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Cyhoeddwyd gan y Cwmni  
Benthyciadau i Fyfirwyr



INVESTOR IN PEOPLE

## STUDENT LOANS FOR HIGHER EDUCATION IN WALES, FINANCIAL YEAR 2014-15

### INTRODUCTION

This statistical first release provides statistics on loan outlays, repayments of loans and borrower activity for Welsh domiciled students studying in Higher Education (HE) in the UK and EU students studying in Wales, and covers financial years up to 2014-15. Figures are provided for Income Contingent Loans (ICR), which were introduced in 1998/99. All the figures cover publicly owned loans only.

### KEY POINTS

- The amount lent to HE students in financial year 2014-15 was £359.1m, an increase of 9% when compared with 2013-14. *Table 1 and Chart 1.*
- Net repayments posted to customer accounts amounted to £84.4m in financial year 2014-15, an increase of 9% compared with 2013-14. Repayments included £8.4m repaid earlier than required, an increase of 1% compared with 2013-14. *Table 1.*
- The total loan balance (including loans not yet due for repayment) at the end of financial year 2014-15 was £2.9 billion, an increase of 12% when compared with 2013-14. *Table 1 and Chart 2.*
- At the end of 2014-15 there were 264,100 borrowers; of these, 163,600 had accounts liable for repayment. These figures represent an increase of 8% and 6% compared with the position at the end of 2013-14. *Table 2.*
- The average Loan Balance for all borrowers who still had a live account at the end of tax year 2013-14 ranged from £7,130 for the 2000 cohort (after 14 years of recorded repayment history) to £17,230 for the 2014 cohort. The average Loan Balance for the 2015 cohort which entered repayment at the end of tax year 2014-15 was £19,010. *Table 5(iii) and Chart 5.*
- 31,175 (14.9%) of the borrowers who had become liable to repay had fully repaid their loan. *Tables 3A(i) and 3A(ii)* show how the number and percentage of borrowers who had fully repaid their loan varies by cohort. *Chart 6.*

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## DEFINITIONS

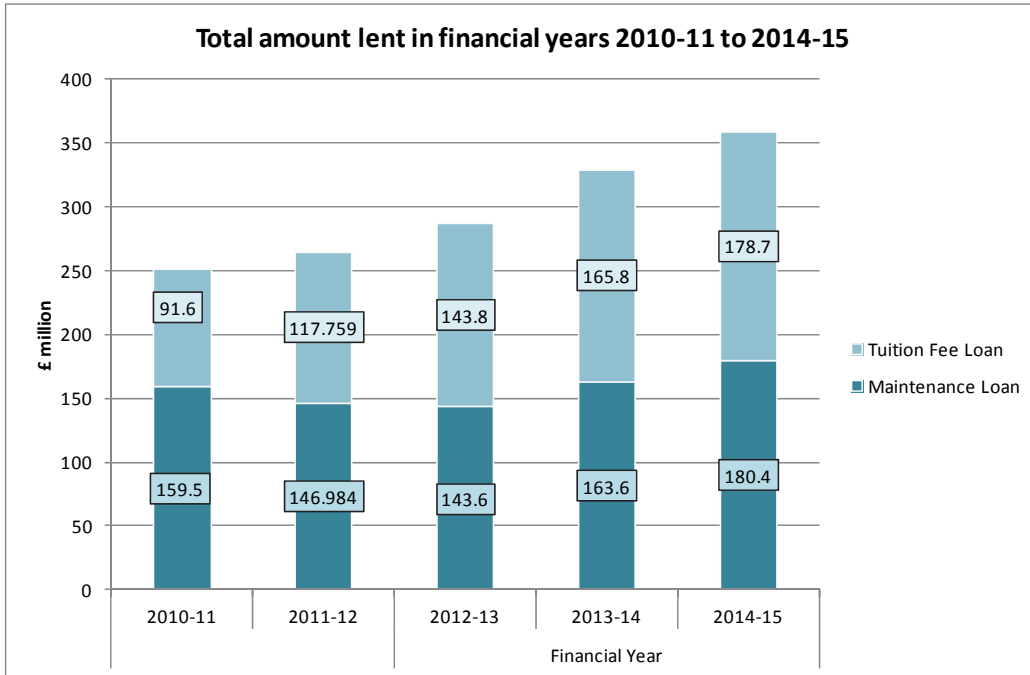
The following is a glossary of terms:

