

# Repayment Guidance

## **Repayment of Income Contingent Student Loans – v3.0 November 2017**

This guidance applies to the repayment of student loans taken out by England and Welsh students under the Income Contingent Repayment (ICR) scheme. The provisions for the repayment of ICR student loans are made by the Secretary of State under the powers conferred by sections 22 and 42 of the Teaching and Higher Education Act 1998 (c.30) and are set out in the Education (Student Loans) (Repayment) Regulations 2009 (2009/470) as amended by-

- the Education (Student Loans) (Repayment) (Amendment) Regulations 2010 (2010/661);
- the Education (Student Loans) (Repayment) (Amendment) Regulations 2011 (2011/784);
- the Education Act 2011;
- the Education (Student Loans) (Repayment) (Amendment) Regulations 2012 (2012/836);
- the Education (Student Loans) (Repayment) (Amendment) (No. 2) Regulations 2012 (2012/1309);
- the Education (Student Loans) (Repayment) (Amendment) Regulations 2013 (2013/607); and
- the Education (Student Loans) (Repayment) (Amendment) Regulations 2014 (2014/651).
- the Education (Student Loans) (Repayment) (Amendment) Regulations 2017 (2017/0000)

These Regulations shown above are referred to as the “Education (Student Loans) (Repayment) Regulations 2009 as amended” or “the Regulations”.

This guidance also provides details of the Welsh Partial Cancellation policy the provisions for which are set out in the Cancellation of Student Loans for Living Costs Liability (Wales) Regulations 2017.

If you have any questions about this guidance please contact:

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This guidance is designed to assist with the interpretation of the Education (Student Loans) (Repayment) Regulations 2009 as amended. This guidance does not cover every aspect of student loan repayment nor does it constitute legal advice. The full details are contained in the Repayment Regulations which are the legal basis of the student loan repayment terms. Whilst every endeavour has been made to ensure the information contained is correct at the time of publication, no liability is accepted with regard to the contents. Nothing in this guidance can replace the Regulations and if there is any difference between this guidance and the Regulations, the Regulations prevail. Please note the Regulations are subject to further amendment.

<b>How ICR loans are repaid .....</b>	<b>6</b>
<b>Definitions .....</b>	<b>6</b>
<b>Statutory Repayment Due Date .....</b>	<b>8</b>
Plan 1 Loans .....	8
Plan 2 Loans .....	8
<b>Full-time students .....</b>	<b>8</b>
<b>Part-time students.....</b>	<b>9</b>
Change of mode of study and SRDD .....	9
Multiple changes of mode of study .....	10
PGCE option.....	11
<b>Repayment Threshold .....</b>	<b>11</b>
UK Borrowers - Plan 1 Loans.....	11
UK Borrowers - Plan 2 Loans.....	12
Overseas Borrowers - Plan 1 Loans .....	12
Overseas borrowers - Plan 2 loans .....	14
<b>Repayment allocation (scheduled repayments) .....</b>	<b>15</b>
Dual loan repayment allocation .....	15
Repayment allocation with a credit balance .....	16
<b>Voluntary repayments .....</b>	<b>16</b>
Repayment by a third party.....	17
Refunds of voluntary repayments .....	17
<b>Repaying by Direct Debit .....</b>	<b>17</b>
<b>Write Off.....</b>	<b>18</b>
Plan 1 loans.....	19
Plan 2 loans.....	19

<b>Interest.....</b>	<b>19</b>
RPI and interest .....	19
Applying interest – general.....	20
Plan 1 interest rate .....	20
Plan 2 interest rate .....	20
Plan 2 interest - UK borrowers .....	21
Plan 2 variable interest .....	22
Plan 2 interest - overseas borrowers.....	23
Plan 2 borrowers who have spent part of the tax year in the UK and part abroad .....	24
Applying interest when a settlement figure is requested .....	26
Applying interest when a direct debit option is taken .....	28
Applying interest when a PGCE option is taken .....	28
<b>Charges for non-compliance .....</b>	<b>28</b>
<b>Refunds .....</b>	<b>30</b>
Credit balance interest - Plan 1 Loans .....	30
Credit balance interest - Plan 2 loans .....	30
Credit balance – notifying the borrower .....	31
Refunds for self-assessed borrowers.....	31
Refund where are earnings below the repayment threshold .....	31
<b>Repayment by self-assessed borrowers .....</b>	<b>31</b>
Amount of repayments.....	32
Tax deductibility .....	32
Repayment .....	32
Provision of information and penalties .....	32
<b>Repayment by borrowers who are employed .....</b>	<b>32</b>
Real Time Information .....	32

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Commencement of employment .....	33
Amount of repayments.....	33
Succession or death of employer .....	34
Cessation of employment.....	34
Deductions from an employee where they are not a borrower .....	34
<b>Insolvency.....</b>	<b>35</b>
Bankruptcy.....	35
Individual Voluntary Arrangements.....	35
<b>Repayment of Postgraduate loans .....</b>	<b>36</b>
Repayment due date .....	36
Repayment threshold – UK borrowers .....	36
Repayment threshold – overseas borrowers .....	37
Voluntary repayments .....	39
Credit balances .....	39
Repaying by Direct Debit .....	40
Write off .....	40
Interest .....	40
<b>Credit rating.....</b>	<b>41</b>
<b>Welsh Partial cancellation policy.....</b>	<b>41</b>
<b>Annexes.....</b>	<b>41</b>
Annex A – UK Repayment Thresholds for Plan 1 Loans.....	41
Annex B – overseas Repayment Thresholds for Plan 1 Loans .....	42
Annex C – uk Repayment Thresholds for Plan 2 Loans.....	43
Annex D – overseas Repayment Thresholds for Plan 2 Loans .....	43
Annex E – UK Repayment Thresholds for Postgraduate Loans .....	44
Annex D – overseas Repayment Thresholds for Postgraduate Loans .....	44
Annex E – Organisation contact details .....	45

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## HOW ICR LOANS ARE REPAYED

The Teaching and Higher Education Act 1998 s.23 enables the Secretary of State to delegate the arrangements for the payment and repayment of student funding. The Student Loans Company (SLC) is appointed to exercise certain functions on behalf of the Secretary of State and can be interpreted as the “Authority” referred to in the Repayment Regulations.

ICR student loan repayments are calculated according to a borrower’s income rather than the amount owed.

**UK borrowers** are borrowers (of any nationality, who were eligible to take out a UK student loan) who are in the UK tax system through either employment or self employment. For UK borrowers, the SLC in conjunction with Her Majesty’s Revenue and Customs (HMRC) facilitate the repayment of ICR student loans through the UK tax system. The student loans collection system was set up to match the existing tax system and minimise the additional burden on employers.

- **Employed borrowers**, when liable, and their income above the relevant repayment threshold, will repay their loans through deductions taken by their employer who in turn will repay HMRC.
- **Self employed borrowers**, when liable, and their income above the relevant repayment threshold, will make repayment to HMRC along with their income tax liability following completion of their tax return.

HMRC then notify SLC at the end of the tax year giving details of the amount each borrower has repaid. As this is an annual process, borrowers are therefore advised to keep their own records of repayments made, so they can reconcile with their annual statement or to deal with any queries.

**Overseas borrowers** are borrowers (of any nationality, who were eligible to take out a UK student loan) who are resident out with the UK for 3 months or longer. Overseas borrowers are obliged to repay their loan directly to the SLC.

Whilst HMRC collect repayments through the tax system and notify the SLC of these repayments, the SLC will not share loan account information with HMRC other than that a borrower has a loan, the applicable repayment threshold and when to start or stop deductions. No money passes from HMRC to SLC. Generally, the role of the SLC is to administer the loan accounts, which involves processing and assessing loan applications, paying the initial principal, applying interest, processing overseas repayments and refunding overpayments, amongst other responsibilities. In the administration of student loan accounts, borrowers have a legal duty to provide accurate and up-to-date information to SLC and HMRC.

## DEFINITIONS

This guidance explains the repayment terms for student loans taken out under the Income Contingent Repayment (ICR) scheme. It should be noted that whilst this document refers to “plan type”, the Education (Student Loans) (Repayment) Regulations do not mention plan types at all. ICR student loans are categorized as follows in this document:

- **Plan 1 loans or Pre-2012 loans:** ICR student loans for maintenance and tuition taken out for Higher Education courses by students who started a course in AY 2011/12 or earlier (including in August 2012) and:
  - completed or withdrew from the course before 1 September 2012; or
  - continued on the same course after 1 September 2012 (without a change to their mode of study); or
  - transferred course on or after 1 September 2012 (without a change of mode of study).
  
- **Plan 2 loans or Post-2012 loans:** ICR student loans for maintenance and tuition taken out for Higher Education and Further Education courses that
  - started on or after 1 September 2012 (excluding Postgraduate Loans); or
  - started before 1 September 2012 and transferred course with a change of mode of study on or after 1 September 2012. (In this case, any loans taken out after the student changes study mode are subject to Plan 2 repayment terms).
  
- **Postgraduate Masters loans (PGL):** ICR student loans for a contribution to costs taken out for eligible Postgraduate Masters’ courses that started on or after 1 August 2016.

The above definitions apply to England and Wales domiciled students who studied in the UK and EU students who studied in England or Wales.

For example:

- 1) Student A starts a full-time course on 1 September 2011 and transfers to a different full-time course on 1 September 2012. The student will remain under the **Plan 1** loan repayment arrangements for the second course.
  
- 2) Student B starts a part-time course on 1 September 2011 (*grant only funding*). He transfers to a full-time course on 1 September 2012. As there has been a change of mode of study, Student B will come under the **Plan 2** loan repayment arrangements for the second course.
  
- 3) Student C completes a full-time degree course in June 2015 after starting the course in September 2012. Student C then starts a Postgraduate Master’s course in September 2016. Student C will repay under **Plan 2** arrangements for the first degree course and **Postgraduate loan** repayment terms for the Master’s course.

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**STATUTORY REPAYMENT DUE DATE****PLAN 1 LOANS**

Under Regulation 15(2), Plan 1 loans enter repayment status at the start of the tax year (6 April) following the date that the student withdraws from or completes the course. This date is known as the Statutory Repayment Due Date (SRDD) and is the date when the borrower is due to start repaying their loan.

**PLAN 2 LOANS****FULL-TIME STUDENTS**

Under regulation 15(2), loans taken out by full-time or full-time distance learning students who started a course on or after 1 September 2012 will enter repayment status at the start of the tax year following the date that the student completes or withdraws from the course. However, note that no Plan 2 loan balances will enter repayment before 6 April 2016 (regulation 15(2C)).

For example:

- 1) Student A starts a two year full-time course in September 2012. He completes the course in June 2014. Student A's loan balance will enter repayment status on 6 April 2016.
- 2) Student B starts a four year full-time course in September 2012. She completes the course in June 2016. Student B's loan balance will enter repayment status on 6 April 2017.
- 3) Student C starts a three year full-time course in September 2012. Student D withdraws from the course in June 2013. Student C's loan balance will enter repayment status on 6 April 2016.

