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Student Loans for Higher Education in Scotland: Financial Year 2018-19

Introduction

This publication provides statistics on loan outlays, repayments and borrower repayment status for Scotland domiciled students studying in Higher Education (HE) in the UK and EU students studying in Scotland. The figures cover Income Contingent Loans (ICR), which were introduced in 1998/99, for financial years up to and including 2018-19.

Key Points

- The amount lent to Higher Education borrowers increased by 2.7% to reach £615.0m in financial year 2018-19. *Table 1 and Chart 1*
- Net repayments posted to customer accounts within Higher Education increased by 2.9% to reach £148.9 million in financial year 2018-19. The voluntary repayments decreased by 8.7% to reach £14.1 million. *Table 1*
- The balance outstanding for Higher Education loans increased by 10.7% to reach £5.5 billion at the end of financial year 2018-19. *Table 1 and Chart 2*
- The average loan balance for Higher Education borrowers in the 2019 cohort which entered repayment at the end of tax year 2018-19 was £13,800. *Table 5(iii) and Chart 5*
- With the entry of the 2019 repayment cohort into repayment in April 2019, there were 421,500 borrowers liable for repayment and still owing (an increase of 4.7% compared to April 2018). There were a further 84,300 borrowers not yet liable for repayment bringing the total still owing to 505,800. *Table 3 (i)*
- 140,700 (24.7%) of the borrowers who had become liable to repay had fully repaid their loan. *Table 3 (i) and (ii)* shows how the number and percentage of borrowers who had fully repaid their loan varies by cohort. *Chart 6*

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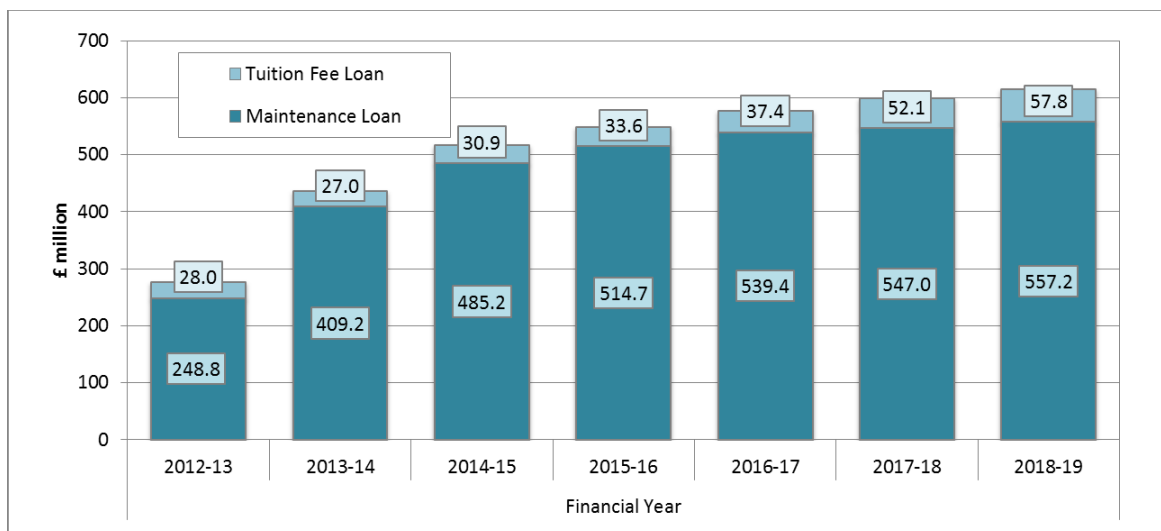
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Definitions

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.
Cancelled loan	The borrower no longer has any liability to repay as provided for in the loans regulations. An ICR borrower's liability shall be cancelled: <ul style="list-style-type: none"> • On the death of the borrower; • When, in the case of pre-2007 student loans, age 65 is reached; • When, in the case of post-2007 student loans, the 35th anniversary of the date on which the borrower became liable to repay the student loan; or • If/when the borrower is disabled and permanently unfit for work
Entered repayment status / in repayment status	The borrower has reached the point where repayment is scheduled to commence, that is, the April after he/she graduates or leaves his/her studies.
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 academic year 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.
Net repayments	Repayments minus refunds of repayments.
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.
Overdue Debt	That part of the Loan Balance that is overdue for those borrowers who are in arrears.
Refunds of income contingent repayments	Where over-repayment is identified, a refund is provided to the customer 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.
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.
Written off loan	The borrower remains liable to repay but recovery is deemed unlikely by the loan administrator or not possible by legal judgement.

