HM Government

UNDERSTANDING STUDENT LOANS

A guide for those starting an undergraduate course from August 2023 onwards

Finding out about and applying for a student loan is an important step for most people planning to go to university or college.

This guide is designed for those who currently live in England and plan to start a degree level or other recognised course from August 2023, which means you will have a Plan 5 Student Loan. (If you live in another part of the UK, have already started your course or have graduated, you will be on a different plan, please visit GOV.UK/student-finance to find out more.)

THIS GUIDE COVERS

- How student loans work
- Who can apply?
- What can the loans be used for?
- How and when to apply?
- Repaying your student loan
- Repayment journeys

It is important to recognise that student loans are not like other loans. They come from the government and give you more protection than loans that you have with a credit card or to buy a car or home. For example:

- **you do not repay anything until you leave your course and your income is over £25,000, known as the repayment threshold**
- **your monthly repayments are based on what you earn, not what you owe so you pay your loan back gradually over many years**
- **your loan is automatically cancelled after 40 years.**

Student loans in England are managed by the Student Loans Company (SLC). One part of SLC, called Student Finance England, manages applications and distributes the money while you study. Once you finish studying, your total loan balance is then managed by SLC, which handles repayments.

HOW STUDENT LOANS WORK

You are likely to be eligible for a student loan if you live in England and are applying to study at a UK university or to take some courses offered by further education colleges.

The government offers loans towards your tuition fees and to help with living costs while you study. The advantage of having a student loan is that you only start to repay the loan once you graduate or leave your course and start earning more than the repayment threshold. Also, the amount you pay back each month depends on what you earn, not what you owe.

For those starting their studies from August 2023, you will begin to repay your loan when you earn more than £25,000 a year. So, if you earn less than that, you will not repay anything. Interest will be added to your loan from the time you start borrowing. Finally, anything you owe is automatically cancelled after 40 years.

the amount you pay back each month depends on what you earn, not what you owe.

Understanding interest

Your total loan is made up of everything you borrowed while studying plus interest.

Interest is added from when the first amount is paid to you or your university until the loan is paid off or cancelled.

The interest rate is linked to the rate of inflation as measured by the Retail Price Index (RPI). It is set at the start of each academic year based on the RPI from the previous March. The interest rate on your loan will never be higher than the interest that is added to commercial loans, such as a credit card or a personal loan that someone might use to buy a car.

It is important to remember that while interest will affect how long it takes to repay your loan completely, it does not affect the amount you repay each week, month or year as this is based on what you earn, nothing else. After 40 years, if you have not repaid all of your loan – including the interest that has been added – then it is cancelled, and your repayments will automatically stop.

WHO CAN APPLY FOR A STUDENT LOAN?

Most people are entitled to a student loan if they meet the criteria. The main four are that:

- they study at a **'recognised' university or college,** or similar – most institutions in the UK are recognised
- they study a **'recognised' course** such as a first degree, a Higher National Diploma (HND) or initial teacher training. Some part-time courses are also recognised
- they are a **British citizen or have 'settled status'** and have lived in the UK for three years before their course starts (exemptions apply)
- this is **their first funded course**. Learners are entitled to a loan for the length of their course plus one year but may get some funding if they have studied before, although this may be limited

For more information about who can apply, visit GOV.UK/student-finance/who-qualifies

WHAT CAN THE LOANS BE USED FOR?

There are two loans that are available to most students:

a **Tuition Fee Loan** goes towards the cost of your course up to a maximum of £9,250 per year. Tuition Fee Loans are paid directly to your university or college in three instalments at the start of each term.

a **Maintenance Loan** helps with the everyday costs of being a student like accommodation, food and transport. The amount you can apply for depends on your personal circumstances, such as your household income and where you will be living and studying. This is paid directly into your bank account at the start of each term.

There are also some grants available for certain students, such as those with a disability or dependants. Grants are amounts of money that do not need to be paid back.

For more information on what funding is available, visit GOV.UK/student-finance/apply

HOW AND WHEN TO APPLY?

You **apply online through the dedicated Student Finance England (SFE) application portal,** which opens in March for those doing full-time courses. Those doing part-time courses and short courses apply later in the year. Follow SFE on social media to get alerts about when it is time to apply and any deadlines that are coming up.

apply online through the dedicated Student Finance England (SFE) application portal

You will need to **create a student finance account,** then complete your application. It will be faster if you have the necessary information to hand, including proof of identity, like a passport, your National Insurance number and bank account information. Details of household income – which is needed if you are applying for a Maintenance Loan or any grants – can be added by your sponsor, usually your parents or partner.

If you are applying for a full-time course, **please complete your application in good time to ensure you receive your money when you need it.** Student Finance England works on a first come, first served basis, and while it is possible to apply up to nine months into your course, it is better to apply earlier.

Find the latest information at studentfinance.campaign.gov.uk and on SFE's social media feeds.

SFEngland

SF_England

studentfinance_england

Each year, you will need to log into your account, check the information is correct and apply for that year's loan.

