Statistical First Release

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INVESTOR IN PEOPLE

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

INTRODUCTION

This statistical first release provides statistics on loan outlays, repayments of loans and borrower activity for Scottish domiciled students studying in Higher Education (HE) and European Union (EU) students studying in Scotland, and covers financial years up to 2014-15. Figures are provided for Income Contingent Repayment (ICR) Loans, 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 £516.2m, an increase of 18% when compared with 2013-14. *Table 1 and Chart 1.*

- Net repayments posted to customer accounts amounted to £125.7m in financial year 2014-15, an increase of 6% compared with 2013-14. Repayments included £11.9m repaid earlier than required, an increase of 9% compared with 2013-14. *Table 1.*

- The Loan Balance (including loans not yet due for repayment) at the end of financial year 2014-15 was £3.5 billion, an increase of 14% when compared with 2013-14. *Table 1 and Chart 2.*

- At the end of 2014-15 there were 498,100 borrowers; of these, 314,000 had accounts liable for repayment. These figures represent an increase of 7% and 5% respectively compared with the position at the end of 2013-14. *Table 2.*

- 84,900 (19.6%) of the borrowers who had become liable to repay had fully repaid their loan. *Tables 3(i) and 3(ii)* show how the number and percentage of borrowers who had fully repaid their loan varies by cohort. *Chart 6.*

- The average Loan Balance for borrowers who still had a live account at the end of tax year 2013-14 ranged from £6,320 for the 2000 cohort (after 14 years of recorded repayment history) to £7,760 for the 2002 cohort (after 12 years of recorded repayment history). The average Loan Balance for the 2015 cohort which entered repayment at the end of tax year 2014-15 was £9,440. *Table 5(iii) and Chart 5.*

CONTENTS

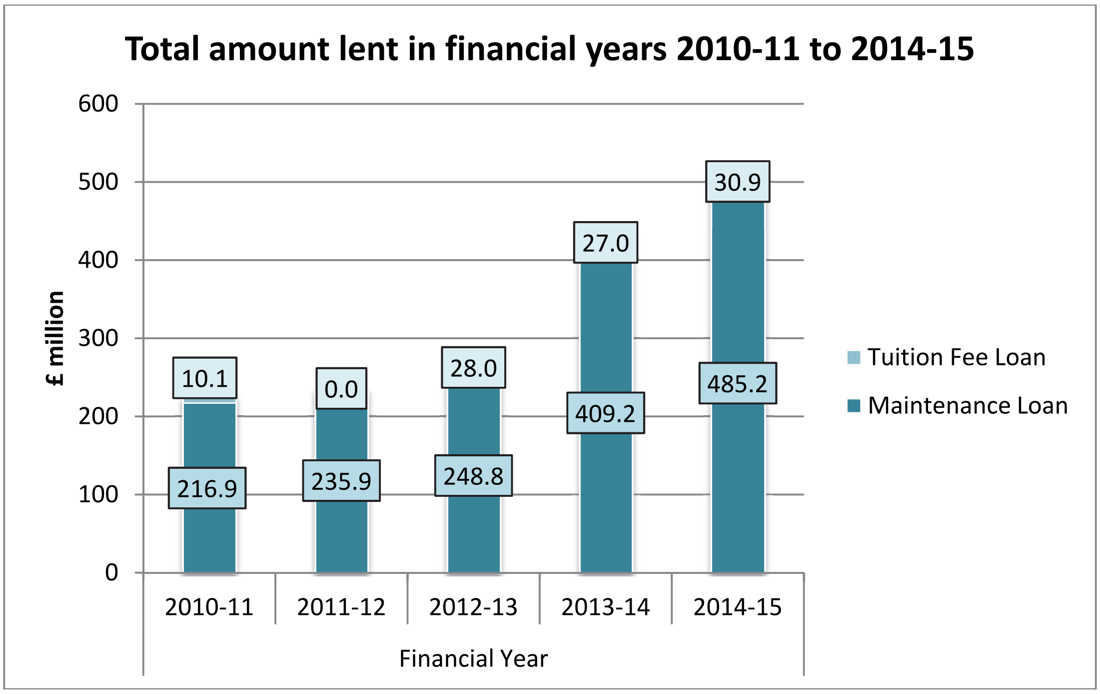
DEFINITIONS

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 of less than or equal to £5.
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: • On the death of the borrower; • 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.

