# Repayment Guidance

**Repayment of Income Contingent Student Loans Academic Year 25/26 – Version 1.0**

## Summary

The guidance provides for the repayment of student loans taken out by borrowers under the Income Contingent Repayment (ICR) scheme.

## Disclaimer

This guidance is designed to assist with the interpretation of the Education (Student Loans) (Repayment) Regulations 2009 (as amended) ("the Regulations"). This guidance does not cover every aspect of student loan repayment nor does it constitute legal advice. The full details are contained in the 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 amendment.

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## Abbreviations

| Abbreviation | Full Description |
|---|---|
| ALL | Advanced Learner Loan |
| ARB | Architects Registration Board |
| AY | Academic Year |
| CPI | Consumer Price Index |
| CRN | Customer Reference Number |
| DfE | Department for Education (England) |
| DfE NI | Department for the Economy (Northern Ireland) |
| DL | Distance Learning |
| EU | European Union |
| FE | Further Education |
| FT | Full Time |
| FTDL | Full Time Distance Learning |
| FY | Financial Year |
| GDP | Gross Domestic Product |
| HE | Higher Education |
| HMRC | His Majesty's Revenue and Customs |
| ICR | Income Contingent Repayment |
| IVA | Individual Voluntary Arrangement |
| MFDS | More Frequent Data Share |
| NCR | Non-Compliance Rate |
| NIC | National Insurance Contribution |
| ONS | Office for National Statistics |
| OVFA | Overseas Income Assessment form |
| PAYE | Pay As You Earn |
| PG | Postgraduate |
| PGCE | Postgraduate Certificate in Education |
| PGL | Postgraduate Loan |
| PLI | Price Level Index |
| PMR | Prevailing Market Rate |
| PT | Part Time |
| RPI | Retail Price Index |
| RTI | Real Time information |
| SA | Self Assessed |
| SLC | Student Loans Company Ltd |
| SSN | Student Support Number |
| SRDD | Statutory Repayment Due Date |
| TFL | Tuition Fee Loan |
| UG | Undergraduate |
| UK | United Kingdom |

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# 1 How ICR Loans are repaid

The Teaching and Higher Education Act 1998 section 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 when exercising these functions can be interpreted as the "Authority" referred to in the Repayment Regulations. For functions that have not been delegated to SLC, the Authority is to be considered as:

- the Secretary of State in relation to English loans,
- the Welsh Ministers in relation to Welsh loans, and
- the Scottish Ministers in relation to Scottish loans.

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

**UK borrowers**

Borrowers (of any nationality) who are in the UK tax system through either employment or self employment. For UK borrowers, SLC in conjunction with HMRC facilitate the repayment of ICR student loans through the UK tax system. The student loans collections system was set up to align with the existing tax system in order to minimise any additional burden on employers.

- An employed borrower repays their loan(s) through PAYE deductions when their income is above the relevant repayment threshold. Deductions are calculated and taken by the borrower's employer who in turn will pass these repayments to HMRC. SLC receive PAYE repayment data from HMRC on a weekly basis. This allows for employer deductions to be updated to SLC systems on a 'pay period` basis.

- A self-employed borrower will make repayments on an annual basis when their income is above the relevant repayment threshold. Repayments are made directly to HMRC along with their income tax liability following completion of their annual SA tax return.

Whilst HMRC collect repayments from UK borrowers through the tax system and notify SLC of these repayments, SLC do not share specific loan account information with HMRC other than a borrower's applicable repayment plan type and notice of when to start or stop deduction. No money passes from HMRC to SLC. Generally, the role of 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 over-repayments, 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.

**Overseas borrowers**

Borrowers (of any nationality) who are resident outside of the UK for 3 months or longer. An overseas borrower is legally obliged to make repayments to their loan directly to SLC when their income is above the relevant repayment threshold.

# 2 Plan Type Definitions

This guidance explains the repayment terms for student loans taken out under the ICR scheme as set out in the Regulations. The repayment terms applicable to a student loan borrower are determined by their repayment plan type.

