfE, Student loan forecasts for England, financial year 2024-254

# 3 Loan debt and repayment

## 3.1 Total debt

Table 2 in the accompanying spreadsheet show total student loan outlay and repayments for financial years to 2023-24. Again, the later data for is for England only. There is a further discontinuity in the data from 2001-02 as later figures exclude the privately owned debt from 2002. Totals include postgraduate loans from 2016-17 onwards. Trends in public debt (only) are illustrated below.




Source: Student Loans Company, Student Loans in England: Financial year 2024-25 (and earlier)

At the end of 2024-25 total publicly owned debt for English higher education students and EU students studying in England was £266.6 billion. The growth in the total amount owed by students/ graduates is illustrated above. It stood at £1.9 billion at the end of 1995-96, reached more than £10 billion at the end of 2001-2, more than £50 million at the end of 2013-14 and more than £100 billion at the end of 2017-18. The increase in each of the three years to 31 March 2023 was more than £20 billion. This jumped to more than £30 billion in the subsequent two years, largely due to higher interest payments.

The sale of the final tranche of mortgage style loans in November 2013 meant that all publicly owned debt at the end of 2013-14 was in income-contingent loans. These are financial year data so only include part of academic year

Student loan debt £ billion 31.05.2023:

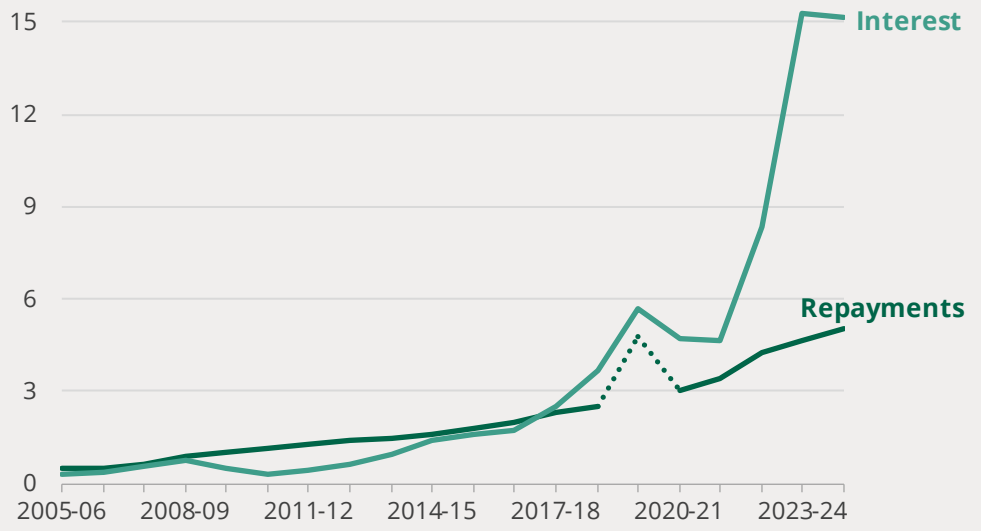
| | |
|---|---|
| England | £236.2 |
| Scotland | £9.4 |
| Wales | £10.6 |
| N. Ireland | £5.6 |

2012/13 when new students could take out much larger fee loans. Despite this just over one-third of tuition fee loans made in 2012-13 were to post-2012 students.

Loan repayments have steadily increased over time. They were affected by excluding privately owned debt from 2005-06 as most accounts were in repayment status. Repayments were higher than interest added in each year up to 2016-17. The gap generally fell from 2010-11 due to the rising total value of outstanding loans and higher interest rates. Since 2017-18 the interest added to outstanding loans has been higher than repayments. In 2020-21 and 2021-22 the interest added was £4.7 billion. Higher interest rates from September 2022 meant the interest added increased to £8.3 billion in 2022-23, and just over £15 billion in 2023-24 2024-25. In the latest year the interest added was three times the value of repayments. Trends are shown below.

**Interest on loans has been higher than repayments since 2017-18 and spiked in 2022-23 and 2023-24**

£ billion cash. Borrowers from England/EU students in England




Source: Student Loans Company, Student Loans in England: Financial year 2024-25, and earlier, (Table 1A)

The jump in repayments in 2019-20 was due to a change in the frequency of data provision which effectively meant the value of almost two years of repayments were included in this single year.

## Type of loan

The table below shows the split between maintenance and fee loans since 2006-07.

