Request

I refer to your recent letter dated 29th May 2017, which was received on 5th June 2017, requesting the following information under the Freedom of Information Act 2000 ("FOIA"):

"How much money in total does HMRC overcharge, on behalf of the SLC, each year; and how much interest does the SLC and/or HMC make on this money?"

Due to your reference to HMRC and overcharging, your request has been interpreted as relating to student loan over-repayments for Income Contingent Repayment ("ICR") student loans.

Background information

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").

HMRC does not know the outstanding balance of any student loan borrower. Employers are obliged to make student loan deductions when:
  • they receive a form SL1, 'Start Notice' from HMRC;
  • a new employee gives their employer a form P45 with a 'Y' in the 'Student Loan deductions to continue' box (box 5); or
  • a new employee tells their employer that they are repaying a student loan.

Deductions are made when the borrower earns above the relevant repayment threshold, at a rate of 9% of anything earned above the threshold.

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 overnight to the HM Treasury Consolidated Fund and used to meet general government expenditure.

SLC has a scheme for borrowers which aims to prevent 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. 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.

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").

Response

Having conducted a search of our records, I can confirm that SLC holds information falling within the scope of your request. Your request is not specific in terms of the timeframe you are wishing to receive data for.

In response to your first question, the latest over-repayment data available is for tax year 2015/16. Please find this attached, and refer to the notes at the bottom of the table on the results tab for additional information.

Over-repayment data for previous tax years back to tax tear 2008/09 is available on our FOI Disclosure Log, and is therefore considered exempt from disclosure under section 21(1) of the FOIA as this information is reasonably accessible to you by other means. Please refer to our previous over-repayment FOI responses which can be found at the following links:

- http://www.slc.co.uk/freedom-of-information/freedom-of-information-disclosures/foi-disclosure-log-2016.aspx - FOI request 111-16

- http://www.slc.co.uk/freedom-of-information/freedom-of-information-disclosures/foi-disclosure-log-2015.aspx - FOI request 106-15

- http://www.slc.co.uk/freedom-of-information/freedom-of-information-disclosures/foi-disclosure-log-2014.aspx - FOI request 238-14

Please note that the data that is already published has different effective dates.

If you wish to receive historical over-repayment data, we also hold data for a previous FOI response issued in 2011, which dates back to tax year 2000/01 which is the first tax year in which ICR loans became repayable. This data covers England only, as opposed to the whole of the UK. If you would like to receive a copy of this historical FOI data, please advise by return.

In response to your second question about interest, neither HMRC nor SLC earn interest on the over-repayment monies.   Only repayment information (and not the actual monies) is received by SLC from HMRC. As stated above, student loan repayment monies collected by HMRC are transferred overnight to the HM Treasury Consolidated Fund. Furthermore, over-repayments are refunded to borrowers with interest in accordance with the provisions of Regulation 20 of the 2009 Repayment Regulations.