

Fairer higher education system for students and taxpayers

The higher education system in England will be made fairer for students and taxpayers thanks to major reforms announced by the government today.

Student finance will be put on a more sustainable footing by ensuring more students are paying back their loan in full, and there will be a clampdown on poor-quality university courses that don't benefit graduates in the long-term.

Under the current system, more people than ever are going to university but too often, students are racking up debt for low-quality courses that do not lead to a graduate job with a good wage. This means that some students never even start paying off their student loan. And currently, only a quarter of students who started full-time undergraduate degrees in 2020/21 are forecast to repay their loans in full.

The cost of student loans is increasing quickly. The value of outstanding loans at the end of March 2021 reached £161 billion and it is forecast to rise to half a trillion pounds by 2043.

The government is today taking action to tackle the problem head-on, rather than passing the problem on to future generations, by setting out major changes to the way students will repay their loans, and creating a sustainable system which also guarantees access for all.

To make the system fairer for students, the student loan interest rate will be set at RPI+0% for new borrowers starting courses from 2023/24, meaning that graduates will no longer repay more than they borrowed in real terms. This meets a key manifesto commitment to address student loan interest rates in this parliament.

Combined with the continued tuition fee freeze announced earlier this month, a student entering a three-year course in academic year 2023/24 could see their debt reduced by up to £11,500 at the point at which they become eligible to repay.

Today the government has also announced the tuition fee cap will be frozen at £9,250 for a further two years – up to and including 2024/25, further reducing the real cost to students.

To make the system fairer for taxpayers, the repayment threshold – the point at which graduates start repaying their student loan – for new borrowers starting courses from September 2023 will be set at £25,000 until 2026-27.

This still means that graduates will not start repaying until they have reached well over the current median young non-graduate salary of £21,500.

This makes sure that someone benefitting from a university degree makes a

fair contribution to its cost: for example, a graduate earning £28,000 would pay back £17 a month.

Graduate salaries are continuing to rise – in 2020, the average salary for a graduate aged 21-30 was £6,500 higher than for a non-graduate – so it is right we ask those who are benefitting financially from the investment the taxpayer has made in their higher education to contribute towards it.

The student loan repayment term will also be extended to 40 years for new borrowers from September 2023, to ensure more students repay their loan in full, taking into account the fact that people are now working and earning for longer.

Taken together, these changes will lead to significant savings, ensuring the student finance system is sustainable for the long term and can continue to benefit hundreds of thousands of students each year.

Education Secretary Nadhim Zahawi said:

Our country's world leading universities and colleges are key to levelling up opportunity by opening up access to a range of lifelong flexible post-18 options to help people train, retrain and upskill.

This package of reforms will ensure students are being offered a range of different pathways, whether that is higher or further education, that lead to opportunities with the best outcomes – and put an end once for all to high interest rates on their student loans.

I am delighted to oversee such a substantial amount of investment – nearly £900m – reinforced by a revised, fairer, and more sustainable student finance system which will keep Higher Education accessible and accountable. These changes will create a fairer system for both students and the taxpayer.

Higher and Further Education Minister Michelle Donelan:

We are delivering a fairer system for students, graduates and taxpayers as well as future-proofing the student finance system. We are freezing tuition fees and slashing interest rates for new student loan borrowers, making sure that under these terms no-one will pay back more than they have borrowed in real terms. This Government is delivering on its manifesto pledges.

We are investing an extra £900m in our post 18 education system and bringing about a revolutionary change in the way students can study, retrain and upskill throughout their lifetime.

The government has also published two consultations. The first will seek views on how to ensure young people are encouraged to pursue the right path for them, and receive a fair deal for their investment if they choose to go to university.

This includes considering the introduction of minimum eligibility requirements, to ensure students aren't being pushed into higher education before they are ready, and student number controls, so that poor-quality, low-cost courses which lead to poor outcomes for students, aren't incentivised to grow uncontrollably.

The second will set out plans to deliver the Lifelong Loan Entitlement (LLE) worth the equivalent of four years of post-18 education (i.e. £37,000 in today's fees) to support students to study, train, retrain or upskill at any stage throughout their lives through flexible and modular courses.

This is a seismic shift in the way post-18 education is funded and accessed, providing more options, unlocking opportunities and improving social mobility.

The changes to student finance come alongside wider reforms to higher education – backed by nearly £900 million in new investment over the next 3 years – to transform the sector, providing more routes across higher and technical education and enabling lifelong access to loans. This includes providing more funding for courses that support the NHS such as medicine, dentistry and midwifery as well as science and engineering. This is the largest increase in government funding to support students and teaching in the HE sector in over a decade.

This announcement alongside the ongoing skills reforms, including the measures in our Skills and Post-16 Education Bill, which will make sure that everyone, no matter their background, can gain the skills they need, at any stage of their life, to kickstart an exciting career or to retrain and upskill for a new role.

We are investing £3.8 billion more in skills over the course of this Parliament, with Apprenticeships, T Levels, and the Lifelong Loan Entitlement our flagship programmes. In the Levelling Up white paper, the Government set out a new skills mission that will target 200,000 more people in England to help them complete high-quality training each year by 2030, including the aim of 80,000 more people completing courses in areas of England with the lowest skills levels.

Sir Philip Augar, Chair of the Post-18 Education Review panel said:

The Skills Bill already going through Parliament, the lifelong learning entitlement, the reforms to student finance and the refocussing of HE provide a framework that is fair, sustainable and has the potential to drive the whole economy forward. The package is consistent with the spirit of the report of the post-18 education panel that I had the privilege to chair and forms the

basis of a properly connected further and higher education sector. That connection is long overdue.

Robert Colvile, Director of The Centre for Policy Studies said:

It's encouraging to see the Government focus on delivering value for money both for students and taxpayers, and acting to address some of the most unfair aspects of the current system, which we've highlighted in our research. In particular it is welcome to see ministers address the extortionate level of the interest rate on student debt and the way a minority of poor-quality courses tarnish the reputation of the higher education sector – and the prospects of the students that take them. It's also good to see the continued focus on apprenticeships and lifelong learning, as part of the overdue effort to diversify tertiary education beyond the traditional three-year degree.

Will Tanner, Director of Onward, said:

For too long many young people have been encouraged towards unsuitable degrees that do little to help their careers or even leave them financially worse off. The Government is right to put a stop to this and I hope that universities work with ministers to stamp out low-quality courses and ensure every young person is on their right path.

These reforms, coupled with a generous new National Scholarship Scheme for disadvantaged bright young people, could transform higher education for the better and help young people build better futures, irrespective of their background.

James Kirkup, Director of the Social Market Foundation, said:

The Lifelong Loan Entitlement has the potential to give more people the opportunities offered by Britain's great universities and colleges, something that will only become more important as lifespans rise and careers get longer. It's a chance for education providers and employers to work together to offer more education to more people in new and flexible ways, benefiting learners and the UK economy.

Degree apprenticeships are another good example of that sort of partnership and demonstrate how the different parts of the education and skills system can come together to offer new opportunities and support a more productive economy.

David Goodhart, Head of Skills and Training at the Policy Exchange think tank and author of *Head, Hand, Heart: The Struggle for Dignity and Status in the 21st Century* (Penguin):

These measures are another important step towards rebalancing post-school education and training. For too long we have been over-producing academically trained youngsters with low quality degrees who are unable to get graduate jobs, while employers are desperate for people with middle level technical and digital skills. The Lifelong Loan Entitlement should also help to reverse the plunge in part-time and mature students in higher education, while targeted investment boosts those higher academic skills that we do need in STEM disciplines.