**Growth in lending driven by fee loans to 2016, maintenance loans afterwards**

New lending by type, £ billion

| | | Tuition Fee Loans | | |
|---|---|---|---|---|
| | Maintenance Loans | English students | EU Students | **Total** |
| 2006-07 | 2.6 | 0.4 | 0.0 | **3.0** |
| 2007-08 | 2.8 | 1.0 | 0.0 | **3.9** |
| 2008-09 | 2.5 | 1.7 | 0.1 | **4.2** |
| 2009-10 | 2.9 | 2.1 | 0.1 | **5.0** |
| 2010-11 | 3.1 | 2.4 | 0.1 | **5.6** |
| 2011-12 | 3.2 | 2.6 | 0.1 | **6.0** |
| 2012-13 | 3.5 | 3.5 | 0.1 | **7.1** |
| 2013-14 | 3.7 | 5.1 | 0.2 | **9.0** |
| 2014-15 | 3.8 | 6.6 | 0.3 | **10.6** |
| 2015-16 | 3.9 | 7.5 | 0.3 | **11.8** |
| 2016-17 | 4.6 | 8.4 | 0.4 | **13.4** |
| 2017-18 | 5.5 | 9.0 | 0.5 | **15.0** |
| 2018-19 | 6.2 | 9.5 | 0.5 | **16.2** |
| 2019-20 | 6.9 | 9.9 | 0.5 | **17.4** |
| 2020-21 | 7.5 | 10.8 | 0.6 | **18.9** |
| 2021-22 | 8.2 | 11.1 | 0.5 | **19.8** |
| 2022-23 | 8.5 | 11.1 | 0.4 | **19.9** |
| 2023-24 | 8.7 | 11.1 | 0.2 | **20.1** |
| 2024-25 | 9.1 | 11.4 | 0.1 | **20.6** |

Source: Student Loans Company, Student Loans in England: Financial year 2024-25 (and earlier)

Maintenance loans fell in 2008-09 in part due to increases in grants. This was reversed in later years due to increases in numbers and less generous grants for new students. As these figures are financial year totals they do not accurately match academic year tuition fee liability, but the growth of lending for fees is very clear. In 2012-13 tuition fee loans made up 51% of the total loaned. This increased to 67% in 2015-16 before falling to 57% in 2023-24 as maintenance loans replaced grants for greater numbers of students.

Part-time undergraduates became eligible for fee loans in 2012 and maintenance loans in 2018. A total of £358 million was lent to (home and EU) part-time undergraduates in 2024/25; 2% of the total across all students.[29]

[29] Student Loans in England: Financial year 2024-25, SLC

The 2016/17 data included postgraduate loans for the first time. £469 million was lent as Masters Loans to students in England in 2016/17, increasing to a peak of £843 million in 2021/22. The table below breaks down recent lending in selected years by type of student/loan. It also includes the small amount of loans for part-time maintenance and Doctoral Loans in the last few years. Loans to undergraduates from England still make up more than 90% of the total value of loans.

**New student loan outlays by type, England**

| | | 2016-17 | | 2020-21 | | 2024-25 | |
|---|---|---|---|---|---|---|---|
| | | £ billion | % of total | £ billion | % of total | £ billion | % of total |
| **Students from England** | | | | | | | |
| Undergraduates | | | | | | | |
| Full-time | Maintenance | 4,535 | 34% | 7,506 | 40% | 9,005 | 44% |
| | Fee | 7,858 | 59% | 9,621 | 51% | 10,346 | 50% |
| Part-time | Maintenance | .. | 0% | 36 | 0% | 49 | 0% |
| | Fee | 230 | 2% | 324 | 2% | 309 | 2% |
| Postgraduates | | | | | | | |
| Masters | | 293 | 2% | 764 | 4% | 660 | 3% |
| Doctoral | | .. | 0% | 44 | 0% | 58 | 0% |
| **EU students** | All | 418 | 3% | 580 | 3% | 150 | 1% |
| **Total** | | **13,396** | | **18,874** | | **20,577** | |

Source: Student Loans Company, Student Loans in England: Financial year 2024-25 (Table 1A)

## Forecasts

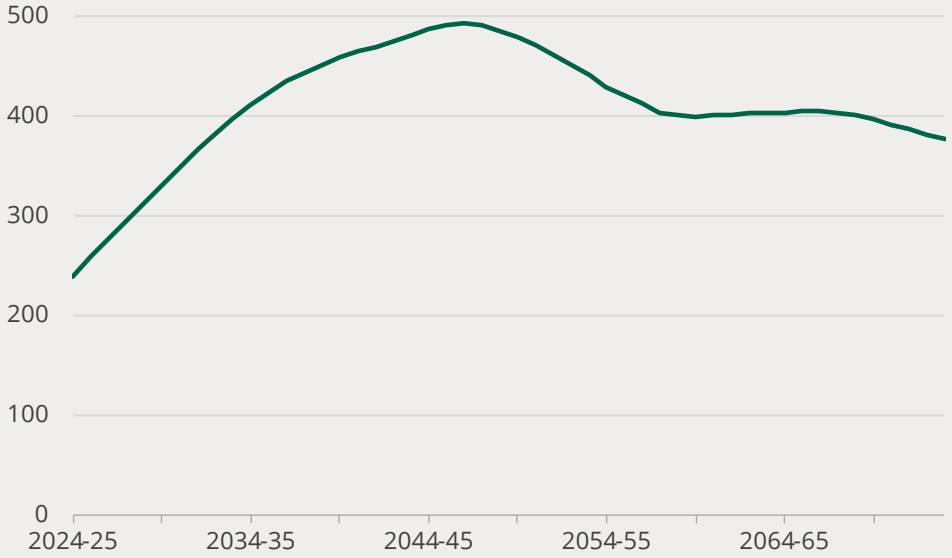
The charts in section 2.1 show the official projections of loan repayments set against outlays, interest and loan cancellations over the next half century:

