

Request Reference 87-17

Date of Response: 09/06/2017

Request

- “1. The number of people who have been charged penalty interest rates on their loans.*
- 2. The length of time each of these individuals were charged the penalty interest rates for.*
- 3. The percentage that this interest is charged at and how this is calculated*.*
- 4. The amount of money that each individual had added to their debt as a result of the penalty interest being applied.*
- 5. The overall figure for how much debt has been added to all loans where penalty interest has been applied**.*
- 6. All the circumstances under which penalty interest rates are applied.*
- 7. The number of people who have made complaints about penalty interest rates being applied to their accounts.*
- 8. How many of the people in question 7 had the penalty interest revoked from their account? In cases where it was revoked for part of the time, please state the details.*
- 9. Of the people in question 7, how much money was added to their debt (which was later removed)?*
- 10. The company's policy on penalty interest rates on student loans - and any changes to this policy throughout the company's history.*

**For example, if the loan was £100, with normal interest at 1% and penalty interest at 5%, the person's loan would become £106 after one month, rather than £101, meaning penalty interest cost them £5, etc etc.*

***For example, if three people had been charged penalty interest, adding £30, £40 and £50 to their debts, as a result of penalty interest, this figure would be £120. (Please don't include the money from question 8).*

If any of these questions push the research over the given fee limit, then please answer as many as possible in chronological order.

If possible within the fee limit, please provide the same statistics for each of the last five years, for questions 1, 2, 3, 4, 5, 7, 8 and 9.

If this the pushes the research over the fee limit, please provide as many years as possible, working from the most recent years first.”

“Penalty interest rates” have been interpreted as “non-compliance interest rates” (hereinafter referred to as “NCR”). NCR only apply to plan 2 Income Contingent Repayment (“ICR”) student loans (hereinafter referred to as “plan 2 loans”), which were taken out by borrowers who started a full-time or part-time course on or after 1 September 2012 and live in England or Wales, or are an EU student funded by England or Wales.

The first tranche of Plan 2 ICR loans entered repayment in April 2016. Accordingly, the NCR only came into effect in April 2016, and was not applied to the accounts of any Plan 2 ICR borrowers before this date. Accordingly, only 1 years’ worth of data is available.

Response

I can confirm that the information that you have requested is held by the Student Loans Company Limited ("SLC"). Please note that within the appropriate costs limit it has been possible to answer all of your questions with the exception of question 9. Our response to your individual questions follows.

Questions 1, 2, 4 and 5

Please refer to the attached spreadsheet. Please refer to the additional notes at the bottom of the tables on the results worksheet.

For question 4 it is noted that you have requested the amount each individual borrower has had added to their student loan debt as a result of NCR being applied. This can be found on the "customer data" worksheet. Please note that these borrowers would have been charged interest at a variable rate depending on their income, ranging from 1.6% up to 4.6%. Cumulative data has been included in the results worksheet.

Question 3

This information is held by SLC, however exempt from disclosure under section 21(1) as it is considered reasonably accessible to you by other means.

The Plan 2 ICR student loan interest rates calculation is prescribed by legislation, with the rates depending on the Retail Price Index ("RPI"). The calculation can be found in Regulation 21A of the Education (Student Loans) (Repayment) Regulations 2009, as amended (the "2009 Repayment Regulations"), which was inserted into the 2009 Repayment Regulations by Regulation 10 of the Education (Student Loans) (Repayment) (Amendment) (No 2) Regulations 2012 (available at <http://www.legislation.gov.uk/uksi/2012/1309/contents/made>).

The current NCR (up to and including 31/08/2017) was announced in August 2016, and is available on our repayment website at http://www.studentloanrepayment.co.uk/portal/page?_pageid=93,6678755&_dad=portal&_schema=PORTAL, and are the rates associated with the following description - "*If you don't respond to our requests for information or evidence*".

Question 6

The circumstances in which NCR is applied are detailed Regulation 21A(4) of the 2009 Repayment Regulations, therefore technically exempt from disclosure under section 21(1) of the FOIA as this information is considered reasonably accessible to you by other means. Please refer to the legislation.gov.uk link provided above in response to question 3.

In short, NCR will be applied for failing to comply with Regulations 22 (information requests), 23(4) (information notices) and 72 (notice of overseas residence) of the 2009 Repayment Regulations (these

provisions can be found in the original 2009 Repayment Regulations at <http://www.legislation.gov.uk/uksi/2009/470/contents/made>).

Questions 7 and 8

I can confirm that between 01/04/2016 and 30/04/2017, 42 borrowers made formal complaints about NCR being applied to their accounts, which have been dealt with by our Customer Relations Unit.

Of the 42 complaints closed:

- there has been no SLC error in any of these 42 complaints;
- 37 have had NCR applied - in 5 cases it was never added to the account;
- 18 of the 37 cases have had NCR cancelled; and
- in 2 of these 18 cases NCR has subsequently been re-applied for a later date and not removed.

Question 10

To clarify, the policy relating to NCR is not SLC's policy. All student loan interest rates are prescribed by legislation and is government policy.

As mentioned above, NCR only apply to plan 2 loans. Plan 2 loans only entered into repayment in April 2016, and standard interest rates were applied up to this time.

The NCR has only changed once since it first came into effect in April 2016, due to a change in the RPI.

The NCR applicable from 06/04/2016 to 31/08/2016 can be found at <http://www.slc.co.uk/media/latest-news/changes-to-interest-rates-and-thresholds.aspx>.