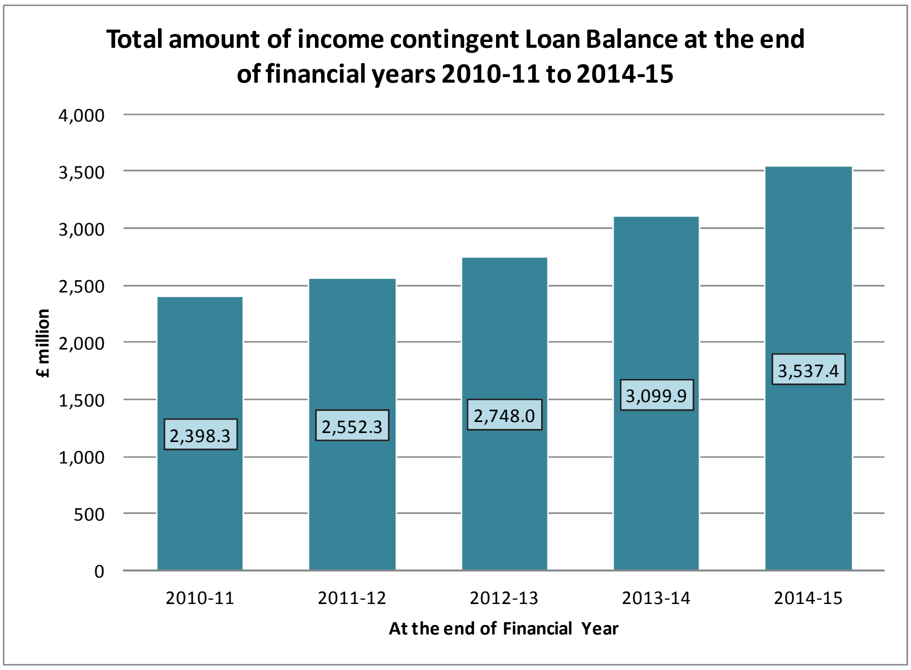
STATISTICAL COMMENTARY

Chart 1



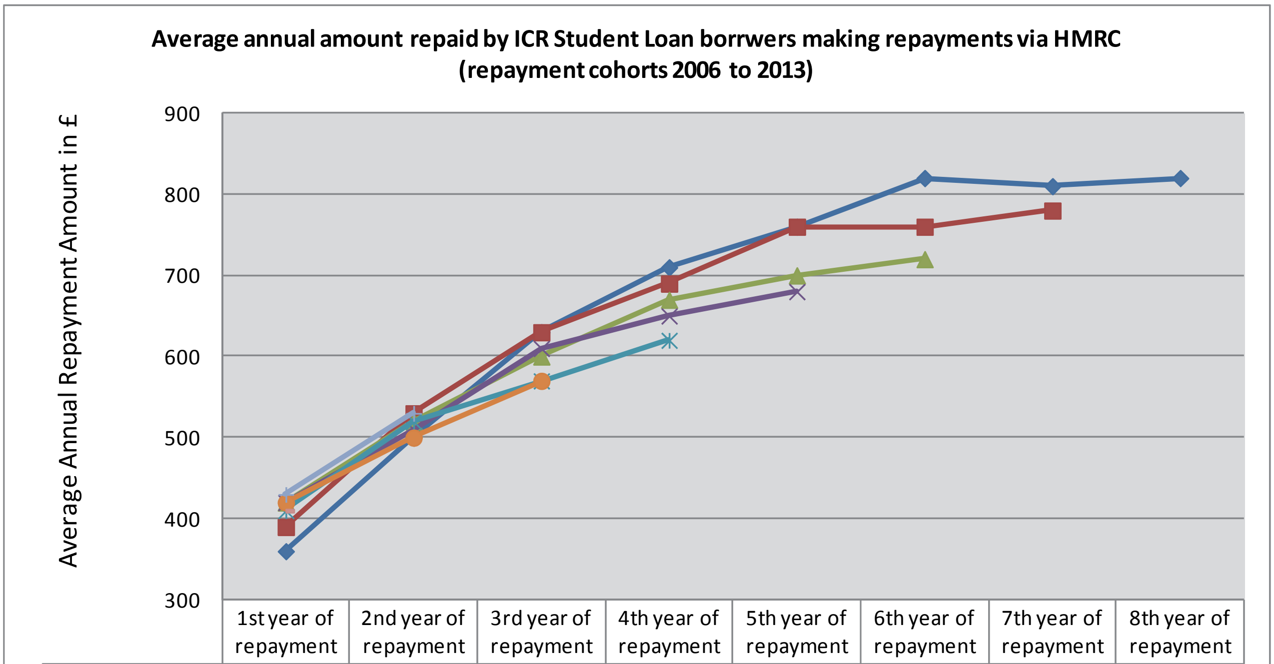
The step change in maintenance loan lending in financial year 2013-14 follows on from the policy change for new entrants in academic year 2013/14 whereby the minimum annual loan payment increased from £850 to £4,500. In 2014/15 it increased to £4,750. Tuition Fee Loans increased in 2012/13 for Scottish students studying elsewhere in the UK. See Table 1 for more information.