Statistical Commentary

Chart 1: Total amount lent in financial years 2012-13 to 2018-19



The step change in maintenance loan lending in financial year 2013-14 follows on from the policy change for new entrants in academic year 2013/14 whereby the minimum annual loan payment increased from £850 in 2012-13 to £4,500. In 2014/15 it increased to £4,750 and has remained at this level since. Tuition Fee Loans also increased in 2012/13 for Scottish students studying elsewhere in the UK.

The total amount paid out in maintenance loans in 2018-19 was 1.9% higher than in 2017-18. The total amount paid in tuition fee loans increased by 10.9% in comparison to the previous financial year. *See Table 1*

Chart 2: Total balance of income contingent student loans at the end of financial years 2012-13 to 2018-19

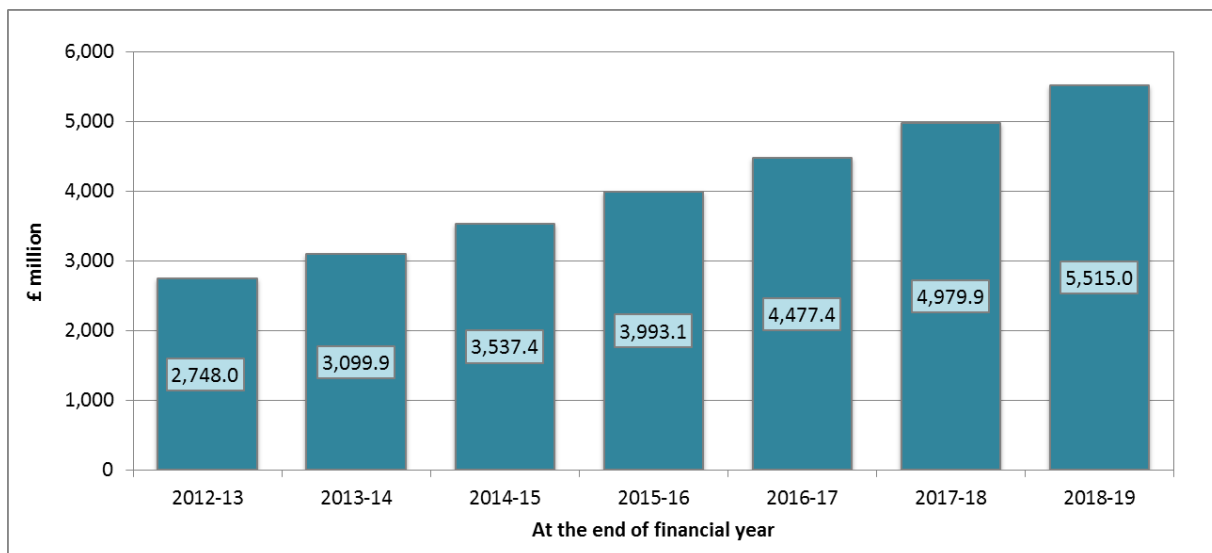
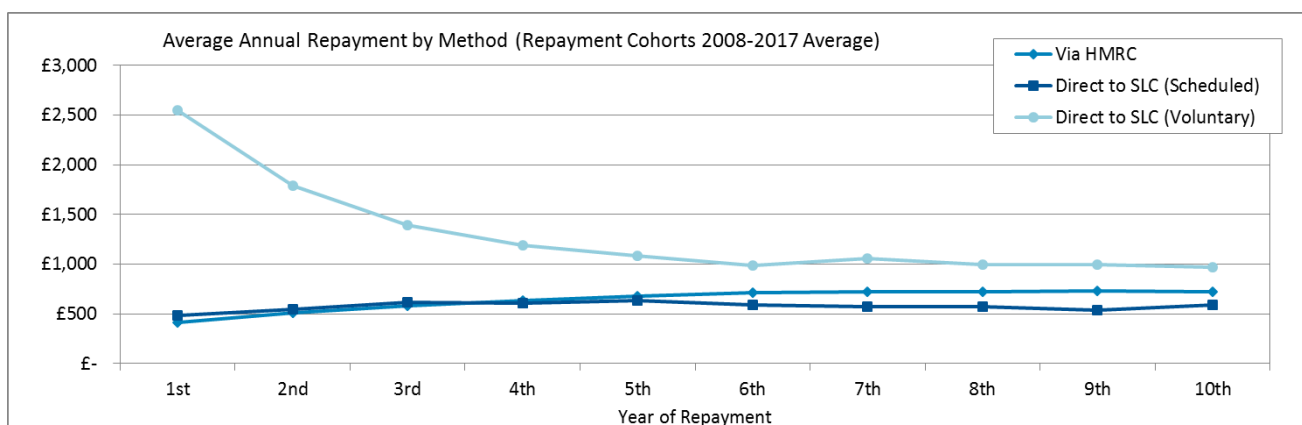