Account repaid in full	The borrower has repaid the account in full without it being cancelled or written off. It includes accounts with trivial balance write-offs of less than or equal to £5. Also includes accounts closed under the Repayment of Teacher Loans (RTL) Scheme.
Balance transfers	Transfers which can occur between different portfolios of loans
Cancelled loan	The borrower no longer has any liability to repay as provided for in the loans regulations. A borrower's liability shall be cancelled: <ul style="list-style-type: none"> <li>• On the death of the borrower;</li> <li>• On reaching the age cancellation criteria for their loan (age 50, age 60 or after 25 years depending on the type of loan and year taken out);</li> <li>or</li> <li>• If borrower is in receipt of a disability related benefit and permanently unfit for work.</li> </ul>
In arrears	Borrowers who have at least one loan on which repayments are overdue. Arrears arise when a borrower moves overseas and fails to repay SLC according to their repayment schedule. Additionally any borrower who moves overseas and fails to provide the information required to agree the appropriate repayment schedule will also be placed in arrears.
Income Contingent Loan	Also known as Income Contingent Repayment (ICR) Loan. Introduced in 1998, repayment is 9% of income above the income threshold. Includes ICR Maintenance Loans, Tuition Fee Loans, Hardship Loans and part-time loans. Hardship Loans and part-time loans ceased to be issued after 2003/04.
Income Threshold	The income level at which borrowers liable to repay will make repayments. In the case of repayments deducted by employers under Pay As You Earn (PAYE) the term "earnings threshold" is also used.
Liable to repay	The borrower has reached their Statutory Repayment Due Date (SRDD). See definition of SRDD.
Losses through phishing	Losses through phishing are write offs for loan payments re-directed by a fraudster that would otherwise have gone to a student. Phishing is a fraudulent attempt to obtain from customers information such as usernames, passwords and bank details by masquerading as a reliable entity in an electronic communication such as e-mail or instant messaging. If a student responds to the phishing email, payments that would otherwise go to that student may be redirected by the fraudster.

Maintenance Loan	Maintenance loans are loans to cover living costs.
New borrowers	Borrowers who had no loans at the beginning of the financial year and took out new loans during the financial year.
No live employment at Her Majesty's Revenue & Customs (HMRC)	Borrowers in the UK tax system where HMRC does not have a record of any current employment when the data cut is taken for these statistics and SLC does not yet have information to determine an alternative status.
Non-UK EU Borrower	A borrower who was originally domiciled in an EU country prior to entering higher education in Wales. Such borrowers are eligible from academic year 2006/07 and for Tuition Fee Loan only.
Overdue Debt	That part of the Loan Balance that is overdue for those borrowers who are in arrears.
Partial Cancellation	Partial cancellation is a policy introduced by the Welsh Government for students receiving Maintenance Loans in 2010/11, 2011/12 and 2012/13, whereby a cancellation of up to £1,500 may be applied on receipt of the first repayment against the first of those loans.
Refunds of Income Contingent Repayments	Where over-repayment is identified, a refund is provided to the borrower by SLC.
Repayment Cohort	A borrower is placed in a single repayment cohort. In some circumstances the repayment cohort may change, i.e. withdrawal from course of study. The repayment cohort is based on the year of the earliest Statutory Repayment Due Date (SRDD). See definition of SRDD below.
Repayment Plan	From 1 September 2012, the ICR Loan scheme has been separated into two different repayment arrangements called Repayment Plan 1 and Repayment Plan 2. They differ in the earnings threshold used to trigger repayment and the interest rate applied to outstanding balances. Repayment Plan 1 is applicable to students who started their course before 1 September 2012 while Repayment Plan 2 is applicable to students who started their course from 1 September 2012 onwards.
Statutory Repayment Due Date (SRDD)	The point a borrower becomes liable to begin repaying a loan, the April after graduating or otherwise leaving their course. After the SRDD borrowers are required to make repayments if their income is above the threshold.
Tuition Fee Loan	Tuition Fee Loans are loans to cover all or part of the cost of tuition. They are paid directly to the Learning Provider.
Written off loan	The borrower remains liable to repay but recovery is deemed unlikely by the loan administrator or not possible by legal judgement. Student loans continue to be subject to Individual Voluntary Arrangements (IVA) whereby part of the loan balance is written off once the borrower completes the repayment schedule in the IVA.