The combined impact of these different financial flows is that the total value of the loan book is forecast to reach more than £1 trillion[30] in cash terms in the early-2060s. In 2024-25 prices (see the chart on the following page) the total value of the loan book is forecast to exceed £400 billion in the mid 2030s and peak at almost £500 billion in the late-2040s. After then the value falls in real terms in large part due to the impact of cancelled loans.

[30] £1,000,000,000,000

**Outstanding student loan debts expected to peak at £500 billion (2024-25 prices) in late-2040s**

Outstanding debt for all loan types, 2023-24 prices, England




Source: DfE, Student loan forecasts for England, financial year 2024-25

These forecasts are substantially lower than earlier ones which were made before the 2022 reforms were announced. The reforms result in higher repayments from graduates, lower write offs and somewhat lower levels of individual debt (due to the lower interest rate). This means that the size of the loan book increases more slowly, peaks earlier at a lower level and falls more quickly that under the pre-reformed system.

## 3.2 Individuals' loan repayment

### Repayment by cohort

The Student Loans Company publishes data on repayments of income contingent loans by the year in which they became liable to repay their loans (the April after graduation or leaving their course).

The latest data look at the repayment status at 30 April 2025 for repayment cohorts up to 2023 and give limited information for the 2024 and 2025 cohorts who have no full tax year processed yet.[31] 69% of students in the first large repayment cohort[32] (2002) had repaid their loan in full; this fell off to 40% of the 2010 cohort, 30% of the 2012 cohort and 11% of the 2016 cohort.[33]. Overall 43% of borrowers up to the 2023 cohort were working in the UK and repaying

[31] SLC, Student Loans in England: Financial year 2024-25 (Table 3A(ii))

[32] The year refers to when the first become liable to repay. This is the April after the completion of their course. Hence the 2002 cohort will have completed in 2001.

[33] The first to a majority under the 2012 funding reforms.

at 30 April 2025. The highest of these rates were for the 2017 and 2018 cohorts at 60%. 42% of the 2022 cohort were in the UK and repaying at the time.

35% of the 2023 cohort were working in the UK, but earning below the threshold and hence not repaying. This rate was 9-10% for the 2015 and earlier cohorts. The proportion who were in the UK tax system but not working was 2-3% for most cohorts. A further 5-6% (of earlier cohorts) were known to be in the UK but with a status not requiring repayment.

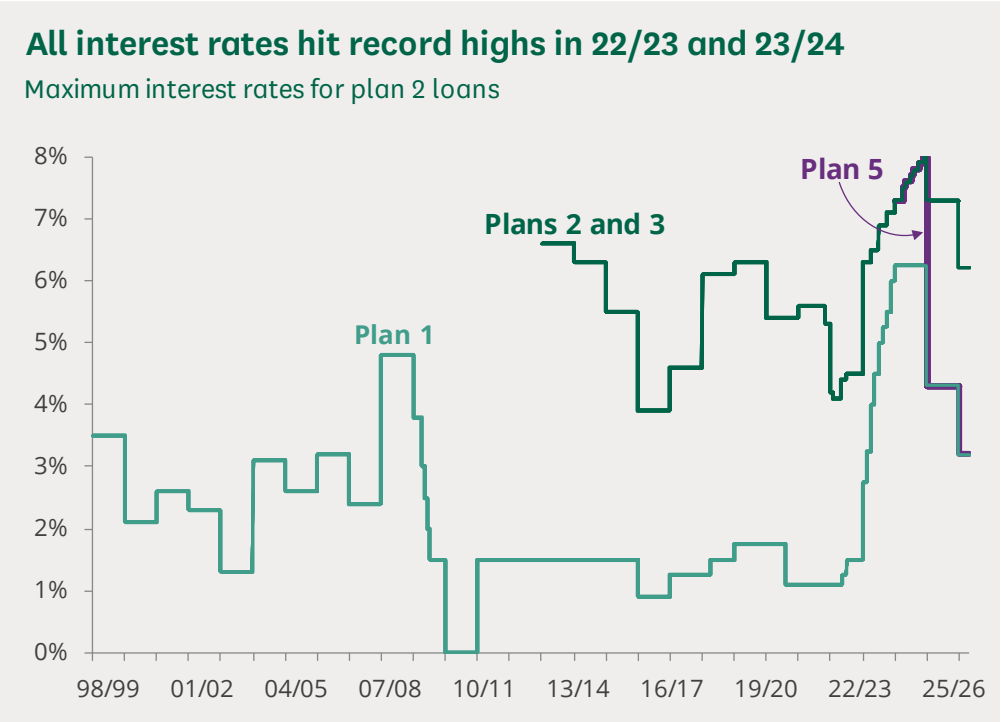
Within each cohort there has been a clear shift over time from those repaying to those who have repaid as we might expect. So far this only applies to those starting higher education before 2012 (ie. the 2015 and earlier cohorts). The data on the 2016 cohort and later do not (yet) show this shift. We would expect it to take longer than earlier cohorts because of the higher repayment threshold, larger loans and higher interest rates.