Chart 3: Average annual amount repaid by Higher Education ICR Student Loan borrowers (Repayment cohorts 2008 to 2017)



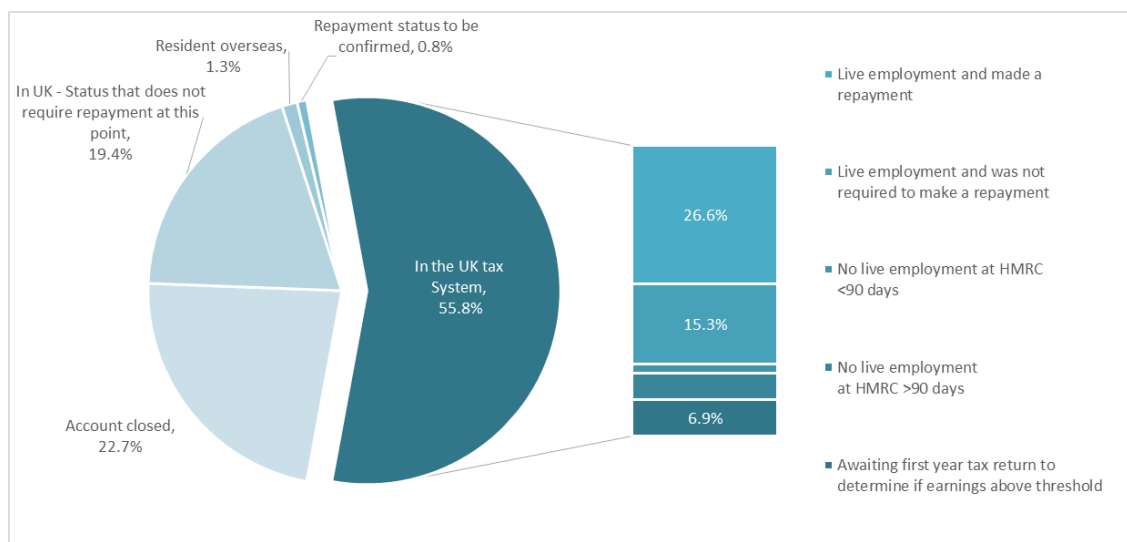
Average Annual Repayment - All Cohorts										
Year Of Repayment	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
via HMRC	£ 410	£ 510	£ 580	£ 630	£ 680	£ 710	£ 720	£ 720	£ 730	£ 720
Scheduled	£ 480	£ 550	£ 620	£ 610	£ 630	£ 590	£ 570	£ 570	£ 540	£ 590
Voluntary	£ 2,550	£ 1,790	£ 1,390	£ 1,190	£ 1,080	£ 990	£ 1,060	£ 1,000	£ 1,000	£ 970

The above table is generated using the average annual repayment (by method) for repayment cohorts 2008 to 2017. See Table 4

The most recent data points for financial years 2012-13 onwards show the effect of the increased income threshold which reduces the repayment amounts if the borrower income does not increase to the same extent. For later years of repayment there will be downward pressure on the average repayment 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.

Scheduled and voluntary payments are made directly to SLC, outside of the HMRC deduction system. Scheduled payments are made by borrowers nearing the end of their repayment term. Borrowers can opt to move onto a direct debit scheme paid directly to SLC to avoid overpayment via PAYE deductions. Voluntary payments are additional payments a borrower can choose to make at any point in the repayment term.

Chart 4: Borrowers by repayment status as at the beginning of the FY 2019-20



This chart covers all borrowers in all repayment cohorts as at 30 April 2019. 22.7% no longer retain any Loan Balance mainly due to full repayment. 55.8% are in the UK Tax system of which 26.6% are in employment and made a repayment in the 2018-19 tax year. *Table 3A (i) and (ii)* shows how the number and percentage of borrowers in each repayment status varies by cohort.