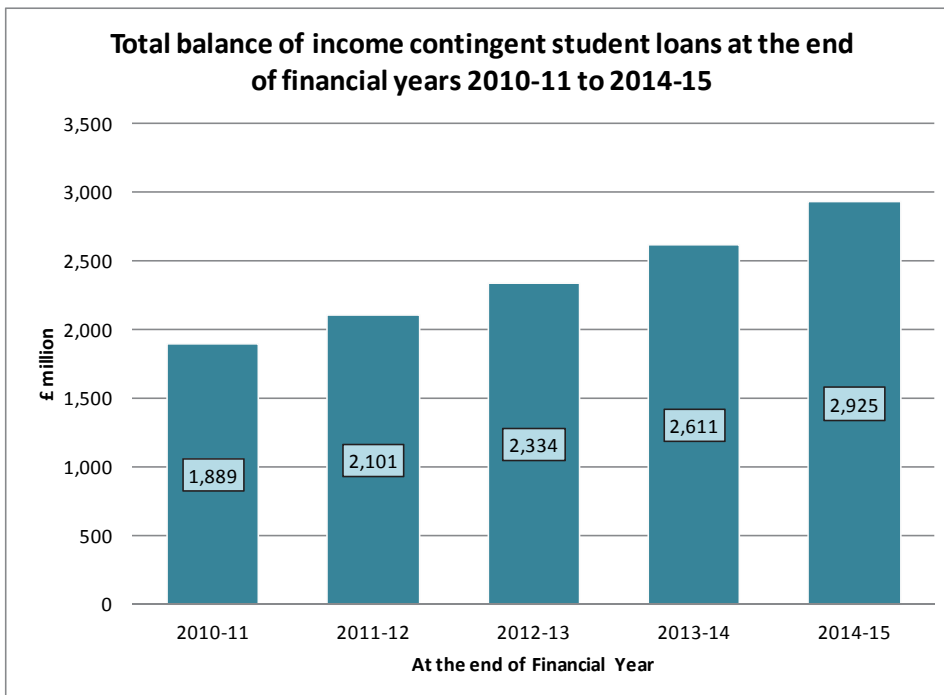
## STATISTICAL COMMENTARY

### Chart 1



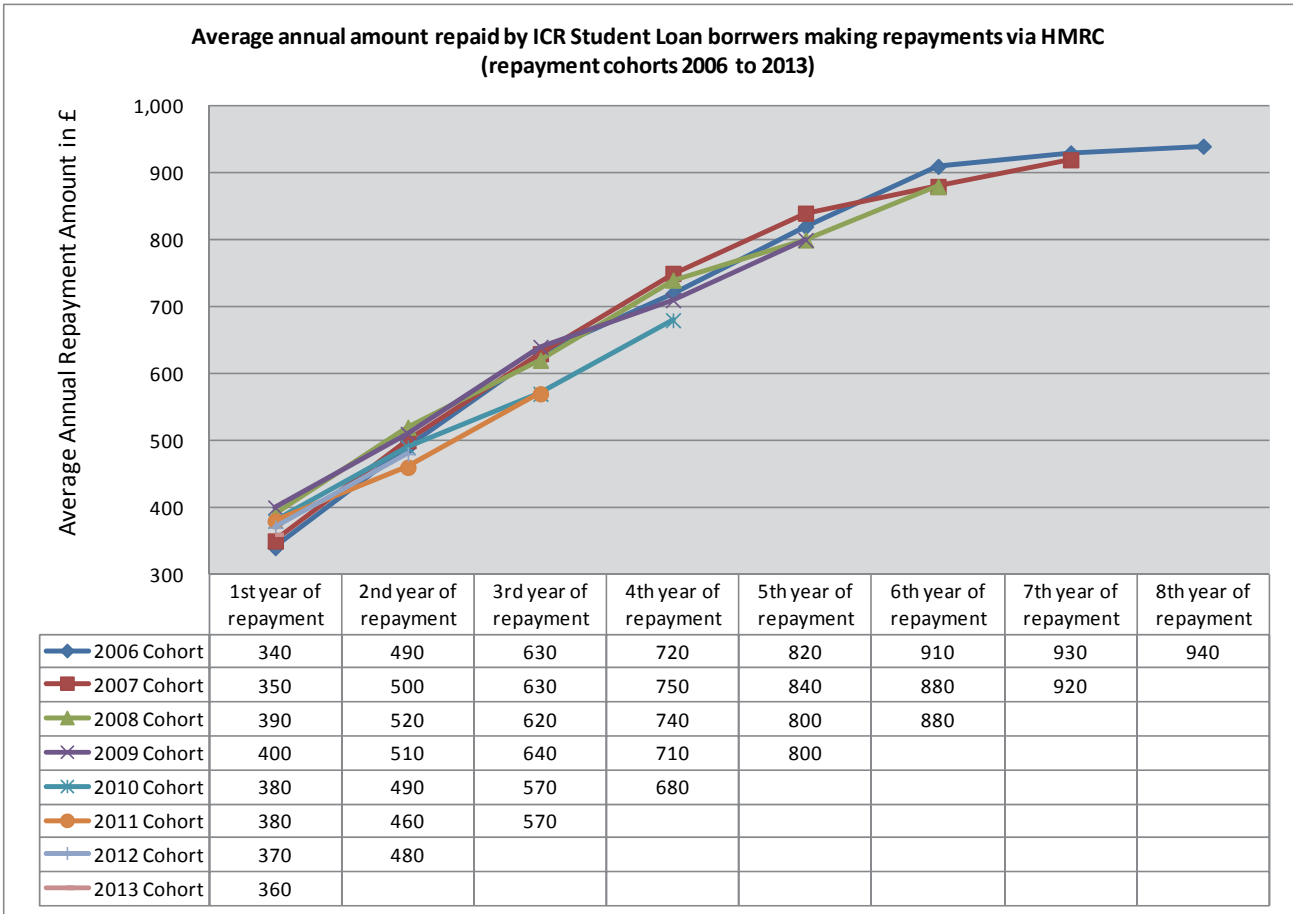
The total amount lent in financial year 2014-15 was £359.1 million, which is an increase of 9% when compared with financial year 2013-14.