Special rules apply to full-time architecture students. For the purpose of payment of student support, Part 1 and Part 2 of Royal Institute of British Architects (RIBA) courses are normally treated as a single continuous course, regardless of the start date of Part 1 of the course. However, the SRDD will be allocated to architecture students as follows:

- Students who started Part 1 before 1 September 2012 and go on to undertake Part 2 will normally have a single SRDD which falls at the start of the tax year following completion of or withdrawal from Part 2. (Part 1 will only be allocated a separate SRDD where the student does not declare an intention to go on to study Part 2, or takes a break in study between the parts which exceeds three years.)
- Students who started Part 1 on or after 1 September 2012 and go on to undertake Part 2 will be allocated separate SRDDs for each Part. This ensures that students are not charged the 'in study' interest rate of RPI + 3% for Part 1 during the break between the parts (which can be up to 3 years) and during the study of Part 2. Instead, the student will be charged the rate of

interest between RPI and RPI + 3% which depends on income during this period (see section on Plan 2 interest for further information).

For example: a student starts Part 1 of an architecture course in September 2012 and completes the course in June 2015. The student starts Part 2 in September 2016, after having undertaken one year of work experience. Part 2 is a two year course which the student is due to complete in June 2018. The student is treated as undertaking a single, continuous period of study for the purposes of payment of student support; however, Parts 1 and 2 will each be allocated their own SRDD. Loans taken in respect of part 1 will enter repayment status in April 2016; and those taken in respect of Part 2 will enter repayment status in April 2019.

### **PART-TIME STUDENTS**

A student's part-time tuition loans will enter repayment status on whichever of the following dates occurs first:

- The start of the tax year following the student's withdrawal from or completion of the course (regulation 15(2A)(a)); or
- The start of the tax year after four years have elapsed since the first day of the first academic year of the course (regulation 15(2A) (b)).

Note that in either case no part-time tuition loans taken out for a period of study which starts on 1 September 2012 or later will enter repayment status before 6 April 2016 (regulation 15(2C)).

Where a student's loans have entered repayment status and the student is still continuing on the same period of study (i.e. where the part-time course lasts longer than four academic years), future tuition loan payments that are made for this period of study will enter repayment status on the day they are paid.

For example:

- 1) Student A starts a six year part-time course in September 2012. Student A's loan balance will enter repayment status on 6 April 2017 (the start of the tax year after four years have elapsed since the first day of the first academic year of the course). Part-time tuition loan payments for this course that are made after 6 April 2017 will enter repayment status on the day that they are paid to the Higher Education Provider (HEP).
- 2) Student B starts a six year part-time course in September 2012. Student B withdraws from the course on 1 February 2013, by which point two tuition loan payments have been paid to the HEP. Student B's loans will enter repayment status on 6 April 2016.

### **CHANGE OF MODE OF STUDY AND SRDD**

The following rules apply where a student started a course before 1 September 2012 and converts from a full-time course to a part-time course or vice versa on or after 1 September 2012:

- Where a student started a full-time course before 1 September 2012 and transfers to a part-time course on or after 1 September 2012, the full-time loans will enter repayment status on

6 April following the transfer. The part-time loans will enter repayment status at the start of the tax year after four years have elapsed since the first day of the first academic year of the course (e.g. 6 April 2016 if the student started the period of study on 1 September 2011). Note that Plan 2 loans did not enter repayment status until 6 April 2016 at the earliest.

- Where a student started a part-time course before 1 September 2012, no loan funding was available. If the student transfers to a full-time course on or after 1 September 2012, any loans taken for the full-time course will enter repayment status at the start of the tax year following completion of or withdrawal from the course.

The following rules apply where a student starts a course on or after 1 September 2012 and converts from a full-time course to a part-time course or vice versa:

- Where a student starts a full-time course and transfers to a part-time course, all loans taken out by the student (**including payments made when the student was full-time**) should enter repayment at the start of the tax year after four years have elapsed since the first day of the first academic year of the course (e.g. 6 April 2017 if the student started study on 1 September 2012). As a current part-time student, the student's SRDD is determined by part-time repayment rules and using the start date of the first academic year of the course (regulation 15(2B)(a)).
- Where a student starts a part-time course and transfers to a full-time course before the part-time SRDD, all of the loans taken (**including payments made when the student was registered as part-time**) should enter repayment at the start of the tax year following the student's completion of or withdrawal from the course they transferred to (regulation 15(2B)(b)).
- Where a student starts a part-time course and transfers to a full-time course after the part-time SRDD, all full-time loan payments will enter repayment status as soon as they are made (as would any part-time payments made to the student after the SRDD if the student had continued studying part-time) (regulation 15(2B)(c)).

To summarize:

<i>Change of Circumstance</i>	<i>SRDD will...</i>
Full-time to part-time	Move to the part-time SRDD
Part-time to full-time <u>before</u> the part-time SRDD	Move to the full-time SRDD
Part-time to full-time <u>after</u> the part-time SRDD	Remain as the part-time SRDD (as the borrower is already in repayment)

MULTIPLE CHANGES OF MODE OF STUDY

Where a student starts a course on or after 1 September 2012 and changes mode of study more than once, the course they transfer to will determine their statutory repayment due date, unless the student has studied part-time and has already passed the part-time SRDD (see table above). In that case, all future loan payments will enter repayment status as soon as they are paid, even if the student subsequently changes mode to full-time study. For example:

Student A starts a four year full-time course in September 2012. He changes mode to part-time in his second year of study and changes again to full-time for his final year of study:

- AY 2012-13 Full-time
- AY 2013-14 Part-time
- AY 2014-15 Part-time
- AY 2015-16 Part-time
- AY 2017-18 Part-time
- AY 2018-19 Full-time

All of the borrower's loans will enter repayment according to the part-time SRDD rule, i.e. at the start of the tax year after four years have elapsed since the first day of the first academic year of the course (in this case 6 April 2017) as the borrower transferred from the full-time to a part-time course. All future loan payments will enter repayment status as soon as they are paid, even if, as in this example, the student switches mode again to full-time.

#### **PGCE OPTION**

Under Regulation 16(3), where a borrower has an income contingent loan for a postgraduate initial teacher training (ITT) course, and is also repaying mortgage style loans, the borrower is not required to repay the ICR loan simultaneously. The borrower must notify SLC that they do not wish to repay the ICR loan. Note that if the borrower defers repayment of their mortgage style loans or goes into arrears on their MS loan, they will be required to begin repaying the ICR loan balance (assuming their income is above the ICR repayment threshold).

#### **REPAYMENT THRESHOLD**

A borrower will only make repayments if their income is above the repayment threshold. There is no discretion in the Regulations to allow repayments to stop for financial hardship if the borrower is earning above the repayment threshold. When the borrower's income falls below the repayment threshold, repayments will stop.

#### **UK BORROWERS - PLAN 1 LOANS**

The mandatory repayment threshold for Plan 1 loans is increased by the Retail Price Index (RPI) rate at the start of every tax year from 6 April 2012 (regulation 29 7(b)). Plan 1 borrowers will repay 9% of income above this threshold (regulation 44 (1)).

Regulation 29 7(b) provides that the RPI rate is taken as the percentage increase between the retail prices all items index published by the Office for National Statistics (ONS) for the two Marches immediately before the commencement of the previous tax year. This rate is held on the ONS

website:

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/may2016#retail-prices-index-rpi-and-rpij> . The repayment threshold for Plan 1 loans in tax year 2016/17 is **£17,495** per annum, **£1,457** per month and **£336** per week.

See [Annex A](#) for full details of UK Plan 1 repayment thresholds from tax year 2012/13.

#### UK BORROWERS - PLAN 2 LOANS

Under regulation 29(8), a mandatory annual repayment threshold of **£21,000** will apply in tax year 2016/17 to Plan 2 loans in repayment status. The equivalent monthly threshold is **£1,750** and the weekly threshold is **£403**.

The repayment amount due is 9% of income above this threshold (regulation 44(1)). This threshold will be frozen until 5 April 2021. BIS (now DfE) launched its consultation on freezing the repayment threshold on 22<sup>nd</sup> July 2015 and the Government response was published in November 2015. Any future changes to the threshold from 6 April 2021 will be confirmed in due course.

The definition of income or earnings that is used to calculate repayments is as follows:

- **PAYE borrowers:** the figure that employers use to calculate the weekly/monthly deductions from salary, i.e. earnings that attract employer (secondary) Class 1 National Insurance Contributions (NICs) (*commonly known as 'NICable income'*) (regulations 41 and 45(1)).
- **Self Assessed borrowers who are required to complete an annual tax return:** the gross annual income for tax purposes (regulation 29(4)).
- **Overseas borrowers:** the borrower's total annual income for tax purposes in their country of residence (regulation 75(4)). (*Note that UK income will not be included in an overseas income assessment and it is for SLC to determine what the total income is for the purposes of calculating the repayment schedule.*)

Note that these income definitions will also be used for the purpose of calculating interest rates. In order to facilitate interest calculation in the case of PAYE borrowers, HMRC will provide SLC with NICable income figures for these borrowers.

#### OVERSEAS BORROWERS - PLAN 1 LOANS

Part 5 of the Regulations sets out repayment terms for borrowers who are not resident in the UK for income tax purposes. "Residence" for the purposes of Part 5 has the same meaning as the 'Taxes Acts' under regulation 71.

Borrowers are required to notify SLC where their period of residence outside the United Kingdom exceeds 3 months (regulation 72(1)). Where this is the case, the borrower is treated by SLC as an overseas borrower and must provide SLC with evidence of their income or how they are supporting themselves financially during the period abroad (regulation 72(2)). Borrowers do this by completing

the Overseas Income Assessment form (OVFA). The OVFA form and information on acceptable financial evidence is available to download at <http://www.studentloanrepayment.co.uk/>

The monthly repayment amount due is 9% of gross earnings over a threshold applicable to that particular country (regulation 75(4)) and determined according to that country's Price Level Index (PLI), calculated by reference to 'purchasing power parity' data. Regulation 76(3) provides that data from the World Bank is used to calculate Price Level Indices. Where this data is not available, the applicable threshold and fixed payment instalment will be determined as 'band A' (regulation 76(5)) or another country other than the borrowers present country of residency (regulation 76(6)).

Previously, any countries which did not have any World Bank data were placed into Band A as a default under regulation 76 (5); and if the borrower wished to, they could make an appeal to SLC to amend their threshold (regulation 76 (6)). This has now changed w/e April 2016, and there should be very few countries in the automatic default band. For example: for overseas territories which have no data available, i.e. regions (overseas territories) of Britain or France, then the threshold band for the territory should be the same as that for the respective country. The archive data used each December for calculations for changes to overseas thresholds from each April can be obtained from the following archive:

[http://databank.worldbank.org/data/reports.aspx?source=wdi-database-archives-\(beta\)#](http://databank.worldbank.org/data/reports.aspx?source=wdi-database-archives-(beta)#)

The indicator used is: "Price level ratio of PPP conversion factor (GDP) to market exchange rate" data (indicator code *PA.NUS.PPPC.RF*)

See **Annex B** for full details of Plan 1 overseas repayment thresholds.