So far the pre-2016 cohort data shows a relatively rapid increase in the number repaying within a cohort over the first five to six years of potential repayment followed by much less variation and a gradual decline in numbers as more repay their loans in full. The average value of repayments increases over a similar period after graduation and hence the total also increases.[34] This suggests that it is only in the first five years or so after leaving higher education that large numbers of borrowers start repaying. Relatively few only start earning above the repayment threshold later on in their working lives and even then, their numbers are balanced by those who stop repaying for one reason or another.

[34] SLC, Student Loans in England: Financial year 2024-254 (Tables 4A(i) to (iii))

# 4 Loan interest rates levels, the 'low interest cap' and the zero interest rate

Variations in the interest rates on income contingent loans are shown below.




Note: Plan 3 (postgrauate) loans have had the same interest rate as Plan 2 loans since they were introduced in 2016. Plan 5 loans (for new students from 2023/24) had the same interest rate at Plan 2 and Plan 3 loans in 2023/24, but have had a lower rate, the same as Plan 1 loans, in 2024/25.

## 4.1 Pre-2012 (Plan 1) loans

The interest rate on Plan 1 loans increased to what was then a record high of 4.8% in 2007/08; the level of all-items RPI inflation in financial year 2006-07. The rate for 2008/09 was initially set at 3.8% reflecting the fall in inflation in 2007-08. However, the legislation also required that interest rates for these loans should not exceed one percentage point above the highest base rate of a specified group of major banks. The so-called 'low interest cap'. The large falls in Bank of England base rates (in response to the financial crisis) meant that this cap was used for the first time. The interest rate was cut in stages to 1.5% during 2008/09, its lowest level since 2002/03. [35] [36]

[35] HC Deb 26 January 2009 c268W

[36] Student Loans Company, How interest is calculated - Plan 1; Repaying your student loan

During 2008/09 interest rates cut to:

3% on 4 December

2.5% on 9 January

2.0% on 6 February

1.5% on 5 March

The all-items RPI was -0.4% in the year to March 2009. The (then) current regulations stated that *if* an interest rate is to apply to these loans then this will be the rate for the year from 1 September 2009.[37] In the past the then Government stated that it had 'no plans to abandon the consistent use of RPI in calculating interest on student loans'.[38] It subsequently decided that no interest rate (0%) was to apply to income contingent student loans in 2009/10. The small numbers of remaining mortgage-style loans were solely linked to RPI and hence their interest rate was -0.4%.[39] Having no interest on student loans does not affect monthly repayments of those with outstanding income contingent loans. Repayments are based on income, not the interest rate. The cut to 0% would slightly reduce the loan period/total repayments for those who completely paid off their loans in year, but this applies to *any* cut in interest payments. The impact on other borrowers will depend on how interest rates on student loans and hence RPI vary in future years. If inflation jumps up to above the long-term trend then any advantage they might have gained would be lost.[40] This effect could be reduced by the continued operation of the low interest cap.

During 2022 interest rates increased to:

1.25% on 12 January

1.5% on 2 March

2.75% on 1 September

3.25% on 20 October

4.0% on 2 December

The all-items RPI increased by 4.4% in the year to March 2010. This meant that the interest rate on the relatively small number of mortgage style loans was 4.4% in academic year 2010/11. RPI inflation was 5.3% in the year to March 2011, 3.6% in the year to March 2012 and 3.3% to March 2013.[41] The interest rate on these loans therefore increased to 5.3% in 2011/12 and fell to 3.3% in 2013/14.

The rate for income contingent loans depends on whether the low interest cap still applies and hence on decisions by the Monetary Policy Committee of the Bank of England. These were cut further to 0.25% in August 2016 and therefore interest rates on Plan 1 loans was reduced to 1.25%. The Bank of England base rate was increased to 0.5% on 2nd November 2017 and the Plan 1 rate subsequently increased to 1.5% from 1 December 2017. The interest rate was increased to 1.75% from 1 September 2018 and cut again to 1.1% from 7 April 2020 to 12 January 2022. It subsequently increased eleven times in 2022 and 2023 to 6.25% from 1 September 2023.[42] This was the highest ever interest rate for these income contingent loans.