### Chart 2



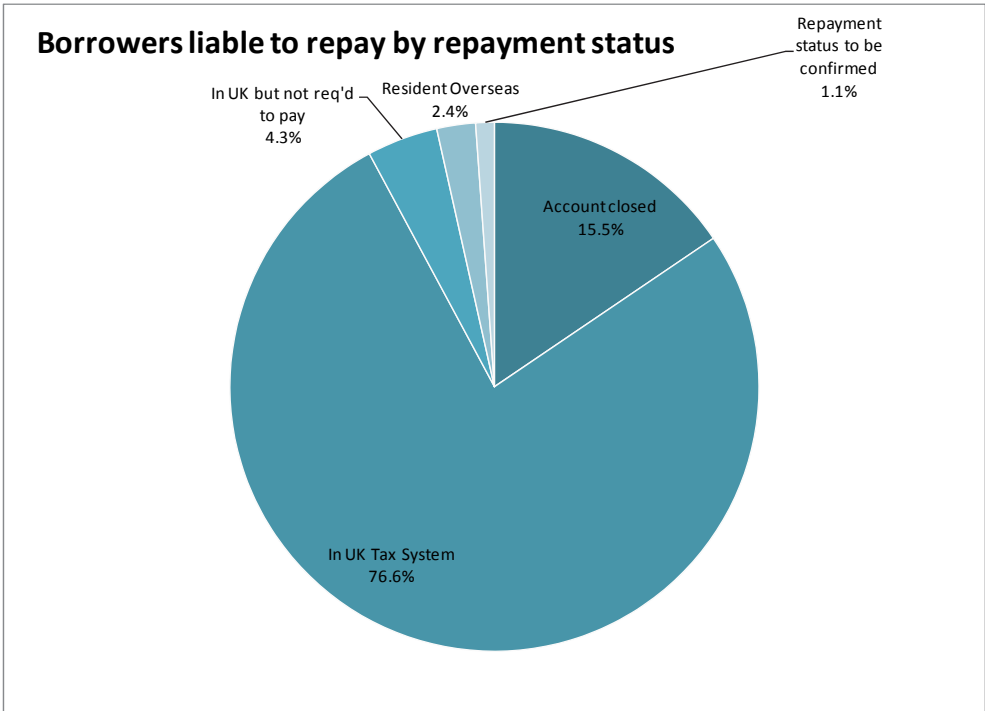
The total loan balance at the end of financial year 2014-15 is £2.9 billion, which is 12% higher than at the end of 2013-14. At this point in time the new lending and the interest added outweighs the repayments being made by those borrowers who are now liable to repay.

**Chart 3**



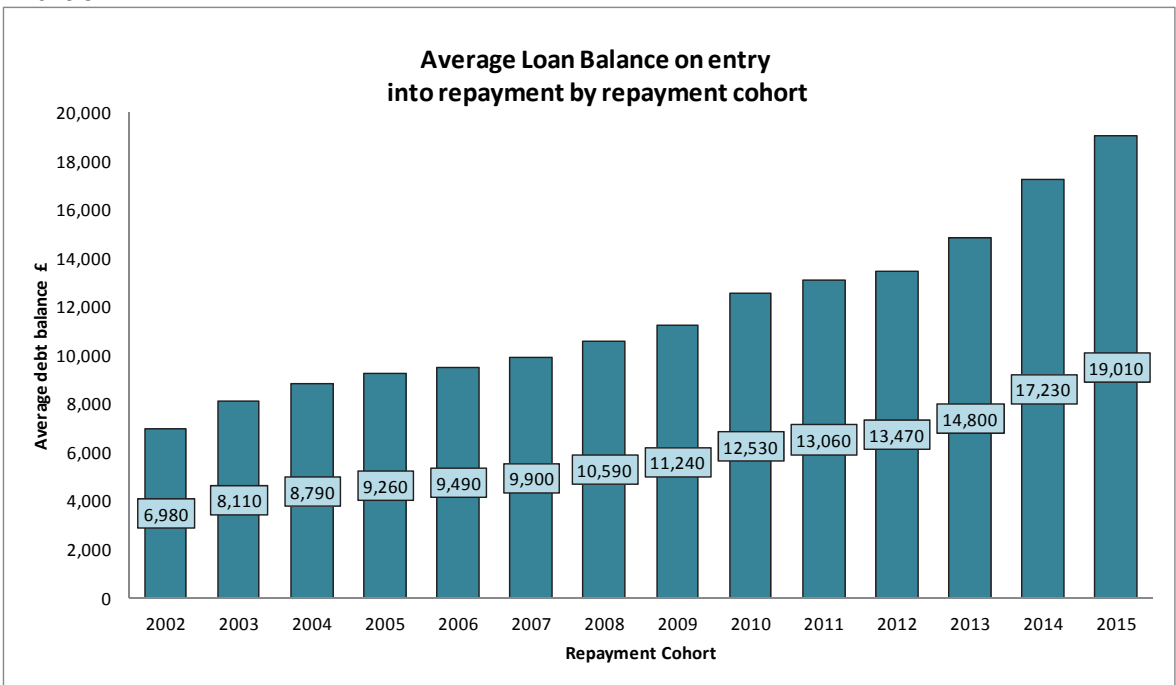
The average amount repaid increases sharply in the first and second years of repayment, followed by a more gradual increase over the following years. The increasing repayments are caused by income growth in the years after leaving HE. It can also be seen that the average repayment in the first year of repayment increased gradually through 2005 to 2009 and has decreased slightly since then. The most recent data points are for tax years 2012-13 and 2013-14 where the income threshold was raised which leads to lower repayments than would have been the case if the previous threshold had been retained. For later years there will be downward pressure on the average as borrowers start to fully repay. At the point they fully repay they are more likely to be repaying at a level above the average of those left in the cohort at that point.