Chart 5: Average Loan Balance on entry into repayment by repayment cohort as at the beginning of FY 2019-20

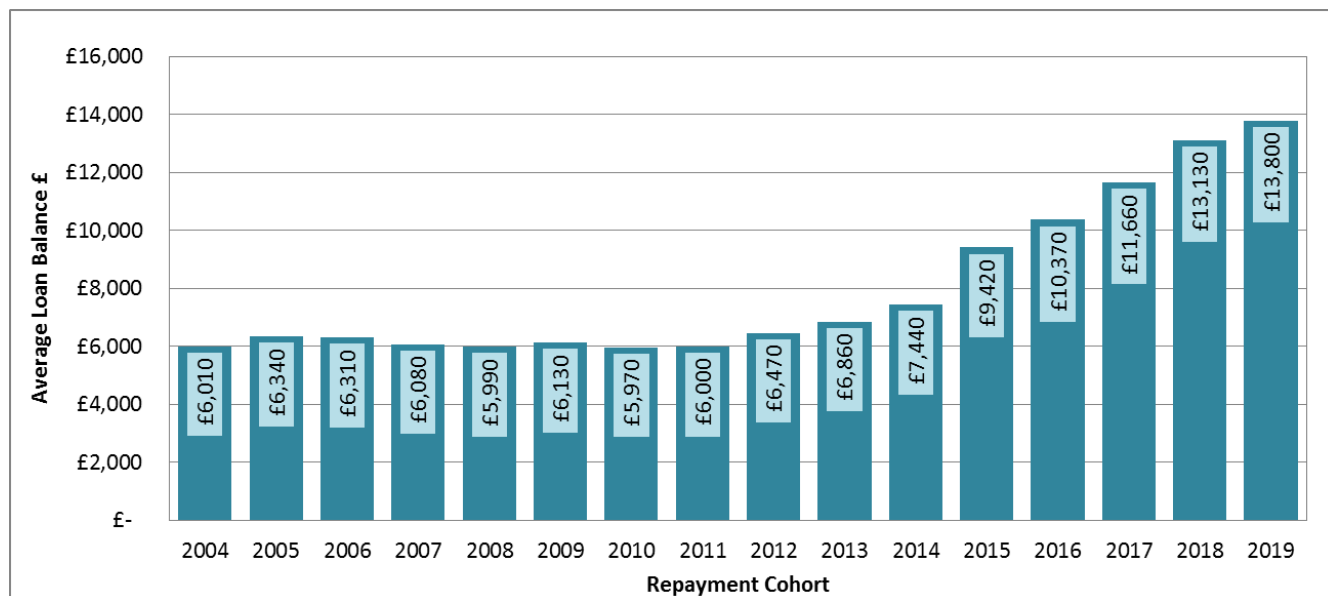
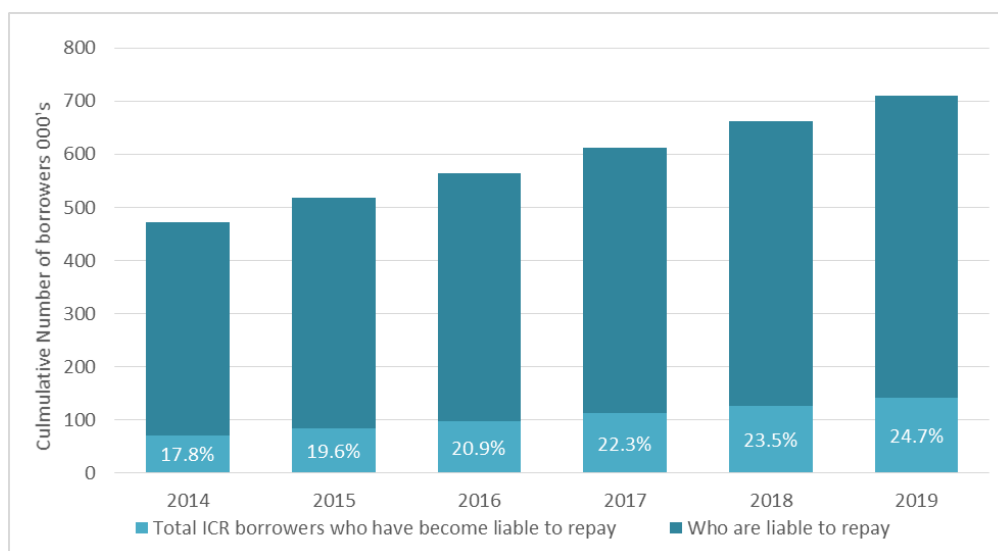


Chart 5 shows the average loan balance for borrowers at the point where their liability to repay first began. The average loan balance reflects the amount paid to borrowers, plus interest added whilst they were studying, minus any voluntary repayments made by borrowers prior to them becoming liable to repay.