Chart 2



The Loan Balance at the end of financial year 2014-15 is £3.5 billion which is 14% higher than the Loan Balance 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.

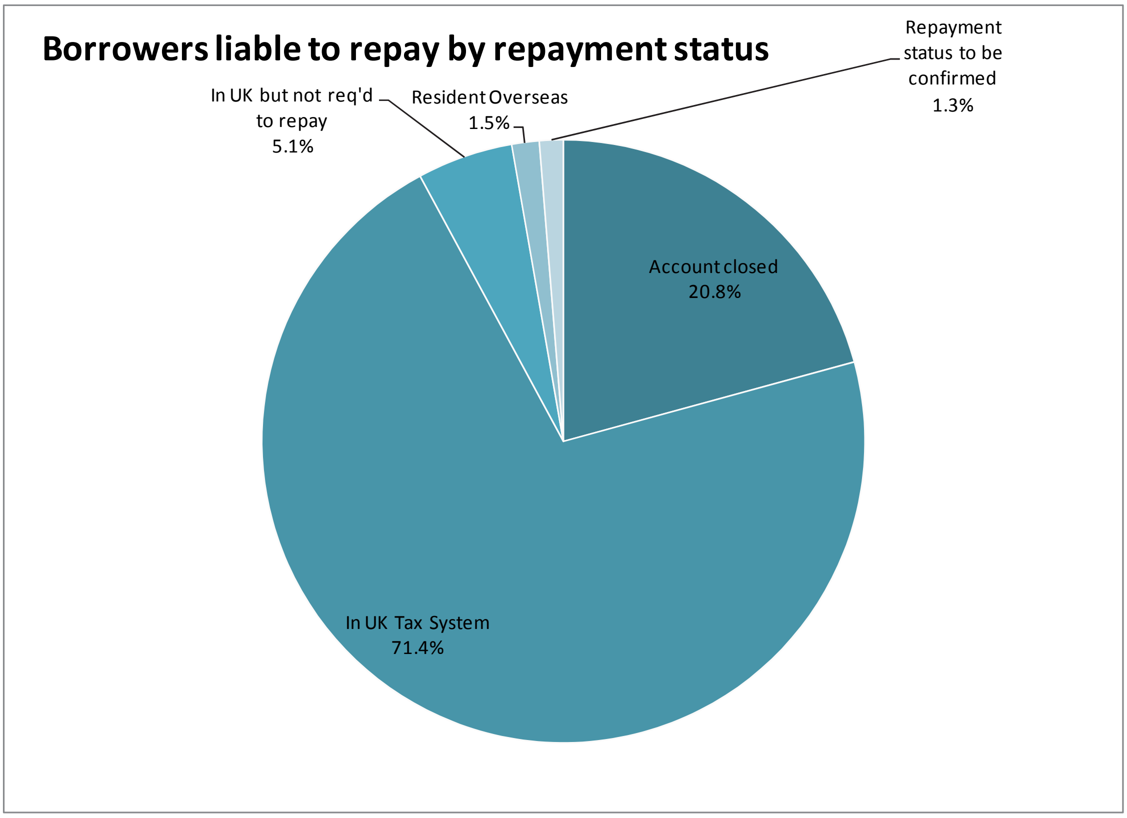
Chart 3



	1st year of repayment	2nd year of repayment	3rd year of repayment	4th year of repayment	5th year of repayment	6th year of repayment	7th year of repayment	8th year of repayment
2006 Cohort	360	500	630	710	760	820	810	820
2007 Cohort	390	530	630	690	760	760	780	
2008 Cohort	420	520	600	670	700	720		
2009 Cohort	420	510	610	650	680			
2010 Cohort	410	520	570	620				
2011 Cohort	420	500	570					
2012 Cohort	430	530						
2013 Cohort	410							