**Chart 4**



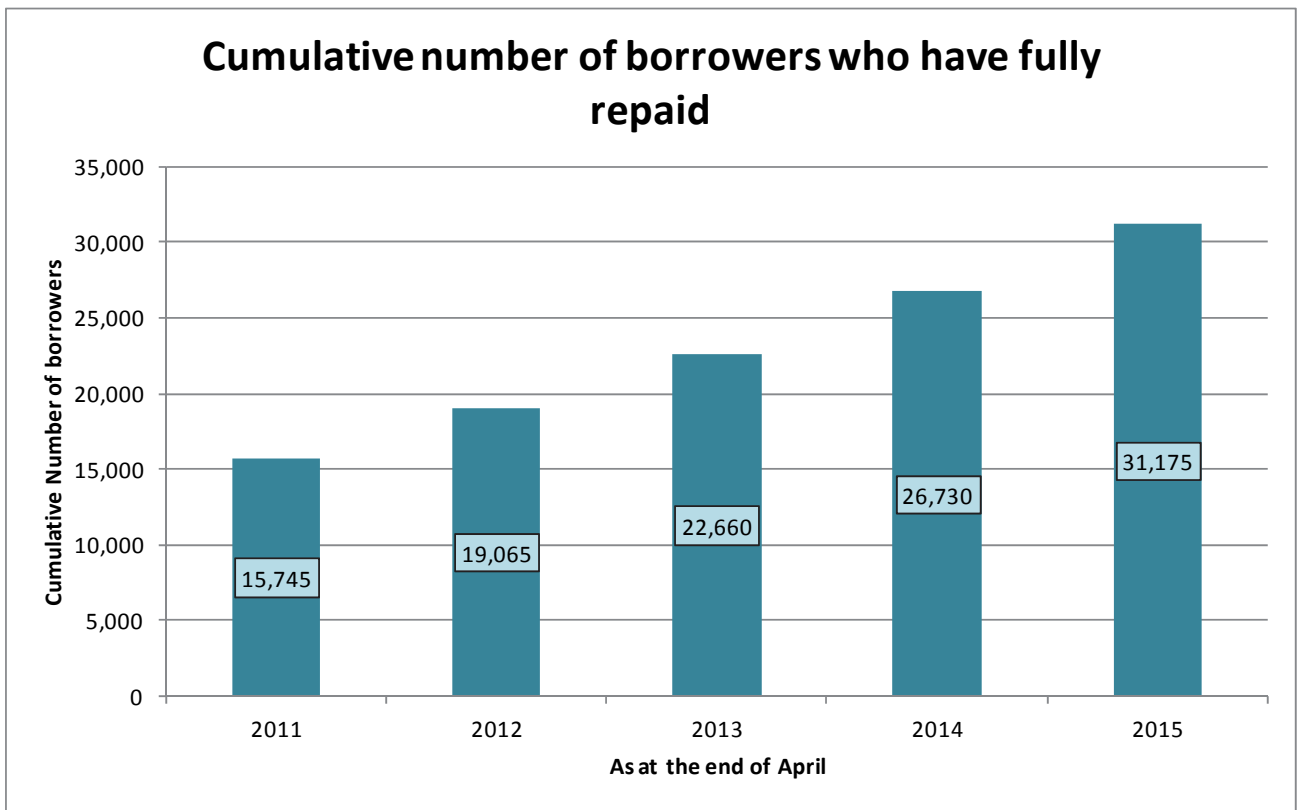
This chart covers all borrowers in all repayment cohorts liable to be repay as at 30/04/2015. 15.5% no longer retain any Loan Balance mainly due to full repayment. 76.6% are in the UK Tax system. Table 3A(ii) show how the number and percentage of borrowers in each repayment status varies by cohort.

**Chart 5**



This chart shows the average Loan Balance for borrowers at the point where their liability to repay first began. The average Loan Balance reflects the amount of loan available whilst studying and the number of years that the borrower chose to take loans for. Note that this table does not yet include any students covered by the new fee regime because they do not become liable for repayment until April 2016.