The average loan balance for the 2019 repayment cohort on entry to repayment was £13,800. Full-time students completing three or four year courses since entry in 2012/13 are included in this average but the average balance is diluted by other borrower types in the same repayment cohort (e.g. borrowers who entered prior to 2012/13 and Part-time Tuition Fee Loan borrowers). See *Table 5(iii)*.

Chart 6: Cumulative number of borrowers who have fully repaid



Year Of Repayment	No. Of ICR Borrowers ('000s)	
	Who are liable to repay	Fully Repaid
2014	400.5	71.4
2015	432.3	84.9
2016	466.5	97.7
2017	500.9	111.8
2018	535.3	125.9
2019	570.0	140.7

As at 30 April 2019 there are 140,700 borrowers who have fully repaid. See *Table 3(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:
<https://www.gov.uk/government/publications/slc-statistics-policies-and-procedures/slc-statistics-statement-of-administrative-sources>

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:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/791209/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:
<https://www.gov.uk/government/publications/slc-statistics-policies-and-procedures/slc-statistics-use-made-of-the-official-statistics>

Revisions

4. Revisions within the data are denoted with an [r]. Some of these revisions may be 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:
<https://www.gov.uk/government/publications/slc-statistics-policies-and-procedures/slc-statistics-revisions-policy>

Changes included in this Statistics Publication

5. In previous years we have had to mark the figures relating to self-assessment repayment as estimate due to this being provided later than anticipated. For 2018-19 this has been provided as expected allowing this to be included as final the 2018-19 figures.

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 made and repaid on an income contingent basis.
7. Tuition fees were abolished for Scottish students studying in Scotland from Autumn 2000. The Student Awards Agency Scotland (SAAS) pays tuition fees for full-time eligible students studying at publicly funded institutions in Scotland.
8. The graduate endowment was introduced for higher education students who commenced studying in 2001. The graduate endowment was a one-off payment made in recognition of the benefits of higher education and the income generated will be used to contribute to student support for future generations. Some students were not liable to pay the graduate endowment as a result of personal circumstances during their course. These included mature students, lone parents, students with a disability and those students who do not progress beyond a Higher National Certificate or Higher National Diploma qualification. The Graduate Endowment could be paid in three ways, by paying the full amount in cash, by taking a student loan or by a combination of paying part cash and part by student loan. Amounts lent for Graduate Endowment shown in *Table 1* from financial year 2011-12 onwards represent the notification by SAAS of amounts advanced in respect of earlier academic years (prior to abolition of the graduate endowment).
9. On the 13 June 2007 the as then Scottish Executive announced plans to publish a bill for parliament to remove the graduate endowment fee for students who graduated from 2007 onwards and would therefore have been liable to pay the endowment on 1 April 2008. The Graduate Endowment Abolishment (Scotland) Act 2008 came into force on 1 April 2008 for all students who graduated on or after the 1 April 2007. Therefore financial year 2007-08 was the last year that student loans for graduate endowment were taken out. There was an exception for postgraduate students who had previously deferred payment of the graduate endowment and these loans carried over into financial year 2008-09.
10. Students with additional costs such as those with dependants, or those who have a disability, may be eligible for specific grants on top of other student support. These grants are distributed by SAAS, with the exception of the Lone Parents' Childcare Grant which has been distributed by institutions since academic year 2011/12.
11. The maximum and minimum student loan increased again in academic year 2012/13. It was only a small increase, which was inflation linked. For 2013/14, there was a large jump in minimum loan from £850 to £4,500 following a change in the student support package. There was an increase in the maximum overall funding package but the maximum loan was broadly the same, though there was an increase of approximately £1,000 for independent students. Since 2014/15 the minimum loan has remained at £4,750.

Tuition Fee Loans

12. From academic year 2006/07 Scottish students studying in the rest of the UK can defer payment of tuition fees by taking out a tuition fee loan. Students can take out as much or as little fee loan as they choose, up to the maximum amount of fees being charged. These loans are not income assessed. The repayment of

tuition fee loans is no different to that for maintenance loans. When the borrower goes into repayment they effectively have a single combined loan balance to be repaid according to the income contingent repayment regulations.