Under regulation 76(1A), the overseas mandatory repayment income thresholds are updated by RPI annually from 6 April 2013 and on 6 April each following year. The RPI rate is taken as the percentage increase between the retail prices all items index published by the Office for National Statistics (ONS) for the two Marches immediately before the commencement of the previous tax year.

Overseas customers who are in repayment status and whose annual overseas repayment schedule spans more than one tax year will therefore see their repayment amended twice each year:

- The monthly repayment amount due will be set at the start of the overseas repayment period (regulation 75(1)) and thereafter amended annually when the overseas borrower completes a new overseas assessment form and the new overseas assessment period starts; and
- The monthly repayment amount due will also be amended as of April each year in order to take account of the annual amendment to the overseas income thresholds and any change of Price Level Index which results in a change to the banding of the borrower's country of residence (regulation 75(7)).

Note that annual changes to currency exchange rates are not applied to overseas borrowers during their current overseas income assessment period.

For example:

Student A has a Plan 1 loan balance and advises SLC in January 2015 that he is living in Austria and earning a salary of 50,000 Euros. His salary is converted to UK pounds using the most recent annual average rate available from HMRC of £1 = 0.726 Euro (*average rate from HMRC for the year to 31 December 2015*), giving an annual income figure of £36,300. The annual income threshold applicable to Austria in January 2015 (Band E) is £17,335. Using this threshold, the repayment amount due is £1,706 per annum, payable at £142 per month. However, from April 2016, Student A's repayment will be adjusted to take account of the new increased income threshold of £17,495. The monthly repayment amount from April 2016 to November 2016 will therefore be £141.

Fixed monthly instalments are due when a borrower is not in the UK Tax System and does not provide evidence of residence and income (regulation 73(2)(a)(b)). These rates have not changed since April 2012 and are available at [Annex B](#).

SLC are instructed by that the average annual exchange rate for the most recent *calendar year* available from HMRC will be used to convert income to sterling from foreign currencies. Note that this is not specified in Regulations. Visit HMRC's website:

[http://www.hmrc.gov.uk/exrate/yearly\\_rates.htm](http://www.hmrc.gov.uk/exrate/yearly_rates.htm)

#### OVERSEAS BORROWERS - PLAN 2 LOANS

Regulation 76(1) provides that the overseas mandatory repayment thresholds effective from 6 April 2016 for Plan 2 loans. As per the £21,000 threshold for UK Plan 2 borrowers, these thresholds will be frozen until 5 April 2021, and any future changes to the thresholds from 6 April 2021 will be confirmed in due course.

See [Annex D](#) for full details of Plan 2 overseas repayment thresholds.

Fixed monthly instalment rates are applied when a borrower is not in the UK Tax System and does not provide evidence of residence and income (regulation 73(2)(a)(b)). Fixed monthly instalment rates to be applied from April 2016 to Plan 2 loan balances (regulation 76(1)) are listed at [Annex D](#).

Where a borrower who is paying fixed monthly instalments has Plan 1 and Plan 2 loans that are both in repayment status, the Plan 1 fixed monthly instalment amount will apply. The amount repaid will be split across the Plan 1 and Plan 2 balances as per repayments that are based on income.

For example:

A borrower who has Plan 1 and Plan 2 loans in repayment makes a fixed monthly repayment of £246. 16/17 tax year thresholds are £17,495 (Plan 1) and £21,000 (Plan 2). 9% of income between the thresholds is £315. A monthly amount of £26 (£315 / 12) is applied to the Plan 1 balance and the remainder of the fixed repayment (£246 - £26 = £229) is applied to the Plan 2 balance.

SLC are instructed by the Department for Education (DfE), referred to as "the Department", that the average annual exchange rate for the most recent *calendar year* available from HMRC will be used to

convert income to sterling from foreign currencies. Note that this is not specified in Regulations. Visit HMRC's website:

[http://www.hmrc.gov.uk/exrate/yearly\\_rates.htm](http://www.hmrc.gov.uk/exrate/yearly_rates.htm)

### REPAYMENT ALLOCATION (SCHEDULED REPAYMENTS)

Where a borrower has a loan balance which is subject to only one set of repayment terms (Plan 1 or Plan 2), any loan repayments made are split across all outstanding loans. The repayment amount is split proportionally according to the outstanding balance of each maintenance or tuition fee loan. Note, however, that where a customer has loans that are in repayment status and also loans that are not in repayment status, repayments are allocated to the loans that are in repayment status only.

Where a borrower has both Plan 2 HE loans and FE advanced learner loans that are in repayment status, any scheduled repayment made will be split proportionally across these loans according to the balance of each.

### DUAL LOAN REPAYMENT ALLOCATION

From Academic Year 2012/13, some borrowers have loan balances both under the Plan 1 and Plan 2 repayment schemes. For example, an England or Wales domiciled borrower has Plan 1 loans for a course which lasted from AY 2008/09 to 2010/11, and Plan 2 loans for a one year 'top up' course in AY 2012/13 (*which because of the break in study is not an 'end-on' course and is therefore not transitionally protected*). In such cases, repayment instalments will be 9% of income above the **lower** income threshold, i.e. the Plan 1 threshold. Repayments will be allocated to the loan balances in accordance with regulation 18A and as follows:

- If income is at or below the Plan 2 threshold, repayments will only be allocated to the Plan 1 loan balance.
- If income is above the Plan 2 threshold, repayments will be apportioned between the Plan 1 and Plan 2 loan balances.
- Once either the Plan 1 or Plan 2 loan balance is repaid in full, the income threshold applicable to the outstanding loan balance will be used, and repayments will be allocated in full to this balance.

For example:

- 1) Student A has outstanding Plan 1 and Plan 2 loan balances. The Plan 1 loans are already in repayment status, and the Plan 2 loans enter repayment status on 6 April 2016. In tax year 16/17 the Plan 1 repayment threshold will be used. Repayments made on income above the Plan 1 threshold and up to the Plan 2 threshold are applied to the borrower's Plan 1 loans, and the remainder of the repayment made (on income above the Plan 2 threshold, where there is any) is applied to the borrower's Plan 2 loan balance. Once the Plan 1 loan balance is paid in full, repayments will be deducted on income over the Plan 2 income threshold only.

## REPAYMENT ALLOCATION WITH A CREDIT BALANCE

Should a borrower have more than one loan of any combination and any loan is over repaid, regulation 20A states that where the over payment exceeds £10 SLC must give notice that they intend to treat this as a direct payment for the second loan. This excess payment will then be used to reduce the balance owed on the second loan unless the borrower notifies SLC within 60 days that the excess payment be refunded.

Any excess payment made will accrue interest for a period of 60 days from the date SLC gave notice to the borrower or until a refund is made.

## VOLUNTARY REPAYMENTS

Borrowers may make voluntary repayments to their loan balance at any time, either before or after the loan balance has entered repayment status (regulation 15 (1)). Such a repayment would be made directly to the SLC. No charges are applied for making voluntary repayments.

The borrower may choose to allocate a voluntary repayment to a particular loan balance. However, if the borrower has arrears on a loan balance, any voluntary repayment made will be allocated to the arrears first (regulation 14 (2)).

Where a borrower does not specify which loan balance a voluntary repayment should be allocated to, the following default order of voluntary repayment allocation will be followed:

1. Outstanding arrears
2. Loans with RPI (or standard interest rate) plus 3%
3. Loans with variable interest rate
4. Loans at RPI interest rate only
5. Pre-2012 loans if low interest cap is in place.
6. Any loans which have not yet reached SRDD, following the above order, but with postgraduate loans taking precedence over post-2012 loans.

This hierarchy of repayment allocation ensures the borrower will make repayments against the loan with the higher rate of interest first.

\*Note that where a borrower has both Plan 2 loans and FE advanced learner loans, any voluntary repayment made will be split proportionally across these loans according to the balance of each.

For example:

- 1) Student A has Plan 1 loans that are in repayment status and Plan 2 loans that are in payment status. Student A makes a voluntary repayment of £50 but does not specify which loan

balance the repayment should be allocated to. The repayment will be allocated to the Plan 1 loans as per the order of allocation shown above.

- 2) Student B has Plan 2 HE and FE advanced learner loans, both of which are in repayment status. Student B makes a voluntary repayment of £100 but does not specify which loan balance the repayment should be allocated to. The voluntary repayment will be split proportionally across these loan balances according to the outstanding amount of each. If the FE balance is £4,000, and the HE balance £6,000, £40 will be allocated to the FE loan balance and £60 to the HE loan balance.

### REPAYMENT BY A THIRD PARTY

Any third party such as a parent, relative or employer can make a voluntary and direct repayment to the SLC on behalf of a borrower. They can do so over the phone, online or by providing a letter/cheque. The customer reference number (CRN) or Student Support Number (SSN) will be required in each case so that the repayment is made against the correct account. The SLC will not be able to provide a third party with account specific information, such as a balance, due to data protection legislation. If a third party wanted account specific information, they would need to demonstrate they hold Power of Attorney or the borrower would need contact SLC and set up 'Consent to Share'.

### REFUNDS OF VOLUNTARY REPAYMENTS

Borrowers should note that voluntary repayments to the SLC do not take the place of or reduce repayments due through the tax system. Therefore, regardless of any extra voluntary repayments made, employees will still have deductions taken from their salary and self-assessed customers will still repay based on their income for the year. SLC are instructed by the Department that voluntary repayments are not to be refunded unless the borrower has repaid the loan in full and has a credit balance. However, exceptionally, third party payments could be refunded if the payment is not wanted by the borrower and made without their knowledge, but the refund could **only** be made to the card which made the payment.

Note that the SLC is not a regulated financial advisor and that voluntary repayments must be the decision of the borrower.

### REPAYING BY DIRECT DEBIT

Regulation 18(1)(b) allows borrowers to make repayments to SLC by Direct Debit if SLC are satisfied that the borrower is within 23 months of repaying the full outstanding balance of the student loan. This is known as the Prevent Over Repayment (POR) scheme. The scheme is optional and borrowers are not under an obligation to enter it.

When a borrower's P14 indicates that they are within two years of repaying their loan balance, SLC will write to them informing them of their eligibility for POR with their statement.

When the Direct Debit is set up, SLC acting under regulation 18(2) will notify HMRC that deductions from the borrower's income are to stop. This is known as a 'Stop Notification' and prevents the

borrower from overpaying their outstanding loans via deductions from earnings. In the event that a borrower has both a deduction from their salary and makes a Direct Debit payment through the POR scheme, the borrower may send SLC evidence of the salary deduction in order that they are refunded.

The Direct Debit option will not be offered where the borrower has a combination of Plan 1 and Plan 2 loans, as offering a Direct Debit option for the loan that is due to be repaid within 23 months may result in the borrower paying by Direct Debit to SLC and via PAYE/self assessment, and therefore paying more each month than he or she would otherwise repay.