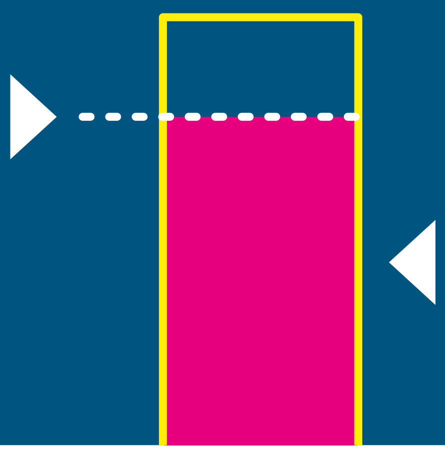
For more information on how and when to apply, visit GOV.UK/apply-for-student-finance

REPAYING YOUR STUDENT LOAN

Your total loan is made up of everything you have borrowed while studying plus interest. **The amount you repay each month depends on what you earn, not what you owe.**

You only start repaying your loan once you earn more than the repayment threshold of £25,000 a year, £2,083 a month or £480 a week. If you don't earn that amount, you do not need to repay anything. And, if you have not paid any or all of your loan back after 40 years it is automatically cancelled.

Threshold
£25,000 a year
(£2,083 a month or £480 a week)



If you are earning below the threshold **you do not repay anything**

You will start to repay your loan from the April after you graduate or leave your course, assuming you earn more than the repayment threshold.

For example, if you complete a three-year course that started in September 2023, you will not begin repaying your Plan 5 student loan until April 2027. If your course is one or two years, or you leave your course early, you will not have to start repaying your loan until April 2026. Those studying part-time have a different arrangement.

Repayments are deducted directly from your salary by your employer, at the same time as tax and National Insurance. If you are self-employed, you will pay annually through your tax return.

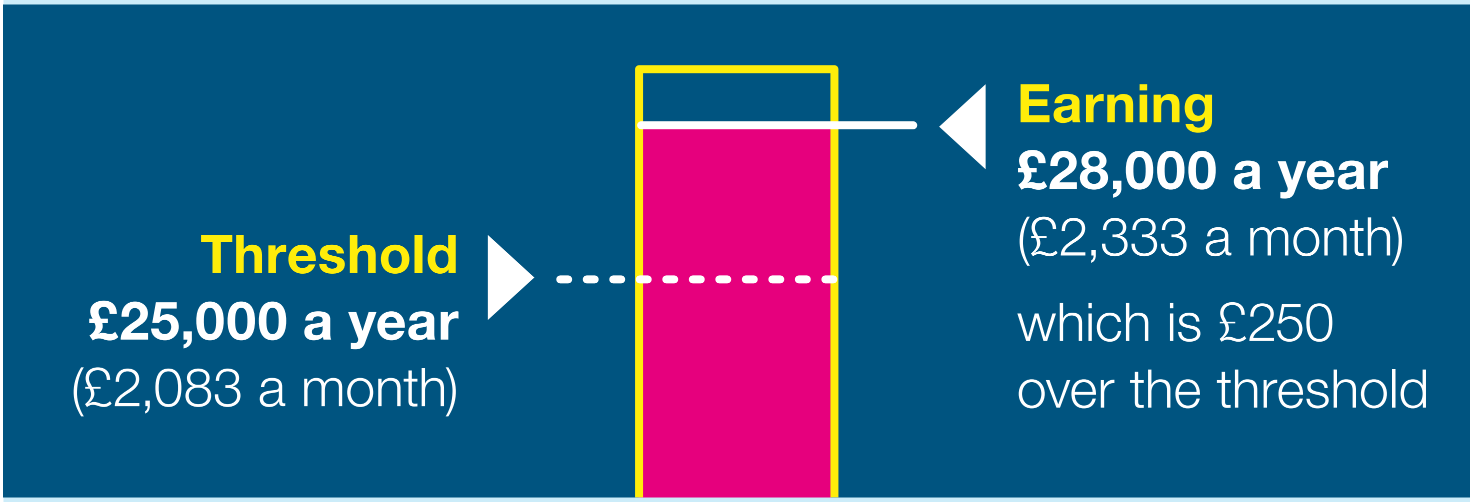
Once you earn over the repayment threshold (£25,000 a year, £2,083 a month or £480 a week), **9% (or 9p in every £1) is deducted as your student loan repayment.**

For anything you earn over the threshold

9% (or 9p in every £1) is deducted as your student loan repayment

For example, your **annual income is £28,000** and you are paid a regular monthly wage. This means that **each month you earn £2,333,** which is £28,000 divided by 12.

This is **£250 over the threshold** of £2,083, because £2,333 minus £2,083 is £250.



This means you will **pay back £22 each month** because **9% of £250,** or **9p in every £1 in £250,** equals **£22.50,** but rounded down to the nearest pound.

If your income increases, your repayments will also increase. However, if your income goes down your repayments will also reduce or stop altogether if it falls below the repayment threshold.