13. Up until academic year 2012/13 the Tuition Fee Loans were just for Scottish domiciled students studying elsewhere in the UK. Eligibility was extended in academic year 2012/13 with the introduction of the postgraduate tuition fee loan scheme which covers eligible EU and Scottish domiciled students on selected taught postgraduate diploma courses in the UK, excluding PGDE.
14. New postgraduate (Scottish domiciled and EU) students can apply to SAAS for a Postgraduate Tuition Fee Loan (PTFL) from April 2012. In that first year 2012/13, Full-time students could apply for a tuition fee loan of up to £3,400 and part-time students can apply for up to £1,700 (per year). The PTFL is only be available to part-time students who are undertaking at least 50% of a full-time course, and must therefore, complete their qualification in no more than 2 years. In 2018/19, full-time students were eligible for up to £5,500 and part-time students up to £2,750.

Repayment of Income Contingent Loans

15. All Scotland-funded loans are on Repayment Plan 1. Repayments for Repayment Plan 1 loans are at the rate of 9% of income above the income thresholds shown below:

Period Applicable	6th April '00 to 5th April '05	6th April '05 to 5th April '12	6th April '12 to 5th April '13	6th April '13 to 5th April '14	6th April '14 to 5th April '15	6th April '15 to 5th April '16	6th April '16 to 5th April '17	6th April '17 to 5th April '18	6th April '18 to 5th April '19
Annual Repayment Threshold	£10,000	£15,000	£15,795	£16,365	£16,910	£17,335	£17,495	£17,775	£18,330

16. The interest rate applied to Repayment Plan 1 loans is the lower of the inflation rate (measured by the Retail Price Index - RPI) or the UK base rate plus 1.0%. Given that the repayments are deducted by employers there is no concept of arrears unless the borrower goes overseas where the repayments are collected directly by SLC and arrears may arise if the customer does not adhere to the repayment schedule. Arrangements are also in place for repayments via HM Revenue and Customs for Self-Assessment customers. SLC collects monies directly where the borrower lives overseas or has a small balance or has switched to direct debit repayments because they are nearing the end of repayment. SLC also receives voluntary repayments directly from borrowers where they wish to pay more than the regulatory amount.
17. Borrowers become liable to repay their loans in the April after they graduate or otherwise leave the period of study for which they received loans. Many go on to further study e.g. postgraduate study but their liability to repay has begun and they will make repayments if they earn enough in the tax year alongside their study. Borrowers are grouped into repayment cohorts based on the year in which their liability to repay their first loan began.
18. The data held by the SLC at 30 April 2019 for repayments via HM Revenue and Customs, and the resultant status information, interest applied and loan balance, represent mostly the effect of repayments in tax year 2017-18. Backdated information can be received from HMRC causing the data posted by SLC in one financial year to cover multiple tax years. The purpose of this publication is to show the data by tax year in order to represent the time series from the point of view of the borrowers themselves and their actual repayment history.
19. 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 can be 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.

20. 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 could avoid the possibility of over repaying their loan.

Annual Interest Rate

21. The annual Retail Price Index from end March to March is used as the basis for the interest rate from the following September to August.
22. The interest charge is affected by a cap at the bank base rate of +1%. The interest rate is the lower of the Retail Prices Index (RPI) at the preceding March, or 1% above the highest base rate of a nominated group of banks calculated regularly during the year. The interest rate does not affect the monthly repayment amount of Income Contingent Loans; it will affect the time taken to repay.
23. The RPI at March 2015 was 0.9% so the cap did not apply between 1 September 2015 and 31 August 2016 where the interest rate was 0.9%. The RPI at March 2016 was 1.6% so the cap was applied from 1 September 2016. The interest rate was at 1.25% because the bank base rate was 0.25% at that point.
24. This rate continued until 1 December 2017 when the interest rate increased to 1.5% until 31 August 2018. From 1 September 2018 the Plan 1 interest rate increased to 1.75%.

Related Statistical Publications

25. Scotland's Chief Statistician annually releases statistics on higher education student support provided/assessed through the Student Awards Agency Scotland (SAAS) on an academic year basis. The latest publication is for Higher Education Student Support in Scotland, 2017-18 https://www.saas.gov.uk/forms/statistics_1718.pdf. That National Statistics publication includes information on awards and fees up to and including academic year 2017/18 paid by SAAS and loans assessed by SAAS and subsequent take-up of those loans from the SLC, see Table A11 in that publication.