Where a borrower elects to cancel or alter the direct debit without the permission of SLC, SLC will instruct HMRC to recommence repayment collection through the tax system (regulation 18(5)). Similarly, a borrower will not be eligible for the POR scheme where they have previously been on the scheme and stopped making payments without the permission of SLC (regulation 18(1)(c)). When the loan balance has been repaid in full through the POR scheme SLC will cancel the direct debit.

## **WRITE OFF**

All of a borrower's loan balances are written off if:

- the borrower dies (regulation 19(3)(a)); or
- the borrower receives a disability-related benefit and because of the disability is permanently unfit for work (regulation 19(3)(b)).

SLC requires evidence in either case:

- Where a borrower dies, SLC will require sight of either the original death certificate or a certified copy in order for the loans to be written off.
- Where a borrower receives a disability-related benefit and is permanently unfit for work the borrower will need to provide evidence that they are receiving a disability-related benefit (as defined in regulation 9(1)) and provide confirmation from a qualified medical professional stating that they are permanently unfit for work. Note where the evidence is not sufficiently clear that the borrower is permanently unfit for work, SLC will reject the request.

Where a borrower is in arrears or in breach of any obligation to repay a loan balance, the loan will not be written off (regulation 19(1)). 'Arrears' are considered to include any breach of the borrower's obligation to repay the following:

- Any repayments of student loan due for an overseas period of residence;
- Any repayments of ICR student loan due to be repaid by Direct Debit (i.e. where the student is considered to be less than 2 years from paying the loan balance in full);
- Any 'mortgage style' loan (generally payable to students who started their course prior to 1998).

## PLAN 1 LOANS

Plan 1 loan balances will be written off in the following circumstances:

- Outstanding balances of loans taken out before academic year 2006/07 (and further loans taken in academic year 2006/07 or later where the borrower is continuing on the same course of study) are written off on the date that the borrower reaches 65 (regulation 19(3)(d)).
- Outstanding balances of loans taken out in academic year 2006/07 or later (either where the course started in academic year 2006/07 or later, or where the course started before academic year 2006/07 but the borrower took a loan for that course for the first time in academic year 2006/07 or later) are written off on the 25<sup>th</sup> anniversary of the date on which the loans enter repayment status (regulation 19(3)(c)).

## PLAN 2 LOANS

Plan 2 loans will be written off on the 30<sup>th</sup> anniversary of the date that the loans enter repayment status (regulation 19(3)(e)). Note that 6 April 2016 is the earliest date that Plan 2 loan balances enter repayment status.

Write-off for 24+ Advanced Learning Loan: Where borrowers have completed an Access to HE Diploma and subsequently completed an HE course, the loan balance of the Access course will be cancelled. This will help borrowers who enter HE via the Access to HE route.

## INTEREST

Interest will accrue on all loan balances from the date that the loan is paid to the student or the HEP until the loan balance is repaid in full (regulations 21A and 21). This means that for all students, interest on their loans accrues whilst they are studying.

SLC has a duty to publish the interest rate in accordance with regulation 21(5) and 21A (7); this information is available on the SLC website <http://www.studentloanrepayment.co.uk>. Borrowers are notified of any change of interest in their annual statements.

## RPI AND INTEREST

The Department is of the view that there is no single measure of inflation that is appropriate for all purposes; however, real rates of interest (i.e. RPI plus a percentage) are applied to student loans to enable the system to remain progressive and financially sustainable in the long term. The RPI is commonly used in private contracts for uprating housing rents. It takes account of among other things, changes in mortgage interest and council tax – typical expenses for graduates which are not included in, for example, the Consumer Price Index (CPI).

Historically RPI has always been used for calculating interest on student loans thereby ensuring the rate of interest has been consistently applied to a widely recognised and adopted measure of inflation. There are currently no plans to abandon the use of RPI in calculating interest on student loans.

The RPI used in interest calculation is the percentage increase between the retail prices all items index published by the Office for National Statistics (ONS) for the two Marches immediately before 1 September each year.

### **APPLYING INTEREST – GENERAL**

If a borrower repays their loan in the UK through PAYE or self-assessment, SLC will receive details of repayments from HMRC annually after the end of each tax year. SLC does not apply interest to accounts until it receives this repayment information from HMRC. When these details are received the amount of interest charged will be adjusted to reflect when the repayments were made. PAYE repayments are split evenly and attributed to each month of the tax year in which they were made, so that even if there is a delay in the repayment details reaching SLC the borrower does not pay any additional interest.

### **PLAN 1 INTEREST RATE**

Under regulation 21(1) all Plan 1 loans are charged interest at the RPI rate (or the Bank of England base rate plus 1%, if this is lower than the RPI rate, as per regulation 21 (2)). This rate is applied regardless of whether the student is in study, has left the course and has not yet entered repayment, or has entered repayment status.

Interest on Plan 1 student loans is calculated daily and added to the loan balance monthly (regulation 21 (3)).

Note that the low interest cap has been in place since 1 September 2016 because the bank base rate plus 1% is less than the RPI rate of 1.6%, so the interest charged is 1.25%. The low interest cap rate could go up or down depending on any changes to the bank base rate between 1 September 2016 and 31 August 2017, but the maximum rate charged can be no higher than 1.6%, which is the rate of RPI. These rates are reassessed annually.

### **PLAN 2 INTEREST RATE**

The Education Act 2011 s 76(1)(a) states that interest rates on loans cannot be higher than *'those prevailing on the market'*, a requirement which stems from the EU Consumer Credit Directive.

The Department regularly monitors the interest rates prevailing on the market compared to the interest rates on student loans.

If the interest rates prevailing on the market approach a level below or equivalent to the student loan rate set by the Department, they will consider if action is required to ensure student loans remain compliant with the relevant clause of the Education Act. The Department will notify SLC if a change is required to the interest rates to be applied to Plan 2 loans. If a change to the interest rates charged on student loans is required:

- The rate of interest charged on student loans will be capped at the rate advised by the Department until further notification from the Department. Borrowers who are being charged a lower interest rate will not be affected by the change.

**PLAN 2 INTEREST - UK BORROWERS**

Interest rates are applied to Plan 2 loan balances as follows:

Customer status	Applicable Interest Rate	Regulation
Full-time students in study (and until 6 April after leaving study)	RPI+3%	21A (2)(a)(i)
Part-time students in study (and until whichever of the following dates occurs first: 6 April after leaving study or 6 April after four years have elapsed since the first day of the first academic year of the course)	RPI+3%	21A (2)(a)(iii)
From 6 April after leaving the course until April 2016 (where the student withdraws from / completes the course prior to 6 April 2015)	RPI only until April 2016.	21A(3)(b)
Loans in repayment status (rate applied from 6 April 2016 at the earliest, until the loan balance is paid in full).	Income £21,000 or less - RPI only	21A (2)(b)(i)
	Income above £21,000 to less than £41,000 - Interest applied on a scale from RPI to RPI+3%	21A (2)(b)(ii)
	Income £41,000 or above - RPI+3%	21A (2)(b)(iii)
Withdrawn from / completed course and lost touch with SLC (non-compliance rate (NCR)).	RPI + 3%	21A (4)

For example:

- 1) Student A starts a four year full-time course in September 2012 and completes the course in June 2016. His loan balance enters repayment status on 6 April 2017. Interest is charged at RPI+3% until 5 April 2017. From 6 April 2017 interest is charged at a rate which depends on A's income.
- 2) Student B starts a part-time course in September 2012 and completes the course in June 2018. Student B's loans enter repayment status on 6 April 2017 (i.e. the start of the tax year after four years have elapsed since the first day of the first academic year of the course). Interest will be charged at RPI+3% until 5 April 2017. From 6 April 2017, interest will be charged at a rate which depends on B's income.
- 3) Student C starts a three year full-time course in September 2012. Student C withdraws from the course in June 2013. His loans enter repayment status on 6 April 2016. Interest is charged at RPI+3% until 5 April 2014. From 6 April 2014 until 5 April 2016 interest is charged at RPI only. From 6 April 2016 interest is charged at a rate which depends on C's income.

- 4) Student D starts a two year full-time course in September 2012 and completes the course in June 2014. Interest is charged at RPI+3% until 5 April 2015. From 6 April 2015 until 5 April 2016 interest is charged at RPI only. Prior to April 2016, SLC contacts Student D requesting details of his employment status because he cannot be located in the UK tax system; however the student does not respond. From 6 April 2016 interest will be applied at RPI+3%, until such time as the student's employment status is identified by HMRC or the borrower contacts SLC to confirm his status.

#### PLAN 2 VARIABLE INTEREST

The calculation of interest where loans are in repayment status and income is between the lower and upper interest threshold is outlined in regulation 21A(10):

$$3 \times (I - L) / (H - L) \text{ where -}$$

*I is the customer's income in pounds as calculated for interest purposes for that tax year (the borrowers interest income),*

*L is the lower interest threshold,*

*H is the higher interest threshold.*

For UK borrowers the lower interest threshold is £21,000 (regulation 21A(12)(a)) and the higher interest threshold is £41,000 (regulation 21A(13(A))). A UK borrower's income for interest purposes is calculated in accordance with regulation 21A(11).

Where required, the interest rate will be rounded to two decimal places.

Examples of variable interest rate calculation:

- 1) A borrower whose loan is in repayment status in tax year 16/17 and who is employed in the UK has total NICable income for that tax year confirmed by HMRC as £32,000. Interest to be applied for that tax year is RPI plus the following:

$$3 \times (32000 - 21000) / (41000 - 21000) = 3 \times (11000 / 20000) = 1.65\%$$

The rate of interest applied to the borrower's loan balance is **RPI + 1.65%**

- 2) A borrower whose loan is in repayment status in tax year 16/17 and who is self employed in the UK has total income for that tax year confirmed by HMRC as £22,000. Interest to be applied for this tax year is RPI plus the following:

$$3 \times (22000 - 21000) / (41000 - 21000) = 3 \times (1000 / 20000) = 0.15\%$$

The rate of interest applied to the borrower's loan balance is **RPI + 0.15%**

Interest will be calculated and applied based on the borrower's income for the tax year. Where the borrower has been resident in the UK for the full tax year, an interest rate will be calculated based on total interest income for that tax year. For example:

- A borrower in the UK earns £21,000 in the first six months of tax year 16/17 (£42,000 annual salary). She is then unemployed for two months. For the final four months of the tax year she earns £5,000 (£15,000 annual salary). A's total income for the tax year (£26,000) is used to calculate the variable interest rate, which is **RPI + 0.75%**. (Note that the RPI rate used will be adjusted on 1 September.)

Where a borrower has Plan 1 and Plan 2 loan balances, interest will be calculated and applied to each loan balance according to the interest calculation rules applicable to each Plan.

#### PLAN 2 INTEREST - OVERSEAS BORROWERS

The interest calculation rules detailed above for UK borrowers will also be used for overseas borrowers under regulation 21A(2)(c) and (d). However, the lower and upper thresholds used for interest calculation will depend on the Price Level Index (PLI) of the country that the borrower is living in when he/she is in repayment status and in accordance with the tables in regulation 21A(12)(b) and (13)(b) (see below). The thresholds will be applied from the first day of the overseas repayment period as processed by SLC. (Note that the first day of the overseas assessment period is not necessarily the actual date that the borrower left the UK.)