## 2.1 Plan 1 loans

The meaning of a Plan 1 loan for English and Welsh-funded borrowers is as set out in Regulation 3A:

- A student loan taken out by an English or Welsh-funded borrower in respect of:
  - a designated FT course starting on or before 31 August 2012,
  - a designated FT course starting on or after 1 September 2012 where having transferred from a designated FT course started on or before 31 August 2012, or
  - a designated FT Honours degree course the borrower started on or after 1 September 2012 having achieved a qualification on a lower-level designated FT preliminary course started on or before 31 August 2012 where the gap between courses was deemed to be no longer than the intervening vacation, i.e. 5 months or less.

Note that Plan 1 loans are also applicable to Northern Irish-funded borrowers:

- A student loan taken out by a Northern Irish-funded borrower in respect of:
  - a designated UG course, or
  - a designated PG course.

The repayment terms for Northern Irish-funded borrowers are set out in the Education (Student Loans) (Repayment) Regulations (Northern Ireland) 2009 (as amended). See Annex L for detail on Northern Irish student loan repayments.

## 2.2 Plan 2 loans

The meaning of a Plan 2 loan for English and Welsh-funded borrowers is as set out in Regulation 3B:

### 2.2.1 **Plan 2 - HE borrowers (except Postgraduate Masters and Doctoral)**

- A student loan that doesn't fall within the definition of a Plan 1 loan and is taken out by an English-funded borrower in respect of:
    - a designated FT or PT course the borrower started on or after 1 September 2012 and before 31 July 2023,
    - a designated FT or PT course the borrower started on or after 1 August 2023 having transferred from a designated FT or PT course started on or after 1 September 2012 and before 31 July 2023 (including mode switchers),
    - a designated FT or PT Honours degree course the borrower started on or after 1 August 2023 having achieved a qualification on a lower-level designated FT or PT preliminary course started on or after 1 September 2012 and before 31 July 2023 where the gap between courses was deemed to be no longer than the intervening vacation, i.e. 5 months or less. Note this includes cases where the lower-level course and the Honours degree course are different study modes,
    - a designated HE Short Course starting on or after 1 September 2022 and before 31 July 2025.

- A student loan that doesn't fall within the definition of a Plan 1 loan and is taken out by a Welsh-funded borrower in respect of:
    - a designated FT or PT course the borrower started on or after 1 September 2012.

### 2.2.2 **Plan 2 - FE borrowers**

- An Advanced Learner Loan (ALL) taken out by a borrower in respect of:
    - a designated Learning Aim starting before 1 August 2023, and
    - a designated Learning Aim starting on or after 1 August 2023 having transferred from a designated Learning Aim that has been undertaken at the same FE Learning Provider that started prior to 1 August 2023 and where the new Learning Aim is at the same level as the Learning Aim the borrower is transferring from.

## 2.3 **Plan 3 loans (Postgraduate Loan (PGL))**

The meaning of a Plan 3 loan for English and Welsh-funded borrowers is as set out in Regulation 3C:

- A student loan taken out by an English or Welsh-funded borrower in respect of:
    - a designated Postgraduate Masters course, or
    - a designated Postgraduate Doctoral course.

Note that Plan 3 loans are also known as Postgraduate Loans (PGL).

### 2.4 Plan 4 loans

The meaning of a Plan 4 loan for Scottish-funded borrowers is as set out in Regulation 3D:

- A student loan taken out by a Scottish-funded borrower in respect of
  - a designated undergraduate, or
  - a designated postgraduate course.

Note that repayment terms for Scottish-funded borrowers are also part set out in the Repayment of Student Loans (Scotland) Regulations 2000 (as amended). See Annex K for details on provisions for Scottish student loan repayments.

### 2.5 Plan 5 loans

The meaning of a Plan 5 loan for English-funded borrowers is as set out in Regulation 3E:

#### 2.5.1 Plan 5 - HE borrowers (except Postgraduate Masters and Doctoral)

- A student loan that doesn't fall within the definition of a Plan 2 loan and is taken out by an English-funded borrower in respect of:
  - a designated FT or a designated PT course the borrower starts on or after 1 August 2023.