Factors Affecting Time Series

26. 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, for example, three-year courses is the 2002 cohort.
27. The change in income threshold in April 2005 caused the trend in repayments to drop to a lower level. 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 further changes to interests rates has also altered the repayment trend line but less significantly.
28. From 2009, SLC took 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 was 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.
29. When analysing trends in cancellations/write-offs the individual cancellation types should be analysed

rather than simply the total. The Write offs for Sequestration and Trust Deed affect the total and, although legislation was enacted some time ago to make student loans exempt from these insolvency types, it takes time to process outstanding cases from before that change. The administrative processing of those changes does not reflect a smooth trend downwards.

30. Amounts lent during the 2012-13 financial year for Tuition Fee Loans are artificially high because they include notifications of payments for 2011-12 that were not received from the Student Award Agency Scotland (SAAS) until 2012-13.
31. Additional repayment status verification processes which include checks with DWP for borrowers on benefits have led to a modified profile across certain repayment categories as shown in *Table 3*. Borrowers now move more quickly from the “No live employment” categories into the category called “Status that does not require repayment at this point”. The effect is more prominent for the new cohorts than for the old ones because the old cases only need to enter the new processes when they move out of live employment.

Notes for Users

Repayments via Self-Assessment (*Table 1*)

32. It has been necessary to estimate some of the repayments made via self-assessment in the financial years 2016-17 and 2017-18 in order to maintain a comparable time series with earlier years. This is due to some information not being received until after the usual capture date for *Table 1*. The estimates are based on actual data for self-assessment repayments posted in the first weeks of the next financial year. Where figures have been impacted they are clearly marked with an ‘e’ for estimate.

Repayment Status (*Table 3*)

33. 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:
 - i. 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”.
 - ii. If HMRC identifies a status such as on Incapacity Benefit then they will be placed in the category of “Status that does not require repayment at this point”. However the vast majority in that category are placed there by subsequent SLC processing (checks with DWP to find that the borrower is on Benefits or direct contact with the borrower to establish their status). Many of the borrowers in this category have been found to have returned to study.
 - iii. 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 year tax return to determine if earnings above threshold”.
 - iv. 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”.
 - v. 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 each financial 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.

- vi. 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 past tax year earnings record.

Repayments via HMRC (*Table 4*)

34. The average repayment amount dropped for all repayment cohorts except the 2004 cohort between financial 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 outweigh the effect of the income threshold change.

Repayments via Direct Repayment Channel to SLC (*Table 4*)

35. 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 repayments also include repayments from borrowers who are living overseas, who are liable to repay, and are doing so via a repayment schedule.

Loan Balance (*Table 5*)

36. The average Loan Balance for each repayment cohort has increased from the end of one year of repayment to the next except for a short period from financial year 2009-10 for certain cohorts, linked to the 0% interest rate in the 12 months spanning the latter part of financial year 2009-10 and the start of financial year 2010-11. 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 for the average Loan Balance cover those borrowers who still have a remaining Loan Balance only.

Rounding

37. All borrower numbers and amounts have been presented rounded to the nearest 100 and £100 unless specified otherwise. All totals and averages are calculated from un-rounded numbers. Where numbers equal zero or rounded figures result in zero, this is presented as null or negligible “ - ” on the tables.

User Consultations

38. 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:
<https://www.gov.uk/government/publications/slc-statistics-policies-and-procedures/slc-statistics-user-engagement-strategy>

National Statistics

39. This is a National Statistics publication. National Statistics are produced to high professional standards set out in the National Statistics Code of Practice. They undergo regular quality assurance reviews to ensure they meet customer needs. They are produced free from any political interference.

Table Guide

Table 1: Student Loan outlay and repayments: Financial years 2012-13 to 2018-19: Amounts (£m)

Table 2: ICR Student Loans borrowers with cancellations, write-offs or refunds: Financial years 2012-13 to 2018-19

Table 3: ICR Student Loans borrowers by repayment cohort and repayment status as at 30/04/2019

Table 4: ICR Student Loans borrowers making repayments by repayment cohort and tax year as at 30/04/2019

Table 5: ICR Student Loans borrowers with a Loan Balance [27] by repayment cohort and tax year as at 30/04/2019