<b>Band</b>	<b>Price Level Index</b>	<b>Lower Interest Threshold</b>	<b>Higher Interest Threshold</b>
A	0<30	£4,200	£8,200
B	30<50	£8,400	£16,400
C	50<70	£12,600	£24,600
D	70<90	£16,800	£32,800
E	90<110	£21,000	£41,000
F	110<130	£25,200	£49,200
G	130+	£29,400	£57,400

The PLI for the UK will be set at 100 and will be calculated using the most recent provisional comparative PLI's measured in gross domestic product using the World Bank's Development Indicators (regulation 21A(14)).

Note that where an overseas borrower does not inform SLC of the date that he/she left the UK, the date used by SLC will be the date of receipt of the overseas assessment application form.

For example:

- A borrower started a three year full-time course in September 2012 and completed the course in June 2015. His loans entered repayment status on 6 April 2016. Prior to April 2016,

he notified SLC that he is now living in a Band C country. He provides evidence that his salary is above £24,600. From the first day of his overseas assessment period as processed by SLC, interest is applied at RPI + 3%, as his income exceeds the upper income threshold for interest purposes.

#### **PLAN 2 BORROWERS WHO HAVE SPENT PART OF THE TAX YEAR IN THE UK AND PART ABROAD**

Where a Plan 2 borrower has an overseas assessment in place but has also spent part of the tax year in the UK, interest will be calculated separately for the periods within and without the UK, according to the separate interest income thresholds that apply to the UK and the other country of residence. The following rules will apply to the calculation of income:

- Calculate interest for the overseas assessment period according to the overseas income level advised by the customer;
- Calculate interest for the period spent in the UK (whole months and part months) according to the income confirmed by HMRC for that tax year;
- Apply interest for any months which are not spent in the UK and which are not covered by an overseas assessment period at RPI only (unless the borrower has not supplied SLC with information required to establish if repayments are due, in which case interest will be applied at the non-compliance interest rate of RPI + 3%\*.

\*Where an overseas borrower has not provided the information required by SLC (regulation 72 and 23 (4)) to perform an overseas income assessment, interest will be charged at the highest rate of RPI + 3%, the non-compliance interest rate, under regulation 21A (4). If the borrower subsequently provides the required information and an overseas assessment period is put in place, the non-compliance interest rate will remain chargeable for the period that the borrower did not provide the required information. Regulation 21A (4) provides that this applies even where the overseas assessment period start date is backdated to clear repayment arrears that have accumulated on the account because the borrower did not make the default repayment.

For example:

- 1) Borrower A's loans enter repayment status on 6 April 2016. He contacts SLC on 10 June 2016 to advise that he moved to a Band C country on 20 May 2016, and that his income there will be equivalent to £25,000. His overseas assessment is effective from 1 July 2016. Interest is applied at:
  - **RPI + 3%** for the overseas assessment period (July 16 to March 17 inclusive) (*£25,000 exceeds the upper income threshold for interest calculation for Band C countries.*)
  - **RPI only** for the period spent in the UK in tax year 16/17 (April and May 16). (*HMRC confirms income of less than £21,000 (the UK lower interest income threshold) for that period.*)
  - **RPI only** for June 2016 (*The borrower was not in the UK in June, and June is not covered by an overseas assessment.*)
  
- 2) Borrower B's loans enter repayment status on 6 April 2016. He contacts SLC on 15 September 2016 to advise that he has moved to a Band C country on 1 September 2016. However he does not complete an overseas assessment form, and the default schedule starts approximately 8 weeks later, in this case on 1 November. If the customer pays the default fixed monthly repayment of £120.60 for Band C countries, the customer's account will not fall into arrears. Interest is applied at:
  - **RPI + 3%** (the non-compliance rate) from the UK leaving date or 42 days after the borrower notifies SLC, whichever is the latest. In this case it is applied from 42 days after 15 Sep 2016. This rate is applied because the customer has not provided the data required by SLC to complete the overseas income assessment.
  - **RPI only** for the period spent in the UK (April to August 16 inclusive) (*HMRC confirms income of less than £21,000 (the UK lower interest income threshold) for that period.*)
  - **RPI only** for the period after leaving the UK until the start of the application of NCR interest.

Alternatively, the borrower does *not* pay the default fixed monthly repayment and the account falls into arrears. The borrower returns the overseas assessment form on 10 January 2017. The overseas assessment start date will be backdated to 1 November 2016 to clear the fixed repayment arrears and the scheduled overseas assessment will replace the default assessment from 1 November 2016 for repayment purposes but not for interest purposes – the NCR rate is still charged.
  
- 3) Borrower C's loans enter repayment status on 6 April 2016. He leaves the UK on 1 Sep 2016 but does not inform SLC January 2017, when he completes and returns an overseas assessment form. He confirms that he has moved to a Band C country and has an income above the upper interest threshold. The overseas assessment period will commence from 1 February. Interest will be charged at the rate of RPI + 3% for the

period of the tax year covered by this overseas assessment. After the end of the 16/17 tax year, HMRC confirms a NICable income figure of £15,000 for the period of the tax year spent in the UK (April to August inclusive). Interest will be applied to Student E's account at a rate of RPI only for the months of April to August inclusive as £15,000 is below the lower UK interest threshold. Interest will also be applied at a rate of RPI only for the months of September to January inclusive.

#### APPLYING INTEREST WHEN A SETTLEMENT FIGURE IS REQUESTED

Where a borrower has Plan 2 loans and requests a settlement figure, the following rules apply:

- **Loans in payment status (and all loans prior to April 2016):** interest is applied in **real time**, therefore an accurate settlement figure can be provided;
- **First year of loans being in repayment status: RPI only** is applied during the current tax year until the settlement date. Where a customer is Self Assessed, the 'first year' of loans being in repayment status is extended to until when we receive the first P14 from HMRC. Interest applied will *not* be adjusted once HMRC confirm current tax year income;
- **Loans were in repayment status in previous tax year:**
  - 1) Where the borrower is subject to an overseas assessment during the current tax year, the interest rate derived from the borrower's advised overseas income will apply to those months covered by the overseas assessment period (regulation 21A(2A)(b));
  - 2) Where the borrower has not complied with an information request from SLC during the current tax year, the non-compliance interest rate of RPI +3% will be applied (regulation 21A(2A)(c));
  - 3) Where the borrower was in the UK during all or part of the previous tax year, interest will be applied at the previous tax year UK interest rate to any months of the current tax year that the borrower spends in the UK (regulation 21(2A)(a)). Note that:
    - Where HMRC has advised previous tax year UK income, and a previous tax year UK interest rate has been calculated based on that income, any subsequent updates from HMRC confirming a change to income will result in interest applied during the previous and current tax year being adjusted. This may result in an outstanding amount being due from the borrower or owed to the borrower\*.
    - Where HMRC has not yet advised previous tax year UK income, the borrower will be required to confirm UK income for the previous tax year. This income will be used to set the interest rate to be applied during the previous tax year and the current tax year up to the settlement date. If subsequent information from HMRC confirms that UK income in the previous tax year differs from the figure advised by the borrower, interest applied to the loan balance during the previous tax year and current tax year

up to the settlement date will be adjusted where required. This may result in an outstanding amount being due from the borrower or owed to the borrower as a refund from SLC.\*

\*Where a borrower has settled their loan balance, and their UK income is lower in the current tax year than the previous tax year, the borrower may provide evidence of current tax year income after the end of the current tax year, so that interest is applied to the current tax year based on current tax year income. An adjustment of current tax year interest will only be carried out on the request of the borrower (regulation 21A (2B)). No change will be made to current tax year interest where the borrower's UK income is greater in the current tax year than in the previous tax year. SLC can only process the recalculation once the P14 has been received in this scenario. However, SLC will always recalculate the interest on the receipt of the P14 for the previous tax year (at time of settlement).

- 4) Where the borrower was not in the UK during the previous tax year, and is in the UK during the current tax year, RPI only will be applied to current tax year months spent in the UK, as the borrower does not have a previous tax year UK interest rate to apply to the current tax year.

For example:

- **Student A's** loan balance enters repayment status on 6 April 2016. He contacts SLC on 1 August 2016 to settle the balance. As the borrower's loans were in payment status in tax year 2015/16, SLC will charge **RPI only** for April to July 2016.

The interest applied in tax year 2016/17 will not be adjusted when HMRC confirm actual earnings for that tax year.

- **Student B's** loan balance enters repayment status in April 2016. On 1 August 2017 she contacts SLC to settle the loan balance. She has remained in the UK since April 2016. HMRC have confirmed B's income for tax year 2016/17 and an interest rate of RPI + 1% has been calculated and applied to B's account for that year. SLC will therefore charge RPI + 1% for April – July 2017

The interest applied in tax year 16/17 will only be adjusted if the borrower requests a re-determination of current tax year interest after the end of the current tax year, and proves that her income is lower in the current tax year than in the previous tax year.

- **Student C's** loan balance enters repayment status in April 2016. He spent tax year 16/17 in the UK and remains in the UK until 1 August 2017, when he contacts SLC to settle the loan balance. HMRC has *not* confirmed C's income for the tax year 16/17. SLC will require the borrower to confirm income for the tax year 16/17 and provide evidence of it. This income will be used to determine the interest rate that will be applied to C's loan balance for tax year 16/17 and during the current tax year until the settlement date.

If HMRC subsequently confirms a different income amount for the previous tax year, interest applied to the account during the previous and current tax years will be adjusted. Otherwise,

interest in the current tax year will only be adjusted if the borrower requests a redetermination of current tax year interest after the end of the current tax year, based on his income having fallen from the previous tax year.

- **Student D's** loan balance enters repayment in April 2017, From April 2017 to October 2017 inclusive, D is in the UK. From November 2017 until October 2018, D is subject to an overseas assessment. An interest rate of RPI + 2.5% is charged for the overseas period, based on D's advised overseas income. D returns to the UK in October 2018. On 15 January 2019, D contacts SLC to settle the loan balance. HMRC has confirmed a UK income for tax year 17/18 which results in an interest rate of RPI + 1% being applied to April – October 2017. This rate is also applied to months spent in the UK during the current tax year (November 2018 – January 2019).

The UK interest applied to D's account during the current tax year will only be adjusted if the borrower requests a redetermination of current tax year interest after the end of the current tax year, based on her UK income having fallen from the previous tax year.

#### APPLYING INTEREST WHEN A DIRECT DEBIT OPTION IS TAKEN

Where a borrower has Plan 2 loans and has opted to repay the remainder of their loan balance by Direct Debit, interest will continue to be applied to the loan balance at the same rate as was applied before the Direct Debit commenced (regulation 21A(2A)). The borrower will be advised that where their income has fallen during the current tax year they may provide evidence of income after the end of the current tax year in order that interest is applied to the account based on actual income rather than previous tax year income. A readjustment of current tax year interest will only be carried out on the request of the borrower (regulation 21A(2B)(a)(ii)).