During 2023 interest rates increased to:

4.5% on 12 January

5.0% on 3 March

5.25% on 21 April

5.5% on 9 June

6.0% on 21 July

6.25% on 1 September

Plan 1 interest rates remained at 6.25% until August 2024 when they were cut by 0.25% after a reduction in the Bank of England's base rate of the same size.

[37] *The Education (Student Loans) (Repayment) Regulations 2009,* (SI 470 2009) : http://www.opsi.gov.uk/si/si2009/uksi_20090470_en_3#pt2-l1g21

[38] HC Deb 9 July 2008 c1716W

[39] Student Loans Company Repayment site, *Interest rate for Income Contingent Loans*,

[40] If the current negative inflation rate is simply a blip then any gain in 2009/10 will be lost for those who repay in later years. If there is no steep upward increase in prices after the period of deflation, but a direct return to long term levels of inflation, then all who eventually repay their loans would gain compared to steady trend inflation/interest rates.

[41] ONS series CHAW

[42] Student Loans Company, How interest is calculated - Plan 1; Repaying your student loan

Lower levels of inflation have meant the low interest cap has not been applied since September 2024 and the Plan 1 interest rate was 4.3% 2024/25 and has been 3.2% in 2025/26 (to date).[43] This rate will apply for the rest of the academic year unless a cap triggered again.

Changes in interest rates alter the *duration* of the loan, not the monthly repayments which depend on income.

## 4.2 Post 2012 loans (Plan 2, Plan 3 and Plan 5)

With no 'low interest rate cap' and maximum rates set at RPI +3%,[44] maximum Plan 2 interest rates have been much higher than Plan 1 rates: 6.6% in 2012/13, 6.3% in 2013/14, 5.5% in 2014/15, 3.9% in 2015/16, 4.6% in 2016/17, 6.1% in 2017/18, 6.3% in 2018/19, 5.4% in 2019/20 and 5.6% in 2020/21.

Plan 3 or postgraduate loans have had the same interest rate as Plan 2 loans since they were introduced in 2016.

On 10 June 2021 the Department for Education announced that maximum interest rates for Plan 2 and Plan 3 loans would be reduced by 0.3 percentage points from 1 July 2021 to 31 September 2021. This temporary reduction was to keep them in line with the prevailing market rate for comparable unsecured personal loans, which had recently reduced. This meant the rate was reduced from 5.6% to 5.3% up to the end of August.

Ordinarily the maximum rate from 1 September 2021 would have been 4.5% (annual RPI inflation to March 2021 +3%) but when it announced the annual change in interest rates the DfE said the rate would be capped at 4.2% for the month of September, again to keep it in line with market rates. In early September the DFE announced that following a decline in the prevailing market rate the capped rate on student loans would be reduced again to 4.1% from 1 October 2021 to 31 December. A higher capped rate of 4.4% applied in January and February 2022. The maximum rate reverted to 4.5% from March 2022 for the rest of the academic year.[45]

### 2022/23

RPI inflation to March 2022 was 9.0%.[46] Therefore the maximum interest rate in academic year 2022/23 would have been 12% unless it were capped to keep it in line with the prevailing market rate for comparable unsecured personal loans. A briefing by Ben Waltmann of the IFS looked on the possible

[43] Student Loans Company, Student Loans Interest Rates and Repayment Threshold Announcement (19 August 2025)

[44] ·The maximum rate of RPI +3% is charged while a student is studying. From the April after they finish their course the Plan 2 interest rate varies from RPI for those earning up to the earnings threshold reaching a maximum of 3% above inflation when earnings reach the higher earnings threshold.

[45] Student Loans Company, How interest is calculated - Plan 2; Repaying your student loan

[46] ONS series CHAW

application of the interest rate cap in 2022/23. This said that under the current policy there is a lag in when caps are implemented which could mean that the maximum interest rate is 12% for the first sixth months of the academic year, before falling to 7%. Given predictions of inflation it would then vary between 7% and 9% until September 2024 when it could fall to 0% for sixth months. The briefing suggests an alternative policy which would avoid this "interest rate rollercoaster":[47]

> While it is impossible to apply an interest rate cap without any delay, it is not difficult to come up with alternative policies allowing for lags that would closely approximate a real-time cap and avoid an interest rate spike in September. The government should urgently review the way that the interest rate cap is implemented and adopt an alternative policy of this kind.

On 13 June 2022 the Government announced that, in a change to the earlier policy outlined above, there would be a 12 month cap on interest rates for post-2012 income contingent loans of **7.3%.** This will last from 1 September 2022 to 31 August 2023. Although if the prevailing market rate is lower than forecast a further cap could be implemented.[48]

On 10 August 2022 the Government said that the cap on interest rates from 1 September 2022 to 30 November 2022 would be lower at **6.3%** as actual market rates were below those predicted earlier.[49] On 9 November 2022 the Department for Education said that the interest rate would be increased to **6.5%** from 1 December 2022 to the end of February 2023.[50] On 8 February 2023 the Government announced that the maximum interest rate would increase to **6.9%** for the months of March, April and May.[51] This was the highest interest charges on Plan 2 loans. In May a further increase was announced to **7.1%** for the last three months of the academic year, another new record high interest rate.[52] Again this was due to an increase in prevailing market rates.