#### 2.5.2 Plan 5 - FE borrowers

- An Advanced Learner Loan (ALL) that doesn't fall within the definition of a Plan 2 loan and is taken out by a borrower in respect of:
  - a designated Learning Aim that starts on or after 1 August 2023.

## 3 Statutory Repayment Due Date (SRDD)

### 3.1 Setting SRDD – General detail

The SRDD is the date on which a student loan enters repayment status and a borrower becomes liable to make statutory repayments to their loan. A borrower is not required to make any repayments to their student loan(s) until the SRDD has passed, however a voluntary repayment can be made pre-SRDD should the borrower choose to do so.

### 3.2 Plan 1 Loans

The SRDD for a Plan 1 loan is the start of the FY beginning on 6 April following the date that the borrower completes or withdraws from their course (Regulation 15(2)).

## 3.3 **Plan 2 Loans**

### 3.3.1 **FT borrowers**

The SRDD for a Plan 2 loan taken out for a FT course is the start of the FY beginning on 6 April following the date that the borrower completes or withdraws from their course (Regulation 15(2)).

Examples:

1) Kelly starts a four year FT course in September 2018. They complete the course in June 2022. Kelly's loan balance enters repayment status on 6 April 2023.

2) Oliver starts a three year FT course in September 2021. They withdraw from their course in June 2022. Oliver's loan balance enters repayment status on 6 April 2023.

Special rules apply to borrowers who are FT architecture students. For the purpose of payment of student support, Part 1 and Part 2 of of architecture study are normally treated as a single continuous course*

However, the SRDD will be allocated as follows:

- Borrowers 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 FY following completion of or withdrawal from Part 2. (Part 1 will only be allocated a separate SRDD where the borrower takes a break in study between the Part 1 and Part 2 which exceeds three years).

- Borrowers 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 a borrower is not charged the `in study` interest rate of RPI + 3% for Part 1 during the break between the parts and during the study of Part 2. Instead, the borrower 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).

*There are multiple conditions that a students study will need to meet in order for it to be considered as a single course. Please see the SFE Assessing Eligibility guidance chapter for more information.

Example:

Sarah starts Part 1 of architecture study in September 2013 and completes in June 2016. Sarah starts Part 2 in September 2018, after having undertaken two years of work experience. Part 2 is a two year course which Sarah completes in June 2020.

Sarah is treated as undertaking a single, continuous course for the purposes of awarding student support. However, Part 1 and 2 will each be allocated their own SRDD.

Loans taken in respect of Part 1 enter repayment status on 6 April 2017 and those taken in respect of Part 2 enter repayment status on 6 April 2021.

### 3.3.2 **PT borrowers**

The SRDD for a Plan 2 loan taken out for a PT course is whichever of the following dates occurs first:

- the start of the FY beginning 6 April following the date that the borrower completes or withdraws from their course (Regulation 15(2A)(a)), or

- the start of the FY beginning 6 April following the fourth anniversary of the course start date (Regulation 15(2A)(b)).

Where a borrower is undertaking a period of PT study where their PT course continues beyond the SRDD any future loan payments made during this period of study enter repayment immediately on the date they are paid.

Examples:

1) Kerry starts a six year PT course in September 2018. Their loan balance enters repayment status on 6 April 2023 (the start of the FY following the fourth anniversary of the course start date). Any subsequent loan payments for this course that are made after 6 April 2023 enter repayment status on the date that they are paid.

2) Adam starts a six year PT course in September 2018. They withdraw from the course on 1 February 2020. Adam's loan enters repayment status on 6 April 2020.

### 3.3.3 **HE Short Course borrowers**

The SRDD for a Plan 2 loan taken out by a borrower for a period of study on a HE Short Course is the start of the FY beginning 6 April following the course end date set by the provider. This means that SRDD will be set independently for each individual HE Short Course that a borrower undertakes.

Examples:

1) **Single HE Short Course**
   Chris starts a HE Short Course on 1 September 2022. Their course end date is 10 November 2022. The SRDD for Chris' loan is 6 April 2023 (the start of the FY following their course end date).

