

SL(5)198 – The Education (Student Loans) (Repayment) (Amendment) Regulations 2018

Background and Purpose

These composite Regulations are made under sections 22 and 42 of the Teaching and Higher Education Act 1998 (c. 30) and amend the Education (Student Loans) (Repayment) Regulations 2009 (S.I. 2009/470) (“the 2009 Regulations”).

The 2009 Regulations make provision for the repayment of income-contingent student loans in England and Wales. These Regulations will make changes to the repayment and interest rate thresholds for borrowers with undergraduate loans taken out after 2012 (‘post-2012 loans’). The changes will apply to those who have already taken and those who will take out such loans and are summarised as follows:

1. Interest rate on post-2012 loans
 - a. The lower interest rate threshold will increase from £21,000 to £25,000 and the higher interest rate threshold will increase from £41,000 to £45,000;
 - b. The Regulations will also provide for these thresholds to be adjusted annually in line with average earnings for the year ending 5 April 2020 and years thereafter. The measure of average earnings will be taken from the Office for National Statistics Average Weekly Earnings EARN01 dataset.
 - c. Provision will also be made to update both the lower and higher interest threshold bands for borrowers overseas in line with borrowers who are resident in the UK.
2. Repayment thresholds
 - a. The repayment threshold will increase from £21,000 to £25,000. The Regulations will also provide for this threshold to be adjusted annually in line with average earnings for the year ending 5 April 2020 and years thereafter. As for interest rate thresholds, the measure of average earnings will be taken from the ONS dataset.
 - b. The Regulations will make similar changes for overseas borrowers making income-related payments in line with borrowers who are resident in the UK.

Procedure

Negative.

Technical Scrutiny

The following point is identified for reporting under Standing Order 21.2 in respect of this instrument.

1. This is a composite statutory instrument. The Explanatory Memorandum notes the following:



“Given the composite nature of the 2009 Regulations and that no routine Parliamentary processes exist by which to lay bilingual regulations before Parliament, these Regulations will be made in English only”.

[Standing Order 21.2 (ix) – that it is not made or to be made in both English and Welsh.]

Merits Scrutiny

The following point is identified for reporting under Standing Order 21.3 in respect of this instrument.

1. Regulation 6 (inserting new Regulation 29(8A) in the 2009 Regulations) provides that the repayment threshold in relation to postgraduate master’s degree loans will remain at £21,000, notwithstanding that the repayment threshold for post-2012 loans will be increasing from £21,000 to £25,000.

[Standing Order 21.3 (ii) – that it is of political or legal importance or gives rise to issues of public policy likely to be of interest to the Assembly.]

Implications arising from exiting the European Union

No points are identified for reporting under Standing Order 21.3 in respect of this instrument.

Government Response

In response to the technical reporting point, the Explanatory Memorandum which accompanies the Regulations gives the rationale for the use of the composite procedure and hence why the Regulations are made in English only.

In response, to the merits reporting point, loans are made available to support eligible students undertaking designated courses of higher education. The 2009 Regulations provide for the repayment of those loans to Her Majesty’s Treasury. The terms of the repayment are set in order to balance the need for adequate returns to the taxpayer while ensuring loans are not a disincentive to undertaking higher education. From time-to-time, the terms of repayment are assessed to ensure this balance is appropriate. The intention is to ensure that loan repayments remain affordable, while providing a reasonable return to the taxpayer.

Undergraduate student support is different from support for postgraduate students: the level of study is different and the nature of the support is different. Undergraduate students can apply for fee loans or maintenance loans whereas the loan support to postgraduates is payable as a contribution to the costs of pursuing that study. Also, fees payable in relation to postgraduate courses are not regulated in the same way as undergraduate courses. The maximum amounts of loans available are also different.

The repayment threshold for those repaying undergraduate loans is to increase to £25,000 while the threshold remains at £21,000 for the repayment of postgraduate Master’s loans. Conversely, undergraduate borrowers make repayments equivalent to 9% of their income above the repayment threshold while postgraduate borrowers only make repayments equivalent to 6% of their income above the repayment threshold. Many postgraduate borrowers will also have undergraduate debt.

Statistics on UK graduates from higher education demonstrate a clear economic advantage to those with postgraduate qualifications compared with those with undergraduate qualifications only. Eighty-one percent of 2015/16 postgraduate leavers were in employment (UK or overseas) compared with 68% of



undergraduates, six months after graduation. More than half of 2015/16 postgraduate leavers employed full-time were earning an annual salary of at least £25,000 six months after graduation, compared with less than 40% of undergraduate leavers. The repayment policy reflects the different circumstances of undergraduates and postgraduates.

Committee Consideration

The Committee considered the instrument at its meeting on 19 March 2018, along with the Government response and reports to the Assembly in line with the technical and merits points identified.

During consideration, the Committee agreed to write to the Welsh Government regarding the making of composite instruments in English and Welsh.