## 2023/24

RPI inflation to March 2023 was 13.5%.[53] Therefore the theoretical maximum interest rate in academic year 2023/24 would be 16.5% for Plan 2 and Plan 3 loans and 13.5% for Plan 5 loans. The Government has so far continued to apply the prevailing market rate cap and the interest rate for all these loans

[47] Waltmann, B., High inflation set to cause interest rate rollercoaster for student loans (13 April 2022)
[48] HC Deb 13 June 2022 HCWS94 (Higher education update)
[49] Student Loans Company, Student Loans Interest Rates and Repayment Threshold Announcement (10 August 2022)
[50] Student Loans Company, Change to maximum Plan 2 and Plan 3 student loan interest rates (9 November 2022)
[51] Student Loans Company, Change to maximum Plan 2 and Plan 3 student loan interest rates (8 February 2023)
[52] Student Loans Company, Change to maximum Plan 2, Plan 5 and Postgraduate student loan interest rates (15 May 2023)
[53] ONS series CZBH

was **7.3%** from 1 September to 30 November 2023. This was increased to **7.5%** on 1 December 2023,[54] another new record high interest rate.

The Student Loans Company said that from December 2023 interest rates would be reviewed monthly (rather quarterly) and compared to the latest data on comparable prevailing market rates to see whether a cap is needed, and if so, at what level. Since then the interest rate on these loans has increased four times and was **7.9%** in June and July 2024.[55]

## 2024/25

RPI inflation to March 2024 was 4.3%.[56] Therefore, the maximum interest rate in academic year 2024/25 is 7.3% for Plan 2 and Plan 3 loans and 4.3% for Plan 5 loans. These rates will continue until the end of the academic year unless a cap is applied.

## 2025/26

RPI inflation to March 2025 was 4.3%.[57] Therefore, the maximum interest rates in academic year 2025/26 will be 6.2% for Plan 2 and Plan 3 loans and 3.2% for Plan 5 loans.[58] Again, these rates will apply unless a cap is triggered.

[54] Student Loans Company, Change to the plan 2, plan 5 and postgraduate (PG) student loan interest rates announcement (1 December 2023)

[55] Student Loans Company, Change to the Plan 2, Plan 5 and Plan 3 ("Postgraduate (PG)") student loan interest rates announcement (1 June 2024)

[56] ONS series CZBH

[57] ONS series CZBH

[58] Student Loans Company, Student Loans Interest Rates and Repayment Threshold Announcement (19 August 2025)

# 5 International comparisons

In the past the OECD has made some comparisons of different aspects of student loan systems in different countries. These have not been updated regularly and the most recent detailed figures mainly cover arrangement in 2014/15. The complexity of loan systems in many countries means that direct comparisons are not straightforward. Full detail can be found here (indicator B5). In general UK (English system) interest rates on loans were somewhat higher than typical rates. The annual average loan amount was higher than that in any other country with data on the subject, as was the proportion of students taking out loans. Annual income repayment thresholds (where they exist) are generally lower elsewhere than the income contingent threshold for the UK.

OECD analysis of systems in 2019/20 only cover overall amounts of public or government guaranteed loans. The average loan in England at $18,200 was substantially higher than in any other country included in the analysis. The next highest was Norway at $11,900. 96% of students in England received loans, again above any other country (Australia and New Zealand were the next highest at 83% and 76% respectively).[59]

[59] Education at a glance 2022, OECD (Tables C5.3)

# 6 Appendix -Student loan sell offs

## Mortgage-style loans

Two sales of the student loan portfolio of around £1 billion each were made in 1998 and 1999. Both consisted of mortgage-style loans only. Borrowers faced exactly the same repayment conditions. As the interest rate of student loans is below market level the DfES agreed to pay a subsidy to the purchaser to reflect this and make the purchase attractive to the private sector. The difference between this and the cost that the DfES would have incurred is the net cost of the sell off. At the time of the 1998 and 1999 sales the estimated net present values of these payments over the lifetime of the loans were £50 million and £85-100 million respectively. [60]

The subsequent cut in the Treasury discount rate from 6.0% to 2.2% since the time these calculations were made would increase these net present value figures (the public sector comparator becomes cheaper). A written answer gave an updated estimated cost for both portfolios combined for England and Wales. This revised the original estimates using a more up-to-date discount rate of 3.5%, the actual performance of loans since they were sold and new projections of performance. This concluded that the net cost in 1998-99 net present value terms was £125 million. [61]

A plan to sell off the last remaining mortgage-style loans was announced in March 2013. [62] On 25 November 2013 the Government announced that the last £890 million of outstanding mortgage-style loans had been sold for £160 million. [63]

## Income contingent loans

For more detail and background on this see the briefing paper Update on the sale of student loans.