**2) More than one HE Short Course – concurrent SRDDs**

Gillian starts a HE Short Course on 1 September 2022. Their course end date is 15 October 2022. The SRDD for Gillian's loan is 6 April 2023 (the start of the FY following their course end date).

Gillian starts a second HE Short Course on 10 January 2023 that ends on 30 March 2023. The SRDD for the loan in respect of their second HE Short Course is 6 April 2023 (the start of the FY following their course end date).

| Course | Course Start Date | Course End Date | SRDD |
|---|---|---|---|
| 1 | 1 September 2022 | 15 October 2022 | 6 April 2023 |
| 2 | 10 January 2023 | 30 March 2023 | 6 April 2023 |

3) **More than one HE Short Course – different SRDDs**
Lucy starts a HE Short Course on 1 September 2022. Their course end date is 28 October 2022. The SRDD for their initial loan is 6 April 2023 (the start of the FY following their course end date).

Lucy starts a second HE Short Course on 1 June 2023 that ends on 20 August 2023. The SRDD for the loan in respect of their second HE Short Course is 6 April 2024 (the start of the FY following their course end date).

| Course | Course Start Date | Course End Date | SRDD |
|---|---|---|---|
| 1 | 1 September 2022 | 28 October 2022 | 6 April 2023 |
| 2 | 1 June 2023 | 20 August 2023 | 6 April 2024 |

## 3.4 **Plan 3 (PGL)**

### 3.4.1 **PG Masters borrowers**

The SRDD for a Plan 3 loan taken out for a Postgraduate Masters' course is the start of the FY beginning 6 April following the date the borrower completes or withdraws from their course (Regulation 15(2ZA).

Examples:

1) Michael starts a two year Master's course in October 2019 and completes the course in June 2021. Michael's loan balance enters repayment status on 6 April 2022.

2) John starts a four year Master's course in October 2017 and completes the course in March 2021. John's loan balance enters repayment status on 6 April 2021.

3) Samantha starts a four year Master's course in September 2017. They withdraw from the course in May 2019. Samantha's loan balance enters repayment status on 6 April 2020.

### 3.4.2 **PG Doctoral borrowers**

The SRDD for a Plan 3 loan taken out for a Postgraduate Doctoral course is whichever of the following dates occurs first:

- the start of the FY beginning 6 April following the date that the borrower completes or withdraws from their course (Regulation 15(2ZA)(b)(i)), or

- the start of the FY beginning 6 April following the fourth anniversary of the course start date (Regulation 15(2ZA)(b)(ii)).

Where a borrower is undertaking a period of study where their course continues beyond the SRDD any future loan payments made during this period of study will enter repayment immediately on the date they are paid.

Examples:

1) Andrew starts a four year Doctoral course in October 2018. They complete the course in June 2022. Andrew's loan balance enters repayment status on 6 April 2023.

2) Nicole starts a six year Doctoral course on 8 October 2018. Nicole's loan balance enters repayment status on 6 April 2023 (the April following the fourth anniversary of their course start date).

3) Leila starts a four year Doctoral course on 2 October 2019. They withdraw from the course on 10 January 2020. Leila's loan balance enters repayment status on 6 April 2020.

## 3.5 **Plan 4 Loans**

See Annex K for detail on Plan 4 loans.

## 3.6 **Plan 5 Loans**

### 3.6.1 **FT borrowers**

The SRDD for a Plan 5 loan taken out for a FT course is the start of the FY beginning 6 April following the date that the borrower completes or withdraws from their course (Regulation 15(2)).

Note that the earliest SRDD for a Plan 5 loan is 6 April 2026 (Regulation 15(2BA)) therefore a borrower will not be liable to make statutory repayments to their Plan 5 loan until 6 April 2026.

### 3.6.2 **PT borrowers**

The SRDD for a Plan 5 loan taken out for a PT course is whichever of the following dates occurs first:

- the start of the FY beginning 6 April following the date that the borrower completes or withdraws from their course (Regulation 15(2A)(a)), or

- the start of the FY beginning 6 April following the fourth anniversary of the course start date (Regulation 15(2A)(b)).

Where a borrower is undertaking a period of PT study where their PT course continues beyond the SRDD any future loan payments made during this period of study will enter repayment immediately on the date they are paid.