#### APPLYING INTEREST WHEN A PGCE OPTION IS TAKEN

Where a borrower has mortgage style loans (from courses starting pre 1998) and ICR loans for a postgraduate teacher training course, they are offered a PGCE option. This means that they may opt to defer repayment of the ICR loans while repaying the mortgage style loans. Where the ICR loans are Plan 2 loans, and the borrower has opted to pay their mortgage style loans first, SLC will not receive income information from HMRC. In this scenario, **RPI only** will be applied to the Plan 2 loans regulation 21A(2)(a)2ZA.

#### CHARGES FOR NON-COMPLIANCE

SLC may request information from a borrower which is necessary in order to establish how much, if any, of their loan they should be repaying (regulation 23 and 72). Where borrowers do not respond or fail to comply with a request for information, SLC has the discretion under regulation 24 to apply financial penalties. Borrowers are reminded that where they either change their home address or name, they must notify SLC of the changes within six weeks of the change (regulation 22(a) and (b)). Similarly borrowers must notify SLC of any period of residence abroad that exceeds 3 months (regulation 72(1)).

Where a Plan 2 borrower does not respond to requests from SLC to provide information required to administer his/her account, an interest rate of RPI + 3% will be applied to the borrower's account (regulation 21A (2) (d) and 21A (4)). This rate is referred to as the non-compliance interest rate.

In this instance the borrower will be notified by SLC that this rate will be applied should they fail to provide information required to administer their account. However, discretion may be used where a borrower can provide evidence of extenuating circumstances as to why they could not contact SLC with the required information (e.g. serious illness).

Where a Plan 2 borrower is **in the UK** the following rules will apply:

- Where a borrower is required to confirm income details because HMRC do not have up to date employment records, the borrower has 42 days to return the required information to SLC. If the borrower's loans are not yet in repayment status, the 'in study' interest rate of RPI + 3% will be charged. If the borrower is in repayment status, the variable interest rate will be applied to the 42 day period; non-compliance interest will commence after the end of the 42 day period.
- If HMRC confirm a backdated match (i.e. a date in the past from which the match is active), the non-compliance interest will be replaced with the variable interest rate based on income for the backdated match period. If HMRC does not provide a backdated match date, SLC will use the match file transmission date. SLC discretion may be applied where the borrower disputes the effective date of the match as advised by HMRC.

Where a Plan 2 borrower is **overseas** the following rules will apply:

- The non-compliance interest rate will be applied from the UK leaving date, or 42 days after the borrower notifies SLC, whichever is later, where the borrower does not provide the details required by SLC to administer the account. The NCR rate may be charged until the start of the next scheduled overseas assessment period. For example:
  - 1) Borrower A advises SLC on 15 September 2017 that he left the UK on 1 August 2017. He does not provide the required income information. The NCR rate will be applied starting from 42 days after 15 September.
  - 2) Borrower B advises SLC on 15 September 2017 that he will leave the UK on 10 December 2017. He does not provide the required income information. The NCR rate will be applied starting from 10 December (as this is more than 42 days after the date the borrower notified SLC).
- Where a borrower is overseas and advises SLC that they plan to return to the UK, but they do not provide UK income information and continue to make their overseas repayment, the non-compliance rate will not be charged during the remainder of the current overseas assessment period.

Where a Plan 2 borrower has a **balance below £120** the following rules will apply:

- HMRC will not provide income data for these borrowers; SLC will contact the borrower to request confirmation of income so that the correct interest rate is applied. If the borrower

does not confirm their income with evidence, the non-compliance interest rate will be applied to the balance.

## REFUNDS

Following the end of the tax year, SLC receive P14 files from HMRC, detailing how much PAYE borrowers have repaid on their ICR loans. As these files are received after the end of the tax year, there are instances where borrowers over repay their loans (although SLC actively tries to prevent borrowers over repaying through the POR scheme - see section on repayment by [Direct Debit](#)). There are occasions where the SLC may require financial evidence before releasing a refund, for example if the borrower is requesting a refund before the HMRC P14 file has been received. In any case, where the SLC is satisfied that the borrower has over repaid their loan, they must notify and refund the borrower any amount not required to repay the loan in full with interest (regulation 20(1)).

The interest on a credit balance is calculated in accordance with regulation 20(1A) and depends on the borrower's loan Plan type – see below for further information.

### CREDIT BALANCE INTEREST - PLAN 1 LOANS

For Plan 1 loans up to and including 5 April 2016, interest on a credit balance is calculated as if it were the principal of a Plan 1 loan. This means the credit balance accumulates interest at RPI only (or the Bank of England base rate plus 1% if this rate is less than RPI) from the date of the over-repayment to the earlier of 5 April 2016 or the date the credit balance is refunded (regulation 20(1A)(a)).

From 6 April 2016, interest on a credit balance will accumulate at the rate of RPI (or the Bank of England base rate plus 1% if this rate is less than RPI) from the date of the over-repayment to the earlier of:

- 60 days from the date SLC issues a notification to the borrower advising that they are due a credit balance refund; or
- the date on which SLC makes the refund to the borrower.

After which point interest will cease to accumulate on the refund balance (regulation 20(1A)(b)).

### CREDIT BALANCE INTEREST - PLAN 2 LOANS

From 6 April 2016, interest on a Plan 2 credit balance is calculated as if it were the principal of a Plan 2 loan and is limited to the greater of RPI only or 0% (regulation 21A(9)). Interest will accumulate from the date of the over-repayment to the earlier of:

- 60 days from the date SLC issues a notification to the borrower they are due a credit balance refund; or
- the date on which SLC makes the refund to the borrower.

After which point interest will cease to accumulate on the refund balance (regulation 20(1A)(c)).

Where SLC issues a notification to the borrower informing them they are due a credit balance refund in accordance with regulation 20(1A)(b) or (c), the notification must state that interest will accrue from the date of the overpayment to the earlier of 60 days from the date of the notification or the date on which SLC makes the refund (regulation 20(1B)).

#### **CREDIT BALANCE – NOTIFYING THE BORROWER**

SLC are not required to issue credit balance refund notifications where a borrower has dual loans and a credit balance of £5 or less; instead, the credit balance will be credited to the outstanding loan debit balance without notification to the borrower (regulation 6A).

Note also that the notification process is not required where the borrower has loan accounts of the same Plan type that are in credit and debit; in that case, a credit balance can be applied to the debit balance without notice or offer of a refund to the borrower.

#### **REFUNDS FOR SELF-ASSESSED BORROWERS**

Where a self-assessed borrower makes an overpayment of their student loan through their tax payment to HMRC, the SLC must refund the overpayment to HMRC (regulation 20(2)). The date the overpayment will be considered to have been received by SLC is 31 January following the tax year (regulation 17(b)).

Refunds returned to HMRC for self-assessed borrowers will not accrue interest under regulation 20(3) and will be deemed to have been received back by HMRC on the same date that SLC received the overpayment i.e. 31 January following the tax year.

Where the credit balance is due to a repayment by self-assessment, after SLC have returned the overpayment to HMRC, HMRC will then provide the borrower with a revised self-assessment bill taking into account the refund due.

#### **REFUND WHERE ARE EARNINGS BELOW THE REPAYMENT THRESHOLD**

Borrowers may have deductions taken when they earn below the applicable annual threshold. This can happen where a borrower's pay exceeds the weekly or monthly threshold during any given pay period. For example, if the borrower worked extra hours or received a bonus which took their income above the threshold for that week or month they would have a deduction taken; however over the course of the financial year they may not earn above the annual threshold.

Where a borrower's total earnings in the tax year are below the applicable annual threshold they are entitled to apply to SLC for a refund of the deductions taken (regulation 20(4)). This does not happen automatically; the borrower must request a refund from SLC. When applying for a refund the borrower will need to submit financial evidence to SLC, showing their annual income was below the threshold.

#### **REPAYMENT BY SELF-ASSESSED BORROWERS**

Part 3 of the Regulations details the provisions for the repayment of loans for those borrowers who are required to submit a self-assessment tax return. Provisions of the Taxes Management Act 1970 dealing with payment of income tax through self-assessment are extended to cover repayment of student loans, and loan repayments through self-assessment are treated like income tax (regulation 28).

#### AMOUNT OF REPAYMENTS

Under regulation 29(3) self-assessed borrowers will repay 9% of their total annual income over the repayment threshold, including any unearned income exceeding £2,000 (regulation 29(4)(c)). There are certain exclusions and reliefs applied to the calculation of the borrower's income which are outlined in full in regulation 29(4).

#### TAX DEDUCTIBILITY

For self-employment, generally an expense can be deducted from trading profits if incurred wholly and exclusively for the purposes of the trade. The repayment of a student loan would not satisfy this test as the expense is personal and will normally predate the commencement of the business. Student loans therefore are not tax deductible. This is consistent with the fact that amounts loaned or granted to borrowers are not taxed when paid directly to them or universities on their behalf.

#### REPAYMENT

Self-employed borrowers will repay their loan through completion of their self-assessed tax return. The loan repayments will be due as part of the self-assessment for tax (regulation 35(1)). The payment will be due on or before 31 January in tax year following the end of the relevant tax year (regulation 35(3)).

#### PROVISION OF INFORMATION AND PENALTIES

Student loans are treated in the same way as income tax under the regulations. Therefore self-assessed borrowers may be liable to surcharges, interest and penalties as would apply to income tax, if for example the return is missing, late, incomplete or if the borrower makes late or incomplete repayments (regulations 36, 39 and 40). Borrowers should note that HMRC can request further information, accounts and documents as may be necessary in the same way as they can in relation to income tax (regulation 30).

#### REPAYMENT BY BORROWERS WHO ARE EMPLOYED

Part 4 of the regulations outlines the rules for borrowers who are employees and how they repay their student loans through their employers via salary/pay deductions. Regulation 42 provides that repayments made by a borrower who is an employee are collected and accounted for by their employer in the same way as income tax is deducted from the borrower's earnings. Under regulation 41 '*earnings*' has the same meaning as it does for National Insurance contributions for 'NICable' income purposes.

#### REAL TIME INFORMATION

Employers report their PAYE deductions bill (which may include student loan deductions) to HMRC on a payday basis if they are a 'Real Time Information' (RTI) employer – this can be daily, weekly or monthly, however, ICR Student Loan deductions are not reported to SLC on a monthly basis at the time of writing. HMRC collate details from the employer's RTI submissions and report to SLC after the end of the tax year in line with the current arrangement.

#### **COMMENCEMENT OF EMPLOYMENT**

Where a borrower begins employment they are required to provide information in the form of either a P45 form or by completing a 'starter checklist' (which has now replaced the P46 form). This provides the employer with the information required to be able to deduct the correct amount from the borrower's pay. When providing this information the borrower is under an obligation to state if they have liability to repay a student loan (regulation 43 and 43A). When notifying their employer if they have a liability to repay a student loan, the borrower must indicate whether or not the liability solely relates to a Plan 2 student loan (regulation 43(2) and 43A).