[60] HC Deb 5 March 1998 c 749-5W; HL Deb 9 March 1999 cc20-21WA

[61] HC Deb 12 July 2007 c1609-10W

[62] BIS press notice 26 March 2013, *The government launches process to sell off the last remaining publicly-owned mortgage-style student loans*

[63] BIS press notice 25 November 2013 *Sale of mortgage style student loan book completed*

The earliest any sales of income contingent loans are now expected is early 2017; a decade after plans were first announced.

### Plans

Plans for loan sell offs totalling £6 billion over the period 2008-11 were announced in Budget 2007.[64] More detail is given in the Library Research Paper Sale of Student Loans Bill. The Government said in late June 2009 that (current) market conditions did not allow sales to make a good return for the taxpayer and they would look for sale opportunities when market conditions improved.[65] The current Government announced in the Higher Education White Paper that:[66]

> *We want to find a solution that will manage all current and future ICR [income contingent repayment] loans on an ongoing basis (unlike the one-off sales of the late 1990s).*

The intention to sell off income-contingent loans was re-iterated in the 2013 Spending Round. More detail was given in the Autumn Statement 2013. Sales of pre-2012 income-contingent loans were expected to start before the end of financial year 2015-16. These would be in a number of tranches and the estimated that gross proceeds are expected to be in the range of £10-15 billion, with a central estimate of £12 billion. The proceeds were said to more than cover the costs of removing the cap on student numbers from 2015-16 which was also announced in Autumn Statement 2013. The central estimates of the cash proceeds from the loan sales over five years were above the Government's estimate of the cash cost of removing the cap over the whole period 2013 to 2018.[67] However, sales of pre-2012 loans cannot go on indefinitely and even if it were assumed that pre-2012 loan sales continued (as far as possible) it is highly likely that the cumulative proceeds would be less than the cumulative cost of the policy within a decade.[68] If these costs still had to be met through loan sales at that point then sell offs would need to move to the post-2012 loan book.

The Institute for Fiscal Studies made the following comments after the Autumn Statement:[69]

> *...in his speech the Chancellor claimed that the additional cost of student loans arising from lifting the cap on the number of students in higher education would be "financed by selling the old student loan book". This may work in the near-term fiscal numbers, but economically it makes little sense. Selling the loan book will be broadly fiscally neutral in the long run, bringing in more money now*

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[64] *Budget 2007*, HM Treasury

[65] HC Deb 30 June 2009 c147W

[66] *Higher Education. Students at the heart of the system*, BIS June 2011 (Cm 8122)

[67] *Autumn Statement 2013*, HM Treasury. Table 2.5

[68] The cost of the policies is the sum of the cash value of new loans and direct spending on additional students, plus the value of lost repayments from loans which are sold. This calculation assumes that the gross proceeds estimates in the Autumn Statement are met and further tranches are sold with gross proceeds of £2.5 billion per year after 2019-20. Cumulative gross costs are larger than cumulative gross proceeds by 2023-24 with an assumed 40% write down on all loan sales. Changes in the write-down rate have a large impact on the total proceeds.

[69] *Autumn Statement 2013: Introductory Remarks*, IFS

> *at the expense of less money later on. Lifting the cap on numbers will cost money every year.*

A report by the Business, Innovation and Skills Select Committee expressed concern about the amount which the loan sales might raise and the link between these proceeds and the expansion of student numbers:[70]

> *The Government appears to have committed itself to the sale of the income contingent loans before it has fully assessed the financial viability of such a move. Demand for these assets is untested and without the introduction of a synthetic hedge would only realise around £2 billion of the £12 billion return expected by Government. While demand would increase with the introduction of a synthetic hedge, this would come with an additional long-term cost to Government, which has yet to be quantified.*
>
> *[…]*
>
> *Given that the Chancellor of the Exchequer has linked the removal of the student numbers cap to the sale of the income-contingent loan-book, we seek clarification from the Department whether the removal of the cap is dependent on the sale of the loan book.*
>
> *If the policy is not dependent on the sale, the Government must set out in its response where it will raise the £5.55 billion between now and 2018–19 required to remove the cap without putting an additional burden on the taxpayer*

In July 2014 the then Secretary of State was reported to have ruled out any sale of these loans (in this Parliament) because recent evidence suggested there was "…no longer any public benefit…" to the sales.[71]

The longer term fiscal impact of loan sales will be neutral if they are sold at a 'fair' price. The main effect is on timing with sales realising the value of repayments sooner rather than later.