Note that the earliest SRDD for Plan 5 loans is 6 April 2026 (Regulation 15(2BA)) therefore a borrower will not be liable to make statutory repayments to their Plan 5 loan until 6 April 2026.

## 3.7 **Change of mode of study and SRDD – Plan 2 and Plan 5 Loans**

Regulaton 15(2B) sets out SRRD rules for a Plan 2 or Plan 5 borrower who takes out a student loan and subsequently changes their mode of study between FT and PT.

### 3.7.1 ***Change from FT to PT study***

Where a borrower starts a FT course and transfers to a PT course the SRDD is set in line with the SRDD rules for PT borrowers (Regulation 15(2B(a)). Therefore the SRDD is whichever of the following dates occurs first:

- the start of the FY beginning 6 April following the date that the borrower completes or withdraws from their course (Regulation 15(2A)(a)), or

- the start of the FY beginning 6 April following the fourth anniversary of the PT course start date (Regulation 15(2A)(b)).

### 3.7.2 ***Change from PT to FT study***

Where a borrower starts a PT course and transfers to a FT course prior to the PT SRDD then the SRDD will be the start of the FY beginning 6 April following the date that the borrower completes or withdraws from the FT course they have transferred to (Regulation 15(2B)(b)).

Where a borrower starts a PT course and transfers to a FT course after the PT SRDD has passed the borrower will already be liable to repay their loan and any further loan payments made to the borrower will enter repayment status as soon as they are made (Regulation 15(2B)(c)).

Note, in the scenarios above the borrowers SRDD would be the same for both the PT and FT loans.

### 3.7.3 *Multiple changes of mode of study*

Where a borrower changes mode of study more than once, the mode of study of the current course determines their SRDD, unless the borrower has studied PT and has already passed the PT SRDD. In that case, all future loan payments will enter repayment status as soon as they are paid, even if the borrower subsequently changes mode to FT study.

Example:

> Ryan started a four year FT course on 20 September 2017. They change study mode to PT in their second year of study to a PT course that also started in September 2017. Ryan then changes again to FT for the final year of study:
>
> - AY 17/18 – FT
> - AY 18/19 – PT
> - AY 19/20 – PT
> - AY 20/21 – PT
> - AY 21/22 – PT
> - AY 22/23 – FT
>
> All of Ryan's loans enter repayment according to the PT SRDD rule. Therefore the loans enter repayment at the start of the FY following the fourth anniversary of the PT course start date. In this case the fourth anniversary of the PT course start date is 20 September 2021 so Ryan's loans enter repayment on 6 April 2022. All future loan payments will enter repayment status as soon as they are paid, even if, as in this example, the borrower switches mode again to FT.

## 3.8 **PGCE option**

A borrower who:

- has a Plan 1, Plan 2 or Plan 5 loan for a PG initial teacher training (ITT) course,
- is repaying a mortgage style loan, and
- has provided written notice to SLC to request not to repay the Plan 1, Plan 2 and/or Plan 5 loan

is not required to make statutory repayments to the Plan 1, Plan 2 and/or Plan 5 loan during any period during which they are also repaying the mortgage style loan (Regulation 16(3)).

Note that if the borrower defers repayment of their mortgage style loan or goes into arrears on their mortgage style loan, they will be required to begin making statutory repayments to the Plan 1, 2 or 5 loan balance.

# 4 Repayment Threshold

A borrower will make statutory repayments if their income is above the relevant repayment threshold. If their income falls below the relevant repayment threshold then the borrower is not required to make statutory repayments. There is no discretion in the Regulations to allow repayments to stop for financial hardship if a borrower's income is above the relevant repayment threshold.

If a borrower is paid weekly, fortnightly, or monthly, PAYE deductions will be taken based on the pay period thresholds if the borrower's income is above the relevant pay period threshold. If at the end of the relevant tax year the borrower hasn't earned above the annual repayment threshold the borrower can request a refund of PAYE deductions taken from SLC.

## 4.1 Borrowers resident in the UK ("UK borrowers")

Schedule 1A sets out rules for calculating student loan repayment thresholds applicable to borrowers resident in the UK.

