

Change to Plan 1 student loan interest rate

News story

The Department for Education (DfE) has announced a change to the Plan 1 student loan interest rate.



Pre-2012 income contingent (ICR) student loans have an interest rate of either RPI (determined on the basis of the RPI rate from the March prior to the September when the new interest rates are implemented) or the Bank Base Rate + 1%, whichever is the lower (this is known as the “low interest cap”). The low interest cap mechanism means that the interest rate on Plan 1 loans can change in-year, if the Bank Base Rate changes.

Currently the maximum interest rate for pre-2012 income contingent (ICR) student loans is 1.5% (RPI). However, as the Bank Base Rate + 1% is lower than this, the low interest cap is in place.

On 16 December, the Bank Base Rate changed to 0.25%. In line with this, from 13 January 2022 the interest rate for pre-2012 ICR loans will increase to 1.25%.

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