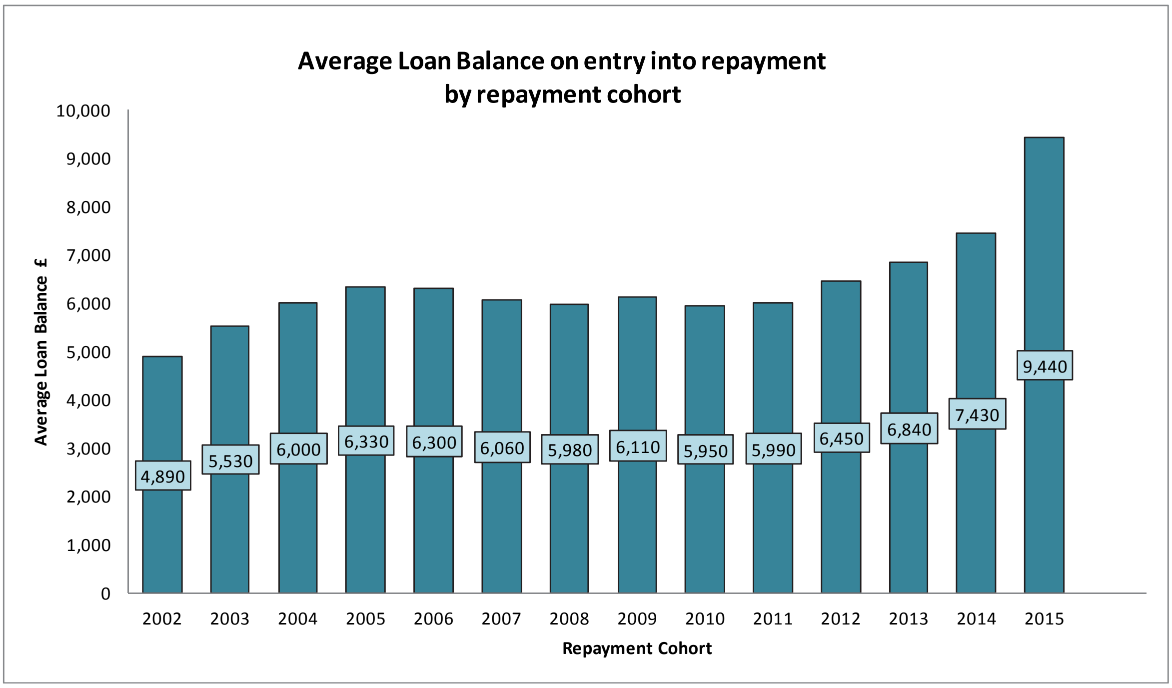
The average amount repaid increases sharply in the first and second years of repayment, followed by a more gradual increase over the following years. The increasing repayments are caused by income growth in the years after leaving higher education. The average repayment in the first year of repayment increased gradually until the 2008 cohort after which it has remained relatively static . The income threshold was raised at the start of tax year 2012-13 and then again for 2013-14 which leads to lower repayments than would have been the case if the previous threshold had been retained. 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.