The Regulations provide for the annual adjustment of the repayment threshold in line with RPI for certain Plan types at the start of each FY. For the purpose of adjusting student loan repayment thresholds RPI is taken as the percentage increase between the retail prices all items index published by the ONS for the two Marches immediately before the commencement of the previous FY (Regulation 8B). For example, in FY25-26 (beginning 6 April 2025) the relevant repayment thresholds are adjusted in line with the percentage increase in RPI between March 2023 and March 2024.

The RPI rate can be viewed on the ONS website:
https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/czbh/mm23

The income used to calculate student loan repayments for UK borrowers is as follows:

- PAYE borrowers: the earnings that attract employer (secondary) Class 1 National Insurance Contributions (NICs) (commonly known as `NICable income`) (Regulations 41 and 45(1)).

- SA borrowers: the gross annual income for tax purposes (Regulation 29(4)).

### 4.1.1 *UK borrowers - Plan 1 loans*

A Plan 1 borrower repays 9% of their income above the repayment threshold related to their pay period (Regulation 29(3) and Regulation 44(1)).

The Plan 1 repayment threshold in FY25-26 is:

- £26,065 per year
- £2,172.08 per calendar month

- £501.25 per week

The Plan 1 repayment threshold is adjusted annually at the start of each FY (Schedule 1A, Paragraph 1(1)) in line with RPI – see section 4.1 for detail on RPI used in calculating repayment threshold adjustments.

See Annex A for detail of historical UK Plan 1 annual repayment thresholds.

#### 4.1.2 *UK borrowers - Plan 2 loans*

A Plan 2 borrower repays 9% of income above the repayment threshold related to their pay period (Regulation 29(3) and Regulation 44(1)).

The Plan 2 repayment threshold in FY25-26 is:

- £28,470 per year
- £2,372.50 per calendar month
- £547.50 per week

The Plan 2 repayment threshold is adjusted annually in line with RPI at the start of each FY (Schedule 1A, Paragraph 2(1)(b)) – see section 4.1 for detail on RPI used in calculating repayment threshold adjustments.

See Annex C for detail of historical UK Plan 2 annual repayment thresholds.

#### 4.1.3 *UK borrowers - Plan 3 loans (PGL)*

A Plan 3 borrower repays 6% of income above the repayment threshold related to their pay period (Regulation 29(3) and Regulation 44(1)).

The Plan 3 repayment threshold in FY25-26 is:

- £21,000 per year
- £1,750 per calendar month
- £403.84 per week

Example:

1) Billie has a Plan 3 balance that is in repayment status. They do not have any other outstanding student loan balances. Billie has an annual income of £30,000 and is paid monthly. Their monthly income is £2,500.

   The monthly Plan 3 repayment threshold in TY25-26 is £1,750**.** Billie repays 6% of their income above this threshold therefore they repay £45 a month to their Plan 3 loan.

#### 4.1.4 *UK borrowers - Plan 4 loans*

See Annex K for detail on Plan 4 loans.

#### 4.1.5 *UK borrowers - Plan 5 loans*

The earliest SRDD for Plan 5 loans is 6 April 2026 therefore there is no statutory Plan 5 repayment threshold applicable until FY26-27.

A Plan 5 borrower repays 9% of income above the repayment threshold related to their pay period (Regulation 29(3) and Regulation 44(1)).

The Plan 5 annual repayment threshold in FY26-27 will be £25,000 (Schedule 1A, Paragraph 5(1)(a)).

From FY27-28 the Plan 5 repayment threshold will be adjusted annually in line with RPI at the start of each FY (Schedule 1A, Paragraph 5(1)(b)) - see section 4.1 for detail on RPI used in calculating repayment threshold adjustments.

### 4.2 Borrowers not resident in the UK ("Overseas borrowers")

Part 5 of the Regulations sets out repayment terms for borrowers whose residence is outside of the UK for income tax purposes. Residence has the same meaning as in the Taxes Acts (Regulation 3).