The coalition Government subsequently said that the expansion of student numbers had been agreed with the Treasury and "Student numbers are not contingent on the sale…"[72] The Government's response to the Business, Innovation and Skills Committee report on student loans reiterated this. It also added that the £5.5 billion additional loan outlays (up to 2018-19) needed for the expansion was "fully funded".[73]

In their long-term fiscal projections the Office for Budget Responsibility (OBR) has said that so long as these loans are sold at a 'fair' value the expected return (on these assets) to the Government at the point of sale would be zero. In other words the sale price is equal to the present value of the lost future

[70] *Student Loans*, Business, Innovation and Skills Select Committee, third report of 2014/15

[71] *Student loans sell-off abandonment raises tension in cabinet*, The Guardian 20 July 2014

[72] PQ HL1512 [on Higher and further education: Admissions], 11 August 2014

[73] *Student Loans: Government Response to the Committee's Third Report of Session 2014-15*, BIS Select Committee second special report of session 2014-15

repayments. Selling loans at a fair price would only affect the *flow* of receipts not their present value.[74]

Summer Budget 2015 stated that the Government intends to sell the first tranche of income contingent loans by the end of 2015/16. The Spending Review and Autumn Statement 2015 put this back to 2016/17.[75]

The Autumn Statement 2016 said the Government intended to launch the first sale in early 2017 "...subject to market conditions"[76]. The OBR's Economic and Fiscal Outlook, published alongside the Autumn Statement, said they continue to expect that around £12 billion will be raised through these loan sales. They have changed the forecast timings of these proceeds. They judge that there is a less than 50% change the first sale will happen in 2016-17 and now assume the first and second sales can both take place in 2017-18.

### Sales

In early February 2017 the Government announced it had begun the process to start the first sale.[77] On 6 December 2017 the Government announced that it had sold the first tranche of Plan One loans for £1.7 billion.[78] Soon after they published a formal report on the sale. The Treasury Select Committee looked at the issue of value for money of these sales in their report Student Loans (p9-).The sale achieved £1.7 billion from 1.2 million loans with a face value of £3.5 billion held by over 400,000 borrowers. This represented a write off of 51 per cent of the face value of the loans.

A second sale of a tranche of Plan 1 loans that entered repayment between 2007 and 2009 was completed in December 2018. The sale was of loans with a total face value of around £3.9bn and achieved £1.9bn. [79] A written statement[80] on 4 December 2018 said that the tranche was sold for **£1.9bn** and that the sale achieved good value for money:

The report to Parliament on the sale was published in mid-December. As with the report on the first sale this set out the rationale, objectives and approach taken as well as a value for money assessment. Around 1.3 million Plan 1 loans held by 370,000 borrowers which entered repayment between 2007 and 2009 where included in this sale. The same method of value for money assessment was used as in the first sale. Again the report said the price offered "...was above the retention value calculated by Government, and the Accounting Officer therefore concluded the quantitative test had been met."[81]

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[74] *Fiscal Sustainability Report – July 2014*, OBR

[75] Spending Review and Autumn Statement 2015, p.74

[76] *Autumn Statement 2016*, HM Treasury. para 1.66

[77] Government launches first sale from the student loan book', Department for Education, HM Treasury and Student Loans Company, February 2017

[78] Written statement HLWS313 [on Government asset sale] 6 December 2017

[79] HCWS979, Government Asset Sale, 10 October 2018

[80] HCWS1137 Government asset sale update, 4 December 2018

[81] Second Sale of Pre2012 (Plan 1) Income Contingent Student Loans, HC1843 (2017-19)

## End of the sales programme

The Treasury carried out an internal review of the student loan sales programme as part of Budget 2020. It stated that the earlier sales of income contingent loans "...achieved value for money". However:[82]

> *Following the Office for National Statistics' recent change in the accounting treatment of student loans, loan sales now have a significant negative impact on public sector net borrowing, whilst the new accounting treatment also means that sales will have a new impact on other metrics such as Public Sector Net Investment. Moreover, because of the government's progress in fixing the public finances, debt is now expected to be broadly stable over the medium-term.*
>
> *The government has therefore taken the decision that it will not proceed with further sales of student loans. As a result, no further sales of Plan 1 (pre-2012) student loans will now be undertaken. The government also has no plans to sell Plan 2 (post-2012) loans*

The programme of loan sales was meant to continue to 2022-23 and raised a total of £15 billion. The two tranches of income contingent loans that were sold raised £3.6 billion.

The review estimated that continuing with the sales programme as planned would add £2.0-£2.2 billion to borrowing each year to 2022-23. It stated:[83]

*Following the new ONS treatment, the case for further loan sales is influenced by the extent to which the government prioritises up-front debt reduction over other measures. Whilst the loan sales continue to bring forward debt reduction, which remains an important consideration for the government, the sales are now recorded as impacting public sector net borrowing and Public Sector Net Investment, which could serve to constrain alternative investments in economic or social infrastructure*

[82] Review of the student loan sale programme, HM Treasury (11 March 2020)
[83] ibid.

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