**Chart 6**



As at 30/04/2015 there are 31,175 borrowers who have entered repayment and have fully repaid. See Table 3A(i). The figures at the end of the previous years are taken from the equivalent table in the previous year's publications.



## **DATA SOURCES**

1. This publication uses data from a single source: administrative data from the SLC Customer Ledger Account Servicing System (CLASS). For details of the administrative sources see the published Statement of administrative sources published on the SLC website using the following link

[http://www.slc.co.uk/media/520778/slc\\_statistics - statement of administrative sources.pdf](http://www.slc.co.uk/media/520778/slc_statistics_-_statement_of_administrative_sources.pdf)

## **DATA QUALITY**

2. SLC has published the Quality Guidelines that it follows. As per those guidelines a Quality Plan is produced for each publication. The Quality Plan stipulates two stages of Quality Assurance. Data is extracted from the administrative systems then reviewed using a standard Quality Assurance checklist. The statistical tables created using that data are quality assured using the Statistical Quality guidelines. Further details can be found by following the link below

[http://www.slc.co.uk/media/653716/slc\\_statistics - quality guidelines.pdf](http://www.slc.co.uk/media/653716/slc_statistics_-_quality_guidelines.pdf)

## **DATA USES**

3. SLC has published a Uses Made document for Official statistics.

Further details can be found by following the link below

[http://www.slc.co.uk/media/756631/slc\\_official\\_statistics - use made.pdf](http://www.slc.co.uk/media/756631/slc_official_statistics_-_use_made.pdf)

## **REVISIONS**

4. Revisions within the data are denoted with an [r]. Some of these revisions are carried over from the previous year's publication and are, therefore, not revisions to this year's publication.

Further details can be found by following the link [http://www.slc.co.uk/media/520775/slc\\_statistics - revisions\\_policy.pdf](http://www.slc.co.uk/media/520775/slc_statistics_-_revisions_policy.pdf)

## **CHANGES INCLUDED IN THIS SFR**

5. There have been no changes to the scope or content of the publication this year. However, to make a distinction between the loan balance and monies due to have been repaid, the previous generic use of the term "Debt" has been replaced by "Loan Balance" and "Overdue Debt". See the Definitions, Table 1 and Table 5.

## **NOTES ON POLICY**

6. The statistics on student loans in this release were compiled by the Student Loans Company (SLC). They include public sector loans only, which are repaid on an Income Contingent basis. Responsibility for the Income Contingent Loan book was transferred to the Welsh Government in 2006

## **STUDENT SUPPORT ARRANGEMENTS FROM 2012/13**

7. New entrants in 2012/13 may be eligible for a means-tested Assembly Learning Grant of up to £5,000 and will have their Maintenance Loan reduced by £0.60 of every £1 of Assembly Learning Grant entitlement from the maximum Maintenance Loans up to a reduction of £2,844.

8. New entrants from 2012/13 who are subject to the existing variable tuition fees are entitled to a Tuition Fee Loan of up to £3,465.

9. New entrants from 2012/13 who are Welsh domiciled and studying in any publicly funded UK university or college (or EU students studying in Wales), who are subject to the new higher fees are also entitled to a new Tuition Fee Grant up to a maximum of £5,535 to make up the difference in fee costs of up to a maximum of £9,000.

10. Where a designated course is provided wholly by a private institution, students domiciled in Wales are eligible for a Tuition Fee Loan of up to £6,000 (no Tuition Fee Grant is available).

## **REPAYMENT OF INCOME CONTINGENT LOANS**

11. Repayments are at the rate of 9% of income above the income threshold. Apart from a few exceptions, where borrowers live overseas or have small balances, SLC does not collect monies from borrowers with Income Contingent Loans – this is done through the taxation system.

12. Over-repayments can occur due to the fact that the employer does not know the loan balance and simply makes the 9% deduction in the pay period. The employer is instructed to stop deductions once the SLC knows that the customer has fully repaid. Hence, with this process there is always a residual over-repayment by the customer which is refunded by the SLC. Another type of refund is where deductions were made in one or more pay period but the total earnings over the tax year are less than the earnings threshold.

13. From December 2009 a new repayment option was introduced which would allow those borrowers who were nearing end of repayment to switch to direct debit repayments. In doing so, borrowers avoid the possibility of over repaying their loan.

14. Students who took out a Maintenance Loan from Student Finance Wales in academic year 2010/11 or 2011/12 may receive a Partial Cancellation of up to £1,500 from the Welsh Government. The cancellation is applied on receipt of the first repayment against the loan. Hence, the cancellations appeared for the first time in 2011/12 after completion of academic year 2010/11. If a student has a loan in both 2010/11 and 2011/12 the cancellation is only applied to the 2010/11 loan even where the resultant cancellation is limited by the remaining balance to an amount lower than £1,500.