A borrower is required to notify SLC where their period of residence outside the UK exceeds 3 months (Regulation 72(1)). Where this is the case, the borrower is treated as an overseas borrower and must comply with any request by SLC to provide evidence of their income or how they are supporting themselves financially during their period of residence outside the UK (Regulation 72(2)). A borrower can do this by using the 'update your employment details' service available online at https://www.gov.uk/repaying-your-student-loan/update-your-employment-details or by completing the Overseas Income Assessment Form (OVFA) and returning it by post to SLC with evidence of their income or means of support.

Income used to calculate repayments for an overseas borrower is the total gross overseas income a borrower is likely to receive for the 12 calendar months following the date on which the overseas repayment schedule begins (Regulation 75(4)). For overseas borrowers, gross income means income from all sources before deductions for, or relief from, tax or other statutory charge (Regulation 71).

UK income is not be included in an overseas income assessment (Regulation 75(4A)(b)). It is for SLC to determine what the likely total income is for the purposes of calculating the repayment schedule.

SLC are instructed by the Authority to use the average annual exchange rate for the most recent calendar year available from HMRC to convert income to sterling from foreign

currencies. Note that this is not specified in Regulations. HMRC exchange rates are available online at https://www.trade-tariff.service.gov.uk/exchange_rates/average

To take account of differences in living costs, the repayment threshold in a foreign country will not necessarily be the same as in the UK. Overseas repayment thresholds depend on the banding of the country that the borrower is living in, with the applicable banding for a country being determined by the country's PLI data. PLI data provides a measure of the differences in the general price levels of countries and therefore represents a relative cost of living between countries, enabling a fair threshold to be set. For the purposes of determining bandings PLI information is taken from data for the most recent year published by the World Bank. Where PLI data for a country is not available, the Authority may determine the applicable PLI value for that country by reference to a comparable country.

Note that a territory of another country will normally be allocated the same repayment threshold as its sovereign country. However, the Authority also takes into account World Bank GDP per capita data to ensure that a borrower is not disadvantaged where the GDP per capita data for the territory differs from that of the sovereign country. Where 2 different thresholds are possible, the Authority selects the threshold that is most beneficial to the borrower.

An overseas borrower who is in repayment status and whose annual overseas repayment schedule spans more than 1 FY will see their repayment calculated 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 every 12 months when a new overseas assessment period starts, and

- The monthly repayment amount due will also be amended on 6 April each year in order to take account of the annual adjustment to the overseas repayment thresholds and any change to the repayment threshold applicable to the borrower's country of residence during their existing current overseas income assessment period.

Note that annual changes to currency exchange rates are not applied to an overseas borrower during their current overseas income assessment period. Should a borrower's income change during the assessment year, the borrower can request a reassessment of their monthly scheduled repayment amount at any time. A reassessment if the borrower is moving between countries with different threshold bands can also be requested (Regulation 75(7)).

### 4.2.1 ***Overseas borrowers – Plan 1 loans***

#### *4.2.1.1* ***Overseas repayment thresholds – Plan 1 loans***

A Plan 1 overseas borrower repays 9% of their gross income above the relevant overseas repayment threshold (Regulation 75(4)(a)).

The Plan 1 overseas repayment thresholds in FY25-26 are:

| Repayment Band | Price Level Index | Repayment Threshold |
|---|---|---|

| | | |
|---|---|---|
| A | 0<30 | £5,215 |
| B | 30<50 | £10,430 |
| C | 55<70 | £15,640 |
| D | 70<90 | £20,855 |
| E | 90<110 | £26,065 |
| F | 110<130 | £31,280 |
| G | 130+ | £36,495 |

See Annex B for detail of historical Plan 1 overseas repayment thresholds.

#### *4.2.1.2 **Overseas fixed instalments – Plan 1 loans***

Where a borrower does not provide SLC with required income information to determine an income-related overseas repayment schedule, or SLC otherwise determine that the borrower may not repay by income-related repayments, then fixed monthly instalments will apply.