Chart 4



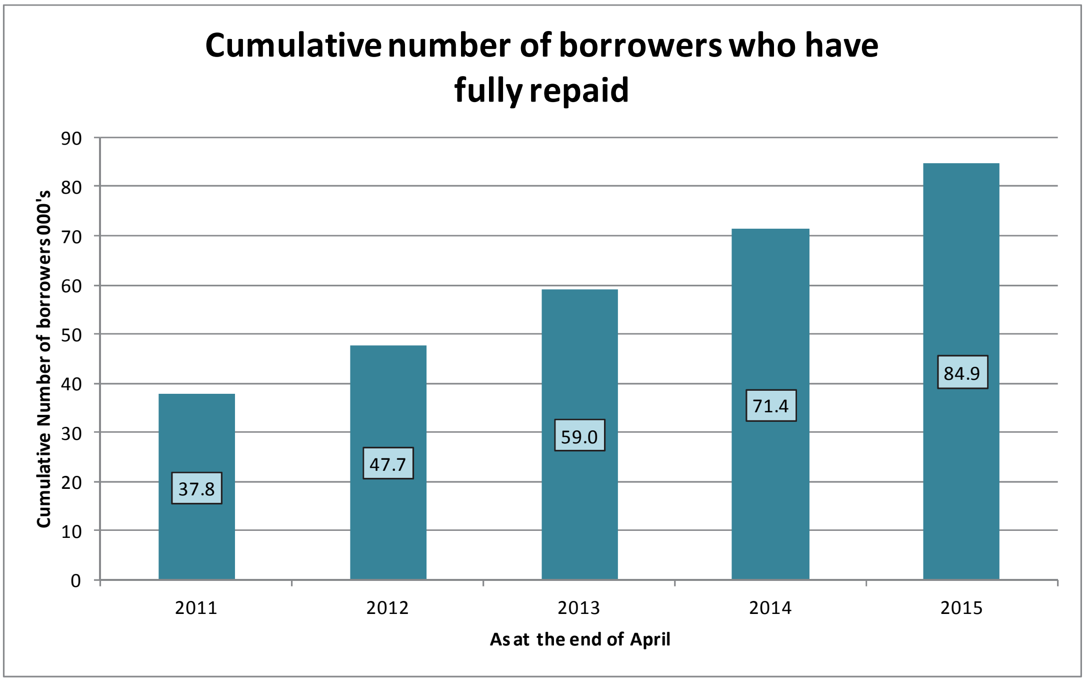
This chart covers all borrowers in all repayment cohorts liable for repayment at 30/04/2015. 21% no longer retain any Loan Balance mainly due to full repayment. 71% are in the UK Tax system and will repay if their earnings exceed the income threshold. Table 3(ii) shows how the percentage of borrowers 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. See Table 5(iii).

Chart 6



As at 30/04/2015 there are 84,900 borrowers who have entered repayment and 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
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

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

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 below http://www.slc.co.uk/media/520775/slc_statistics_-_revisions_policy.pdf

CHANGES INCLUDED IN THIS STATISTICAL FIRST RELEASE

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 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. For 2014/15 the minimum loan was £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. Full-time students can 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.

Repayment of Income Contingent Loans

15. Repayments for income contingent loans are normally deducted from earnings by employers at the rate of 9% of income above the income threshold. The income threshold was £10,000 until April 2005 when it changed to £15,000. The threshold stayed at £15,000 until April 2012 when it increased to £15,795. It has increased again as follows: £16,365 from April 2013; £16,910 from April 2014, £17,335 from April 2015. 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.

16. 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.

17. The data held by the SLC at 30th April 2015 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 2013-14. 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.

18. 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.

19. 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

20. The annual Retail Price Index from end March to March is used as the basis for the interest rate for both types of student loan from the following September to August. However, additionally for ICR loans, the interest rate cannot be more than 1% higher than the base rate of major banks, or alternatively the Government may choose not to set an interest rate (effectively 0%).

21. The 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 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.

RELATED STATISTICAL PUBLICATIONS

22. 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, 2013-14 http://www.saas.gov.uk/_forms/statistics_1314.pdf. That National Statistics publication includes information on awards and fees up to and including academic year 2013/14 paid by SAAS and loans assessed by SAAS and subsequent take-up of those loans from the SLC, see Table 12 in that publication.

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, for example, three year courses is the 2002 cohort.

24. 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 change in April 2012 to £15,795 and in April 2013 to £16,365 has also altered the repayment trend line but less significantly.

25. 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.

26. 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.

27. 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.

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 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.

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 past tax year earnings record.

Repayments via HMRC (Table 4)

29. 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 outweigh the effect of the income threshold change.

Loan Balance (Table 5)

30. The average Loan Balance for each repayment cohort has increased from the end of one year of repayment to the next. 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.

USER FEEDBACK

31. 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/official-statistics/guide-to-our-statistics/user-engagement.aspx

NATIONAL STATISTICS

32. 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 2014-15: amounts.
Table 2:	Student Loan outlay and repayments: Financial years 2012-13 to 2014-15: borrower activity.
Table 3:	ICR Student Loans borrowers liable to repay by repayment cohort and repayment status as at 30/04/2015.
Table 4:	ICR Student Loans borrowers making repayments via HMRC by repayment cohort and tax year as at 30/04/2015.
Table 5:	ICR Student Loans borrowers with a Loan Balance by repayment cohort and tax year as at 30/04/2015.

LINK TO TABLES

The tables are available at:

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