## **REPAYMENT PLAN 1**

15. Students who began their course prior to 1<sup>st</sup> September 2012 are on Repayment Plan 1. Repayments for Repayment Plan 1 loans are at the rate of 9% of income above the income threshold which was £10,000 until April 2005 and then £15,000 until April 2012 when it changed to £15,795. From April 2013, the threshold was £16,365; from 6<sup>th</sup> of April 2014 it was £16,910; and from 6<sup>th</sup> April 2015 it was £17,335.

16. The Repayment plan 1 interest charge is affected by a cap at the bank base rate of +1%. From 1 September 2014 until 31 August 2015, the interest rate for the Plan 1 Income Contingent Repayment Loans will be the lower of the Retail Prices Index (RPI) in March 2014, or 1% above the highest base rate of a nominated group of banks. As the RPI for March 2014 was 2.5%, the rate of interest charged between 1 September 2014 and 31 August 2015 is 2.5%. However, due to the low interest rate cap, the rate from 1 September 2014 will be 1.5% until further notice. The interest rate does not affect the monthly repayment amount of Income Contingent Loans; it will affect the time taken to repay.

## **REPAYMENT PLAN 2**

17. Students who begin their course on or after 1 September 2012 are on Repayment Plan 2 and are subject to a different income threshold for repayment which will be £21,000 from April 2016. They will make repayments at 9% of their income above the threshold. Borrowers will normally be liable to make repayments from the April after they leave their course, but for administrative reasons repayments will not be taken through the tax system until April 2016.

18. The Repayment Plan 2 interest charge whilst studying is RPI+3% and remains so up until the April after leaving the course. The current rate, which is applied from 1 September 2013 to 31 August 2014, is 2.5% + 3 % = 5.5%. Once borrowers are due to repay, interest will be variable and income contingent. Those earning £21,000 or less will be charged at the rate of inflation (RPI), interest rates for those earning between £21,000 and £41,000 will be on a sliding scale from RPI to RPI+3%; and those earning £41,000 or more will accrue interest at RPI+3%. Anybody finishing or leaving their course before April 2016 is charged RPI only from the April after they leave until April 2016.

## **ANNUAL INTEREST RATE**

19. The annual Retail Price Index from March to March is always used as the basis for the interest rate for both types of student loan from the following September to August. However, additionally for Repayment Plan 1 ICR loans, the interest rate cannot be more than 1% higher than the base rate of major banks.

## **RELATED STATISTICAL PUBLICATIONS**

20. SLC also produces the Official Statistics: 'Student Support for Higher Education in Wales'. This publication provides statistics on Welsh domiciled and EU domiciled applicants studying in Wales, which have been approved for student support by academic year of application.

The latest publication can be found at: [http://www.slc.co.uk/statistics/official-statistics-\(slc\)](http://www.slc.co.uk/statistics/official-statistics-(slc))

21. For information on student support arrangements in place for Welsh domiciled students and EU students studying in Wales, visit the Student Finance Wales web site: <http://www.studentfinancewales.co.uk>

22. Link to Welsh Government Student Finance Statistics website:  
<http://wales.gov.uk/topics/statistics/theme/post16ed/student-finance/?lang=en>

## **FACTORS AFFECTING TIME SERIES**

23. The first two repayment cohorts (2000 and 2001) are atypical because they will comprise borrowers on one year courses (such as HNC and postgraduate Initial Teacher Training) or they will be students who dropped out before completing three years of study. The first repayment cohort containing graduates from three year courses is the 2002 cohort.

24. From April 2005 the Income Contingent Repayment threshold changed from £10,000 to £15,000. Those borrowers prior to April 2005, who were earning more than £10,000 and less than £15,000, would cease repaying until their income reached the new threshold. The threshold increased in April 2012 to £15,795 and in April 2013 the threshold increased to £16,365.

25. From 2009, SLC have been taking action against those borrowers who moved overseas and did not provide SLC with adequate information to allow the processing of repayments. One of the measures is to place borrowers in arrears so that legal action may be brought against them. This necessary change in the process led to an increase in the number of borrowers residing overseas and in arrears. It should be noted that the figure will also include UK borrowers who have moved overseas after completing their studies.

26. The 2010 cohort of EU borrowers is the first significant group of EU borrowers who have come into repayment, comprising of 2006/07 entrants on three year courses. The 2011 cohort includes some 2006/07 entrants on four year courses and those who have repeated a year. Academic Year 2006/07 was the first year that European Union domiciled students could be awarded tuition fee student loans. Therefore EU borrowers in earlier repayment cohorts will mostly comprise of those borrowers on one or two year courses or those who have dropped out of their course.

27. Cancellations due to Bankruptcy and Individual Voluntary Arrangement do not occur at the point the borrower has notified SLC of this action but at the point SLC has been able to process the cancellation. For IVA, this will be at the point the borrower has honoured the arrangement by repaying the agreed proportion of loan balance. For bankruptcy, this will be the point where SLC has obtained evidence of the concluded bankruptcy from the borrowers elected legal practitioner. For this reason it is not possible to assume a trend in these cancellation figures. Legislation has changed to make student loans exempt from Bankruptcy and IVA so there will be a trend to zero as outstanding cases are concluded.