Here are some examples of annual income and how much your repayments would be each month. These figures assume your pay is spread equally across the year and are based on the Plan 5 repayment threshold of £25,000.

Income each year before tax	Student loan monthly repayment (rounded down to the nearest pound)
£25,000	£0
£27,500	£18
£31,000	£45
£36,500	£86
£45,000	£150

The next section shows repayment journeys for three individuals to help you understand how student loan repayments work in different circumstances.

For more information about repaying your loan, visit GOV.UK/repaying-your-student-loan

Watch the student loans explainer video or find it on the Department for Education YouTube channel youtube.com/@educationgovuk

For more detailed information on student loans, visit studentfinance.campaign.gov.uk

REPAYMENT JOURNEYS

Below are three scenarios showing possible repayment journeys based on the Plan 5 repayment threshold of £25,000 a year, £2,083 a month or £480 a week.

Repayments are calculated at a rate of 9% on anything you earn over the repayment threshold. So, for someone being paid monthly, nothing is paid on the first £2,083 and then 9%, or 9p in every £1, goes towards repaying their student loan.

AMRITA

Studies: biochemistry

Lives: at home with parents

Loans in first year: £9,250 Tuition Fee Loan and £5,500 Maintenance Loan

Amrita applies each year for student finance. When she graduates after three years, she has a total loan of around £48,000

AMRITA'S JOURNEY

1. Amrita gets a job as a laboratory technician. Salary: £23,000, **repays £0.**

   Since her salary is below the repayment threshold of £25,000 per year, Amrita does not make any repayments on her student loan.

2. She gets a promotion and pay rise. Salary: £28,000, **repays £22 a month.**

   Amrita's monthly salary is now £2,333, which is £250 above the repayment threshold of £2,083. Her repayment is calculated at 9% of £250 which is £22.50 rounded down to £22. Therefore, Amrita's employer deducts £22 a month along with her tax and National Insurance.

3 Amrita buys a flat. Her credit rating is not affected by her student loan.

Her student loan does not affect her credit rating, but the mortgage company takes her student loan repayments into account when working out how much Amrita can afford to borrow.

4 She has a child and takes a year of maternity leave. Maternity benefits: £14,700, **repays £0.**

Amrita's employer pays a little above statutory maternity benefits giving her a salary over the year of £14,700, which is below the threshold. At the end of the tax year, she reclaims any repayments she made as she only worked part of the year.

5 Amrita has a promotion but works part time. Salary: £27,000, **repays £15 a month.**

Her new promotion means she has a salary is £27,000 for working 3 days a week. This is just above the repayment threshold, so she repays £15 a month.

6 Amrita's outstanding loan amount is cancelled after 40 years, and she **does not make any further payments.**

DYLAN

Studies: art history

Lives: away from home

Loans in first year: £9,250 Tuition Fee Loan and £7,500 Maintenance Loan

Dylan graduates with a loan of around £55,000

DYLAN'S JOURNEY

1. Dylan gets a job in a gallery.
Salary £19,500, **repays £0.**

His first job after graduation pays £19,500, which is below the repayment threshold of £25,000 so he makes no repayments.

2. Some years later, he gets a new job.
Salary: £31,000, **repays £45 a month.**

Dylan's new job pays £31,000 a year giving him a monthly salary of £2,583, which is £500 above the repayment threshold of £2,083 and so he repays £45 a month (£500 x 9% = £45).

3 Dylan opens his own gallery.
Income: £20,000, **repays £0.**

In his first year of business, Dylan's income drops to £20,000, which is below the threshold, so he stops repaying his loan. He is self-employed so this is done through his annual tax return.

4 Dylan's business becomes established.
Income: £42,500, **repays £1,575 through his tax return.**

As Dylan's gallery becomes better known his annual income rises to £42,500. This is back above the repayment threshold, so he repays £1,575 for the year at the same time as paying his tax and National Insurance.

5 Dylan's gallery continues to flourish and his earnings increase to £60,000. **He repays £3,150 for the year.**

With annual earnings of £60,000, Dylan pays a total of £3,150 for the year through his tax return.

6 Dylan **repays his student loan in full.**

Studies: accounting and finance

Lives: London

Loans in first year: £9,250 Tuition Fee Loan and £9,000 Maintenance Loan

Grace graduates with a student loan of around £59,000

GRACE'S JOURNEY

1. Grace gets a job as an accountant.
Salary: £37,000, **repays £90 a month.**

Grace's job has a salary of £37,000, which is £3,083 a month before tax and exactly £1000 over the repayment threshold of £2,083 so she starts to repay £90 per month (£1000 x 9% = £90).

2. She moves to Australia for a promotion and **continues to repay her student loan** directly to the Student Loans Company.

While in Australia, Grace earns more than the equivalent repayment threshold for that country and therefore continues to repay her loan.

3 Grace returns to the UK for another promotion.
Salary £75,000, **repays £375 a month.**

Her new salary of £75,000 means that she repays £375 each month on her student loan.

4 Grace **repays her loan in full.**