HMRC will check that borrowers are on the correct plan type with SLC within approximately 8 weeks of the borrower starting to repay. If the incorrect amounts are being deducted by a borrower's employer, HMRC will advise the employer of the correct plan type repayment threshold to use, and SLC should then contact the borrower to say that there has been an error. Where there has been an overpayment, the borrower should be offered the choice of having a refund or having the amount off-set against their outstanding loan balance(s). Note that this applies whether the error is due to employer or borrower error.

#### **AMOUNT OF REPAYMENTS**

Borrowers will make repayment at a rate of 9% of their annual earnings which exceeds the applicable repayment threshold depending on their loan Plan type (regulation 44(1)). Earnings for the purposes of student loan repayment are calculated in the same manner as (secondary) Class 1 National Insurance Contributions thereby allowing employers to calculate repayments on the same sum (regulation 45(1)).

Student loan deductions will show on a borrower's pay slip and P60 at the end of the tax year; however the pay slip will not denote whether a borrower is repaying a Plan 1 or Plan 2 loan. It is important that borrowers keep pay slips and P60s as SLC can only confirm accurate loan balances up to the point of application of the last P14 file from HMRC. Borrowers can use their pay documents to keep track of deductions and contact the SLC if they require an up to date balance on their account.

Borrowers will have to make student loan repayments, for either Plan 1 or Plan 2, if their income is over the threshold in a given earnings period (regulation 44(1) and (2)). For example if a borrower's pay goes above the weekly or monthly threshold due to overtime or bonus payments, the borrower will have a student loan deduction taken. Income fluctuations will therefore automatically be reflected in the student loan deduction. If over the tax year the borrower has not earned above the annual threshold, they can apply to SLC for a refund or alternatively leave the deductions in place thereby allowing their loan balance to clear more quickly.

Employers have a legal duty to correctly notify HMRC of borrower student loan repayments. Where they fail to do so, they may be subject to financial penalties and fines (regulation 59 and 68). Where an employer adopts practices to avoid or reduce the amount of student loan repayments, HMRC ignore these practices and recover repayments from the employer as if the practice were not followed (regulation 45(2)).

#### **SUCCESSION OR DEATH OF EMPLOYER**

In the event that an employer dies or the business is transferred to another person, the personal representative or successor will be liable, in general, to do anything which the original employer was liable to do under the regulations (regulation 64 and 65).

It is important for borrowers to retain documentary evidence of deductions, for example pay slips or P60s, in order that SLC can honour any student loan repayments that are in dispute in such a scenario.

#### **CESSATION OF EMPLOYMENT**

Where a borrower leaves employment, the employer must state in the employee's P45 form that the employee is a borrower (regulation 67). This is provided that the employer has received a notice stating that the employee is liable to make repayments (regulation 67(a)) and has not subsequently received a notice requiring the employee not to make deductions (regulation 67(c)).

#### **DEDUCTIONS FROM AN EMPLOYEE WHERE THEY ARE NOT A BORROWER**

There may be instances where an employee has student loan deductions from their salary but they have never taken out an ICR loan. For example, an employee who incorrectly indicates they have a liability to repay an ICR loan when they commence employment with their employer will have deductions taken. In this scenario the individual would need to contact SLC to investigate. Where SLC is satisfied that the individual never had an ICR loan, SLC will contact HMRC requesting they instruct the employer to stop taking deductions and reimburse those that were taken. In the interim period the employer is under a duty to continue deducting repayments until directed otherwise by HMRC.

**INSOLVENCY**

Part 6 of the regulations details the provisions concerning the insolvency of borrowers.

**BANKRUPTCY**

Regulation 80(2)(a) provides that student loans which are received or to which a borrower is entitled after their bankruptcy, do not form part of their estate for the purposes of that bankruptcy.

Any debt which a student loan borrower owes the SLC or loan purchaser does not at any time form part of the debts of that borrower for the purposes of the bankruptcy, if the bankruptcy starts on or after 1 September 2004 (regulation 80(2)(b)). Therefore as ICR loans are excluded from bankruptcy proceedings after this date, the borrower is still liable to repay any outstanding loan balance.

**INDIVIDUAL VOLUNTARY ARRANGEMENTS**

Similarly regulations 80(2)(c) and (d) have the effect of excluding student loans from an Individual Voluntary Arrangement (IVA) from 6 April 2010. An IVA enables a debtor to avoid bankruptcy by coming to an agreement with creditors to pay off a percentage of their debt over a given period; however an IVA would not negate a borrower's obligation to repay their student loan.

As student loans are drawn from public funds, the Department is of the view that borrowers should not reduce their liability to repay by entering into an IVA. This ensures public funds are protected and maintains consistency with the provisions on bankruptcy. Borrowers are not disadvantaged as repayments are made on an income contingent basis and they will not repay until earning above the income threshold.

## REPAYMENT OF POSTGRADUATE LOANS

Since academic year 2016/17, the government has provided loan support of up to £10,280 per student for postgraduate Master's courses. Postgraduate Loans are repaid under income contingent repayment terms which are distinct from Plan 1 and Plan 2 loans.

### REPAYMENT DUE DATE

The SRDD for PGL balances (full-time and part-time) is 6 April following the course end date or the withdrawal date where this applies (regulation 15 (2ZA)). No PGL balances will enter repayment status until **6 April 2019** at the earliest (regulation 15 (2C)). Note that part-time courses studied over three or four years will enter repayment status on 6<sup>th</sup> April following the second academic year of the course; however, the student will only make mandatory repayments where their income is above the repayment threshold.

The 'course end date' for Master's courses is taken as the last day of the Academic Year (the second Academic Year where the course lasts two years) for the purpose of setting the repayment due date. Note that this applies regardless of the date on which the student completes the course during the Academic Year.

For example, a student starts a one year course on 15 October 2019. The course end date is 31 August 2020. The loan balance enters repayment status on **6 April 2021**. If the student withdraws from the course prior to 6 April 2020, the loan balance would enter repayment status on **6 April 2020**.

### REPAYMENT THRESHOLD – UK BORROWERS

A mandatory annual repayment threshold of **£21,000** effective from 6 April 2019 will apply to all PGL balances that enter repayment status on that date (regulation 29(8)). The equivalent monthly threshold is £1,750 and the weekly threshold is £403. The repayment amount due will be **6%** of income above this threshold (regulation 29 (3)(b)). Note that this amount is calculated and deducted in addition to any deductions due for Plan 1 / 2 loan balances. Any repayment to a PGL balance will therefore be made concurrently with repayment to undergraduate loans. For example:

- 1) A borrower has a PGL balance, and no other loans with SLC. The PGL balance enters repayment status on 6 April 2019. The UK income in tax year 2019/20 is £25,000. Her repayments will be 6% of taxable income above £21,000, so she will repay approximately £20 per month.
- 2) A borrower has a Plan 2 loan balance which is already in repayment status in tax year 2019/20 and a PGL balance which enters repayment status on 6 April 2019. The Plan 2 threshold for tax year 2019/20 will be £21,000. His income in tax year 2019/20 is £25,000. His PGL repayments will be 6% of taxable income above £21,000, which means he will repay approximately £20 per month towards that balance. In tax year 2019/20 he

will also repay 9% of taxable income above £21,000 towards his Plan 2 loan balance, which is approximately £30 per month. His total student loan repayment per month in tax year 2019/20 will be approximately £50.

The £21,000 repayment threshold for Plan 2 and PGL balances will be frozen until 5 April 2021. Any changes to the threshold from 6 April 2021 will be advised in due course.

The definition of income that is used to calculate PGL repayments is as per Plan 2 repayments:

- **PAYE borrowers:** the figure that employers use to calculate the weekly/monthly deductions from salary, i.e. earnings that attract employer (secondary) Class 1 National Insurance Contributions (NICs) (*commonly known as 'NICable income'*) (regulation 41)
- **Self Assessed borrowers who are required to complete an annual tax return:** the gross annual income for tax purposes (regulation 29(4))
- **Overseas borrowers:** the borrower's total annual income for tax purposes in their country of residence (regulation 75(4)). (*Note that UK income will not be included in an overseas income assessment and it is for SLC to determine what the total income is for the purposes of calculating the repayment schedule.*)

#### REPAYMENT THRESHOLD – OVERSEAS BORROWERS

Overseas repayment thresholds effective from 6<sup>th</sup> April 2019 for PGL balances will be as follows\*:

<b>Band</b>	<b>Price Level Index</b>	<b>Repayment Threshold</b>
A	0<30	£4,200
B	30<50	£8,400
C	50<70	£12,600
D	70<90	£16,800
E	90<110	£21,000
F	110<130	£25,200
G	130+	£29,400

(\*As per Plan 2 overseas repayment thresholds in tax year 2016/17)

The PGL repayment thresholds applicable to overseas borrowers will be frozen until 5 April 2021. Any changes to the thresholds from 6 April 2021 will be advised in due course.

**Price Level Indices (PLIs)** are assigned to countries based on purchasing power parity data from the World Bank (regulation 76(3)) and are used to allocate each country to a repayment band. PLIs are reviewed annually and any changes applied from April of each year.

Overseas customers who are in repayment status and whose annual overseas repayment schedule spans more than one tax year will see their repayment amended twice each year. The monthly repayment amount due will be set at the start of an overseas repayment period and reviewed annually when a new overseas assessment period is due to start. The monthly repayment amount due will also be amended in April each year where a change of Price Level Index results in a change to the repayment band of the borrower's country of residence (regulation 75 (6) and (7)). Note also that if annual income thresholds change in April 2021 or later, this will be reflected in the repayment amount due.

SLC are instructed by the Department that incomes in foreign currencies are converted using the latest annual average exchange rate for the calendar year as published by HMRC. Annually updated changes to currency exchange rates are not applied to overseas borrowers during their current overseas income assessment period.

For example:

- **A borrower** has a PGL balance which enters repayment status on 6 April 2019. In July 2019 he advises SLC that he is living overseas in a Band G country and his annual salary is equivalent to £50,000. Using the Band G repayment threshold of £29,400, the repayment amount due is £154 per month from August 2019. Prior to April 2020, he is advised that the Price Level Index of his country of residence has now changed, placing it in Band F. The repayment threshold applicable to the borrower will reduce from April 2020 to £25,200, and his repayment will increase to £186 per month for the remainder of this annual overseas repayment period (i.e. until July 2020).

Under regulation 73 and 74 fixed monthly repayments are due when a borrower is not in the UK Tax System and does not provide evidence of residence and income required to complete an overseas income assessment. Fixed instalment rates applicable to PGL balances from April 2019 are as follows:

<b>Band</b>	<b>Fixed monthly repayment</b>
A	£40.20
B	£80.40
C	£120.60
D	£160.80
E	£201.00
F	£241.20
G	£281.40

Where a borrower has a PGL balance and also has a Plan 1 and / or Plan 2 loan balance in repayment status, repayments taken for the PGL balance will be calculated and deducted independently of any other repayment due. Therefore a borrower may be making a repayment on their PGL balance and

on their Plan 1 / 2 loan balance simultaneously. This applies whether the borrower is making repayments based on income, or fixed repayments where income cannot be determined.