## NOTES FOR USERS

### Repayment Status (Table 3)

28. Some of the repayment status categories in Table 3 are the result of information received from HMRC. This information is received on a monthly basis, giving the up to date employment status of borrowers. Borrowers are grouped as follows:

- a. If HMRC cannot identify the borrower in their records from the information provided by SLC the borrower will be in the category of “Not Currently Repaying - Further Information Being Sought”.
- b. If it shows they are currently on Job Seekers Allowance then they will be in the category of “does not require repayment at this point”.
- c. If they are in their first year of liability and it shows they are in employment then they will be in the category of “awaiting first tax year return to determine if earnings above threshold”.
- d. If HMRC have found the borrower but there is no employment record at the end of the latest month they are in the category of “In UK tax system – No Live Employment at HMRC”.
- e. Once the borrower has been in the tax system for one tax year HMRC will be able to pass on returns from the borrower’s employer(s) to show if the borrower is above or below the earnings threshold for repayment. HMRC notify SLC of repayments deducted by employers during a year once employers provide those details to HMRC on their annual returns after the end of the tax year. So it is only when that happens, that SLC will know if a borrower has been above or below the earnings threshold. The borrower will then be shown in the appropriate category.
- f. However, if the borrower has ceased to have an employment record they will revert to being in “In UK tax system – No Live Employment at HMRC” because that is a more up to date indicator than the post tax year earnings record.

29. The profile of EU domiciled borrowers is different to that of UK domiciled borrowers for a number of reasons: firstly only those who have worked in the UK will have a National Insurance number. Secondly, they are more likely to go overseas after HE than UK domiciled borrowers. Although the profiles are different it should be noted that the majority of borrowers who are known to be resident overseas are UK nationals.

### Repayments via HMRC (Tables 4A and 4B)

30. The average repayment amount dropped for all repayment cohorts except the 2004 cohort between tax year 2004/05 and 2005/06 due to the increase in the income threshold from £10,000 to £15,000. The growth in earnings in year 2 of repayment for the 2004 cohort was enough to offset the effect of the income threshold change.

### Repayments via direct repayment channel to SLC (Table 4C)

31. The average repayment is significantly higher than repayments made via HMRC (Table 4B). This is because some EU borrowers have chosen to make direct repayments to repay their balance

in full or make large lump sum repayments to reduce the balance. Direct repayments to SLC include voluntary repayments which can be made by borrowers who are not yet due to repay, and additional voluntary repayments from borrowers who are also making repayments via HMRC. Direct payments also include payments from EU Tuition Fee Loan borrowers who are living overseas, who are liable to repay, and are doing so via a repayment schedule. Details of repayment rates per country of residence can be found at : <http://www.studentloanrepayment.co.uk>

### **Loan Balances (Table 5)**

32. The average loan balance for each repayment cohort has increased year on year. Interest added to the balance in the early years of repayment has tended to outweigh the repayments made and many of the borrowers have gone on to take out further loans after their initial loans became liable for repayment. Table 5 excludes those who have fully repaid their loans; therefore figures on average amount owed cover those who have a remaining balance only.

### **USER CONSULTATIONS**

33. Consultation exercises are conducted by SLC on the Official Statistics it produces in order to understand who uses the publications, for what purpose, and to find out how they can be made more useful in terms of content, methodology, timeliness and presentation. As part of the consultation process SLC runs surveys. See the User Consultation Survey section of the SLC website at <http://www.slc.co.uk/statistics/statistics-user-consultation.aspx>

### **NATIONAL STATISTICS**

34. This is an Official Statistics publication. National and Official Statistics are produced to high professional standards set out in The Code for Official Statistics. They undergo regular quality assurance reviews to ensure they meet customer needs. The outputs typically include information on quality using the dimensions of Relevance, Accuracy, Timeliness and Punctuality, Accessibility and Clarity, and Comparability. They are produced free from any political interference.

## TABLE GUIDE

- Table 1** The amounts paid out in Income Contingent Loans and repayments applied to individual loan accounts during financial years 2012-13 to 2014-15 broken down by repayment plan and study mode.
- Table 2** Detailed breakdown of figures for Income Contingent Loan borrower repayment activity for 2014-15 and comparisons to figures for financial years 2012-13 and 2013-14.
- Table 3:** The repayment status of the ICR borrowers by repayment cohort as at 30 April 2015
- Table 4:** The repayments made by ICR borrowers via HMRC in tax years up to and including tax year 2013-14 as known by SLC at 30/04/2015. Table 4C details repayments made by non-UK EU borrowers making repayments directly to SLC.
- Table 5:** The outstanding loan balance for ICR borrowers at the end of each tax year since their liability to repay began.

## TABLES

The tables are available at:

<http://www.slc.co.uk/official-statistics/student-loans-debt-and-repayment/wales.aspx>