

Change to maximum Plan 2 and Postgraduate student loan interest rates



From 1 September 2022 to 30 November 2022, the maximum Plan 2 and the Postgraduate loan (PGL) interest rate was set at 6.3% for all Plan 2 and PGL borrowers, in line with the prevailing market rates available at the time of setting the cap.

Following this, the Government has confirmed that the maximum Plan 2 and the Postgraduate loan interest rate will be 6.5% between 1 December 2022 and 28 February 2023, to take into account an increase in the prevailing market rates.

From 1 March 2023 to 31 August 2023 the maximum Plan 2 and the Postgraduate loan interest rate will be capped at the forecast prevailing market rate for the 2022/23 academic year. This is 7.3%, in line with the Government announcement dated 13 June 2022. Should the actual prevailing market rate turn out to be lower than forecast, a further cap would be implemented to reduce student loan interest rates accordingly.

- The prevailing market rate is not defined in law, nor does any product on the market offer a direct “market rate” comparison to student loans. The most appropriate market rate comparators for student loans are the effective interest rates available on unsecured personal loans, with the Bank of England’s effective interest rate data (series CFMZ6LI (existing loans) and CFMZ6K9 (new loans)), being the most appropriate benchmark for student loan interest rates. To determine the “prevailing” market rate, a 12-month rolling average is taken. As such, the prevailing market rate has been defined as **the minimum of the 12-month rolling averages of the Bank of England’s effective interest rate data series’ CFMZ6LI and CFMZ6K9.**
- Where the Government considers that the student loan interest rate is too high in comparison to the prevailing market rate, it will reduce the maximum Plan 2 and Postgraduate Loan interest rate by applying a cap for a set period of three months (or longer, if the prevailing market rate remains below the student loan rate at the next monitoring point). This is done by amending Education (Student Loan) (Repayment) Regulations

2009. The prevailing market rate used for setting a cap in a given quarter is based on the latest CFMZ6LI and CFMZ6K9 data available, which is the data going up to 2 months prior to the start of the quarter, e.g. the cap set for between September and November 2022 was based on the end-July 2021 to end-June 2022 data.

- Plan 2 borrowers will continue to repay 9% of their earnings over the repayment threshold. The repayment threshold for Plan 2 ICR loans is £27,295 for FY22-23.
- Plan 2 ICR loans are those loans taken out for a course starting after 1 September 2012 (England and Wales).
- Postgraduate loan borrowers will continue to repay 6% of their earnings over the repayment threshold. The repayment threshold for Postgraduate loans is £21,000 for FY22-23.
- Postgraduate loans are those loans taken out for Postgraduate level study.
- Plan 1 ICR loans, those loans taken out for a course starting before 1 September 2012 are not affected.

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1. 17 November 2022

Added updated announcement from the Department of Education (DfE). Interest rates for date ranges 1 September 2022 to 30 November 2022 added.

2. 9 November 2022

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