HMRC will advise employers of the correct repayment threshold(s) for each borrower depending on whether they have Plan 1, 2 or PGL loans in repayment status or a combination thereof:

Loan types in repayment status	Thresholds(s) applied to borrower		
	Plan 1	Plan 2	PGL
Plan 1 only	✓		
Plan 2 only		✓	
PGL only			✓
Plan 1 and 2	✓		
Plan 1 and PGL	✓		✓
Plan 2 and PGL		✓	✓
Plan 1, 2 and PGL	✓		✓

#### VOLUNTARY REPAYMENTS

A borrower may make voluntary repayments to their PGL balance at any time, either before or after the loan balance has entered repayment status (regulation 15 (1)). Borrowers should note that voluntary repayments to the SLC do not take the place of repayments due through the tax system, and cannot be refunded should the borrower change their mind after making the repayment. There are no penalties or charges for early repayment of a PGL balance.

Where a borrower who has multiple loan balances and makes a voluntary repayment without specifying the loan that the repayment is to be credited to, the repayment will be credited to any **outstanding arrears** first (regulation 14(2)). Where a borrower does not specify which loan balance a voluntary repayment should be allocated to, the following default order of voluntary repayment allocation will be followed:

1. Outstanding arrears
2. Loans with RPI (or standard interest rate) plus 3%
3. Loans with variable interest rate
4. Loans at RPI interest rate only
5. Pre-2012 loans if low interest cap in place
6. Any loans which have not reached SRDD, following the above order, but with postgraduate loans taking precedence over post-2012 loans

#### CREDIT BALANCES

Under regulation 21 (1A)(c), where a PGL balance has been over repaid and the borrower has no other pre or post 2012 loan (either before or after entering repayment status), the borrower will be notified and advised that interest will continue to accrue on the credit balance for a period of 60

days from the issue of the notification at the rate of **RPI + 3%** . After the 60 day period, if the borrower has not requested a refund of the credit balance, the interest rate will change to 0% (regulation 21 (1A)(c)).

Where there is a credit balance the borrower will be contacted and offered the option of a refund.

Should a borrower have more than one loan of any combination and any loan is over repaid, regulation 20A states that where the over payment exceeds £10 SLC must give notice that they intend to treat this as a direct payment for the second loan. This excess payment will then be used to reduce the balance owed on the second loan unless the borrower notifies SLC within 60 days that the excess payment be refunded.

Any excess payment made will accrue interest for a period of 60 days from the date SLC gave notice to the borrower or until a refund is made.

### **REPAYING BY DIRECT DEBIT**

Regulation 18 provides that a Direct Debit repayment option will be offered by SLC to borrowers who are within 23 months of paying off their PGL balance in full. Note that this option will be offered in respect of a borrower's PGL balance even where they also have Plan 1 and / or Plan 2 loans, as a separate deduction is in any case due for Plan 1 / 2 loan balances.

### **WRITE OFF**

PGL balances will be written off on the 30<sup>th</sup> anniversary of the date that the loans enter repayment status (regulation 19(3)(g)). Note that 6 April 2019 is the earliest date that PGL balances will enter repayment status.

PGL balances will also be written off if the borrower dies (regulation 19(3)(a)) or where the borrower receives a disability-related benefit and because of the disability is permanently unfit for work (regulation 19 (3)(b)).

As with Plan 1 and Plan 2 loans, where borrowers are in breach of any obligation to repay any loan balance to the SLC, the PGL balance will not be written off (regulation 19 (1)).

### **INTEREST**

Interest will begin to accrue on PGL balances from the date that the loan is paid to the student (regulation 21B(2)). Interest rates will be applied to PGL loan balances at a rate of RPI + 3% (regulation 21B(1)). This rate will apply whether the loan balance is in payment or repayment status and will be calculated daily and applied to the total balance outstanding monthly throughout the life of the loan (regulation 21B(3)).

Note that the Education Act 2011 s.76(1)(a) states that interest rates on loans cannot be higher than '*those prevailing on the market*' or, if offered at the prevailing market rate, must be provided on better terms.

The Department regularly monitors the interest rates prevailing on the market compared to the interest rates on student loans.

If the PMR is at a level below or equivalent to the student loan rate set by the Department, they will consider if action is required to ensure student loans remain compliant with the relevant clause of the Education Act.

## CREDIT RATING

An ICR student loan will not impact on a borrower's credit rating. The SLC do not share student loan data with credit reference agencies, so they will not impact on a borrower's credit score (either positively or negatively).

## WELSH PARTIAL CANCELLATION POLICY

The Welsh Partial Cancellation Policy (PCP) was introduced in AY 10/11. It allows a borrower who has received a maintenance loan from SFW in AY 2010/11 or later (Regulation 5(a)) to have up to £1,500 (Regulation 6) written off their loan balance once they make their first loan repayment either on a voluntary or compulsory basis (Regulation 3). Please note that only maintenance loans taken out in the qualifying AYs from 2010/11 to 2017/18 (currently) are eligible. The write off is also available to Wales domiciled new and continuing (both new and old system) only.

The cancellation is not available to:

- Non Wales Domiciled students, including EU students studying in Wales;
- Part-Time students;
- Any student with outstanding charges or penalties and/or is in breach of any obligation contained in the loan agreement at the repayment date.

The cancellation will be made from the first loan that they received and borrowers are only allowed one partial cancellation (Regulation 5 (b)(iii)).

## ANNEXES

### ANNEX A – UK REPAYMENT THRESHOLDS FOR PLAN 1 LOANS

Plan 1 thresholds for **borrowers in the UK** are as follows:

<i>Tax year</i>	<i>Uplift on previous year (March RPI)</i>	<i>Threshold (£)</i>		
		<i>Annual</i>	<i>Monthly</i>	<i>Weekly</i>
Pre 12/13	-	15,000	1,250	288
12/13	5.3%	15,795	1,316	303
13/14	3.6%	16,365	1,363	314

14/15	3.3%	16,910	1,409	325
15/16	2.5%	17,335	1,444	333
16/17	0.9%	17,495	1,457	336
17/18	1.6%	17,775	1,481	341

Note that monthly and weekly UK thresholds are rounded down to the nearest pound.

The Plan 1 **fixed monthly instalment** rate for borrowers in the UK is £246 (*unchanged since 12/13*).

#### ANNEX B – OVERSEAS REPAYMENT THRESHOLDS FOR PLAN 1 LOANS

Plan 1 thresholds for **overseas borrowers** are as follows:

Tax year	Uplift on previous year (March RPI)	Repayment Band and Price level Index (£)						
		A 0<30	B 30<50	C 50<70	D 70<90	E 90<110	F 110<130	G 130+
pre 12/13	-	3,000	6,000	9,000	12,000	15,000	18,000	21,000
12/13	5.3%	3,160	6,320	9,480	12,640	15,795	18,955	22,115
13/14	3.6%	3,275	6,550	9,825	13,100	16,365	19,640	22,915
14/15	3.3%	3,385	6,770	10,150	13,535	16,910	20,290	23,675
15/16	2.5%	3,470	6,940	10,405	13,875	17,335	20,800	24,270
16/17	0.9%	3,505	7,005	10,500	14,000	17,495	20,990	24,490
17/18	1.6%	3,565	7,120	10,670	14,225	17,775	21,330	24,885

Note that annual repayment thresholds are always increased by the percentage uplift and rounded up to the nearest £5.

The Plan 1 **fixed monthly instalment** rates for overseas borrowers are as follows (*unchanged since tax year 12/13*):

<b>Band</b>	<b>Fixed Monthly Instalment (£)</b>
A	49.20
B	98.80
C	147.60
D	196.80
E	246.00
F	295.20
G	344.40

### ANNEX C – UK REPAYMENT THRESHOLDS FOR PLAN 2 LOANS

Plan 2 thresholds for **borrowers in the UK** are as follows:

<b>Tax year</b>	<b>Uplift on previous year (March RPI)</b>	<b>Threshold (£)</b>		
		<b>Annual</b>	<b>Monthly</b>	<b>Weekly</b>
16/17	-	21,000	1,750	403
17/18	-			

Note that monthly and weekly UK thresholds are rounded down to the nearest pound.

The Plan 2 **fixed monthly instalment** rate for borrowers in the UK is £201 (*unchanged since tax year 12/13*).

### ANNEX D – OVERSEAS REPAYMENT THRESHOLDS FOR PLAN 2 LOANS

Plan 2 thresholds for **overseas borrowers** are as follows:

<b>Tax year</b>	<b>Uplift on previous year (March RPI)</b>	<b>Thresholds (£) split by repayment band</b>						
		<b>A 0&lt;30</b>	<b>B 30&lt;50</b>	<b>C 50&lt;70</b>	<b>D 70&lt;90</b>	<b>E 90&lt;110</b>	<b>F 110&lt;130</b>	<b>G 130+</b>
16/17	-	4,200	8,400	12,600	16,800	21,000	25,200	29,400
17/18	-							

The Plan 2 fixed monthly instalment rates for overseas borrowers are as follows:

<b>Band</b>	<b>Fixed Monthly Instalment (£)</b>
A	40.20
B	80.40
C	120.60
D	160.80
E	201.00
F	241.20
G	281.40

#### ANNEX E – UK REPAYMENT THRESHOLDS FOR POSTGRADUATE LOANS

Postgraduate Loan thresholds for **borrowers in the UK** are as follows:

<b>Tax year</b>	<b>Uplift on previous year (March RPI)</b>	<b>Threshold (£)</b>		
		<b>Annual</b>	<b>Monthly</b>	<b>Weekly</b>
19/20	-	21,000	1,750	403

Note that monthly and weekly UK thresholds are rounded down to the nearest pound.

The PG Loan **fixed monthly instalment** rate for borrowers in the UK is £201.

#### ANNEX D – OVERSEAS REPAYMENT THRESHOLDS FOR POSTGRADUATE LOANS

Postgraduate Loan thresholds for **overseas borrowers** are as follows:

<b>Tax year</b>	<b>Uplift on previous year (March RPI)</b>	<b>Thresholds (£) split by repayment band</b>						
		<b>A 0&lt;30</b>	<b>B 30&lt;50</b>	<b>C 50&lt;70</b>	<b>D 70&lt;90</b>	<b>E 90&lt;110</b>	<b>F 110&lt;130</b>	<b>G 130+</b>
19/20	-	4,200	8,400	12,600	16,800	21,000	25,200	29,400

The PG Loan **fixed monthly instalment** rates for overseas borrowers are as follows:

<b><i>Band</i></b>	<b><i>Fixed Monthly Instalment (£)</i></b>
A	40.20
B	80.40
C	120.60
D	160.80
E	201.00
F	241.20
G	281.40

**ANNEX E – ORGANISATION CONTACT DETAILS**

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