Student finance

We've seen that there are costs for those people who want to go to university, but there is also financial support in the form of student loans.

Student loans

If you decide to go to university you can apply to the Students Loans Company (SLC) for a Tuition Fees Loan. The SLC will pay the fees to the university directly.

In addition to a loan needed to pay the tuition fees, most students will also apply for a Maintenance Loan to cover their day-to-day living costs, like accommodation, food, transport, phone and laptop costs. The SLC will pay the Maintenance Loan directly to you.

You will then owe money to the SLC but you do not have to pay it back until you leave university, are in work and earning above a certain level. This applies to both the Tuition Fee Loan and Maintenance Loan.

The maximum you can borrow depends on how much your parents/carers earn (the household income) – for example, in the 2019/20 year this was £8,944 (£11,672 if studying in London). If the household income is about £25,000 you can expect to get the full loan each year, but as household income rises the Maintenance Loan is reduced. If household income is very high there is still a minimum Maintenance Loan given to students of £3,314, so the student will be expected to make up this gap, likely to be with money from parents, as it is due to the parents'/carers' higher income that the student receives less.

The Maintenance Loan is split into three payments, which are paid directly into your bank account at the start of each term. So, unlike tuition fees, you are in control of how your maintenance loan is used.

If you did a 3-year university course, and borrowed the maximum Maintenance Loan each year, at the end of the course you would owe the SLC approximately:

£27,750 Tuition Fees Loan (3 x **£9,250**)
+
£26,832 Maintenance Loan (3 x **£8,744**)

£54,582 Total Loans

If you choose to do a 4-year course these figures would increase.

This sounds like a lot of debt, but it is very important to have the full picture about when and how much you will have to repay:

1. **You only start to repay any loans once you have left university and got a job earning over a certain amount.**
2. **You only repay when, or for as long as, you earn more than £26,575 per year.**

   You repay 9% of anything you earn over £26,575. So, if you earn £30,000 a year you would pay back 9% of £3,425. That's £308.25 per year. If your income drops below £26,575 your repayments will stop and only re-start again once you earn above £26,575.

   Note that the earnings threshold does tend to increase each year, making the amount you are able to earn before you start making repayments slightly higher. This accounts for the impact of inflation – the increasing cost of goods and services from one year to the next.
3. **After 30 years, all remaining debt is wiped.**

   If you still owe any money on your student loan after 30 years (from the April after graduation) the debt is cancelled. If you never get a job earning over the threshold, it means you won't have repaid a penny. If you still owe £20,000 after 30 years the debt is cancelled, and you owe nothing.
4. **The loan repayments are made automatically.**

   All student loans since 1998 have been repaid through the payroll – this means that once you're working, your employer will deduct the repayments from your salary before you get it (we'll look at this more a little later on). The amount you receive in your bank account each month already has it removed. So, you don't have to worry about organising how to pay the debt – it will be paid automatically.

5. Student loans DO NOT go on credit files.

When you borrow from a bank for a credit card, loan or mortgage, lenders look at three pieces of information before they decide whether or not to give you the loan: your application form; any previous dealings they've had with you; and crucially, the information on your credit reference files.

Your credit history will be listed on these files – but student loans are not included. This means the money you owe on a student loan will not impact your credit worthiness.

Interest on student loans

As with other forms of borrowing, interest is also applied to student loans and will be taken into account when your repayments are calculated. To find out more about the impact of interest on borrowing, take a look at the 'Borrowing' chapter.

DID YOU KNOW?

The way student loans work is different in England, Scotland, Wales and Northern Ireland.

This information is for an English student attending an English University.

DISCUSSION

Because of the way student loans are repaid there is an argument that they are more like a graduate tax than a loan repayment. What do you think?

CASE STUDY

Syrah is a first-year student on a 3-year degree course. After 3 weeks of her course she has noticed that her maintenance loan is being spent faster than she had expected. Her parents' income allowed her to receive the full maintenance loan and at the start of term she had £2,880 paid into her bank account. The first term lasts for 12 weeks.

As it's her first year, Syrah lives in a hall of residence. The cost of this was £1,440 for the term, which had to be paid in the first week. She has looked at all of her expenses to date and worked out that after 3 weeks she has spent the following:

Food and drink	**£120**
Clothes	**£60**
Transport	**£54**
Mobile phone	**£36**
Laundry	**£30**
Books	**£60**
Socialising	**£105**
Insurance	**£36**
Gym membership	**£6**
Total spending over 3 weeks is	**£507**

To help Syrah keep track of her spending, prepare a weekly budget for her.

What advice would you give to Syrah to help manage her money?