

**FOI Reference: 136-18**

**Date of Response: 05/07/2018**

## **Request**

*"I want to request information on the over-repayments of student loans by borrowers.*

- the number of over-repayments made by customers in the tax years 2015/16 and 2016/17 broken down by the values overpaid (to ensure anonymity this should be in groupings of £250). If only one year of data is possible, my preference is for 2016/17."*

## **Response**

Please refer to the attached spreadsheet for the data that you have requested. Within the appropriate costs limit it has been possible to provide data for both tax year 2015/16 and 2016/17.

Please refer to the notes associated with the data that are at the bottom of the tables on the "results" tabs for both tax years. In addition, please note:

- the bandings above £8,000 are more than £250 due to the low numbers of borrowers falling within these bands; and
- large over-repayment values are due to unusually high earnings during the tax year, for example, a large bonus.

## **Background information to Income Contingent Repayment**

Student loan over-repayments occur due to the nature of the student loan repayment scheme, where repayments are made through the UK tax system via HM Revenue & Customs ("HMRC"). SLC receives student loan repayment information annually from HMRC, and the result of this process means that some borrowers nearing the end of their repayments may over-repay.

HMRC does not pass student loan repayment monies to SLC, rather information relating to borrowers' repayments collected through the tax system after the end of the tax year which allows SLC to credit borrowers' accounts. The repayment monies collected by HMRC are transferred on several occasions per day to the HM Treasury Consolidated Fund and used to meet general government expenditure.

SLC has a scheme for borrowers which prevents over-repayment known as the Prevent Over Repayment ("POR") scheme. This can be activated when SLC's system has calculated that a borrower, based on the previous tax year's deductions, could potentially repay their loan in full, should their income remain the same over the next 23 months. Once the latest repayments file from HMRC has been applied to a borrower's account, SLC's system then establishes if they are eligible for the POR scheme. A letter confirming this is issued along with the borrower's annual statement, giving them the option to be removed from the automated repayments process via their employer and to set up a Direct Debit

repayment instead. Once the borrower has repaid the set amount over the agreed time the balance will be cleared and any over-repayment avoided.

If a borrower declines the offer of POR, when the next or subsequent repayment file received from HMRC is applied to their account it creates a credit balance, SLC will instruct HMRC to issue an automatic Stop Notice to the employer to advise them to stop taking deductions. The number of deductions taken in the next tax year after the loan was repaid in full can vary depending on when the repayment file is received from HMRC and when the employer processes the Stop Notice.

SLC has always provided borrowers with the option to contact us at any point during a current tax year if they believe that have over-repaid their student loans. Upon a borrower providing evidence of student loan repayments during the tax year their account is updated with the current tax year repayment information and SLC will arrange a refund of the over-repayment plus interest and instruct HMRC to issue a Stop Notice to the employer.

Borrowers can also view their balance online at any time at [www.studentloanrepayment.co.uk](http://www.studentloanrepayment.co.uk). The repayment website calculates the interest due and provides a final balance so a borrower can choose to make a partial or full repayment to SLC.

SLC pro-actively contacts borrowers to advise them they have over-repaid their loan. If an over-repayment is identified on a borrower's account SLC will contact the borrower to refund any monies over-repaid plus interest or alternatively the borrower can contact SLC to request a refund. Refunds are issued in accordance with the provisions of Regulation 20 of the Education (Student Loans) (Repayment) Regulations 2009, as amended (the "2009 Repayment Regulations"). However, SLC cannot make a refund for an over-repayment until a borrower contacts us to confirm their current bank details.

SLC and HMRC are exploring the most effective way to share repayment information more frequently between the two organisations.