The Band E fixed instalment rate, i.e. the UK equivalent fixed instalment rate, for Plan 1 is calculated at the start of each FY as the monthly repayment due (rounded down to the nearest pound) on earnings of twice the median working age graduate salary in England (Regulation 74A):

$$\frac{((2 \times \text{median working age graduate salary in England}) - \text{Plan 1 annual repayment threshold}) \times 9\%}{12}$$

The figure for median working age graduate salary in England will be taken as the most recent data available published by the Department for Education, at the point fixed repayment rates for the upcoming FY are set. This will be the data for the calendar year two years prior to the calendar year in which the relevant FY begins. For example, FY25-26 will use data from calendar year 2023 (which will be published during calendar year 2024). The data will be sourced from https://explore-education-statistics.service.gov.uk/find-statistics/graduate-labour-markets.

The remaining banded rates are calculated as the relevant percentage of the Band E rate.

The Plan 1 fixed monthly instalment rates in FY25-26 are:

| Band | % Rate | Fixed Monthly Instalment |
|---|---|---|
| A | 20% | £80.80 |
| B | 40% | £161.60 |
| C | 60% | £242.40 |
| D | 80% | £323.20 |
| E | 100% | £404.00 |
| F | 120% | £484.80 |
| G | 140% | £565.60 |

### 4.2.2 *Overseas borrowers – Plan 2 loans*

#### *4.2.2.1 Overseas repayment thresholds – Plan 2 loans*

A Plan 2 overseas borrower repays 9% of their gross income above the relevant overseas repayment threshold (Regulation 75(4)(a)).

The Plan 2 overseas repayment thresholds in FY25-26 are:

| Repayment Band | Price Level Index | Repayment Threshold |
|---|---|---|
| A | 0<30 | £5,695 |
| B | 30<50 | £11,390 |
| C | 55<70 | £17,085 |
| D | 70<90 | £22,780 |
| E | 90<110 | £28,470 |
| F | 110<130 | £34,165 |
| G | 130+ | £39,860 |

See Annex D for detail of Plan 2 historical overseas repayment thresholds.

#### *4.2.2.2 Overseas fixed instalments – Plan 2 loans*

Where a borrower does not provide SLC with required income information to determine an income-related overseas repayment schedule then fixed monthly instalments will apply.

The Band E fixed instalment rate, i.e. the UK equivalent fixed instalment rate, for Plan 2 is calculated at the start of each FY as the monthly repayment due (rounded down to the nearest pound) on earnings of twice the median working age graduate salary in England (Regulation 74A):

$$\frac{((2 \times \text{median working age graduate salary in England}) - \text{Plan 2 annual repayment threshold}) \times 9\%}{12}$$

The figure for median working age graduate salary in England will be taken as the most recentdata available, published by the Department for Education, at the point fixed repayment rates for the upcoming FY are set. This will be the data for the calendar year two years prior to the calendar year in which the relevant FY begins. For example, FY25-26 will use data from calendar year 2023 (which will be published during calendar year 2024). The data will be sourced from https://explore-education-statistics.service.gov.uk/find-statistics/graduate-labour-markets.

The remaining banded rates are calculated as the relevant percentage of the Band E rate.

The Plan 2 fixed monthly instalments in FY25-26 are:

| Band | % Rate | Fixed Monthly Instalment |
|---|---|---|
| A | 20% | £77.20 |

| | | |
|---|---|---|
| B | 40% | £154.40 |
| C | 60% | £231.60 |
| D | 80% | £308.80 |
| E | 100% | £386.00 |
| F | 120% | £463.20 |
| G | 140% | £540.40 |

### 4.2.3 *Overseas borrowers - Plan 3 loans (PGL)*

#### *4.2.3.1 Overseas repayment thresholds – Plan 3 loans*

A Plan 3 overseas borrower repays 6% of their gross income above the relevant overseas repayment threshold (Regulation 75(4)(b)).

The Plan 3 overseas repayment thresholds in FY25-26 are:

| Repayment Band | Price Level Index | Repayment Threshold |
|---|---|---|
| A | 0<30 | £4,200 |
| B | 30<50 | £8,400 |
| C | 55<70 | £12,600 |
| D | 70<90 | £16,800 |
| E | 90<110 | £21,000 |
| F | 110<130 | £25,200 |
| G | 130+ | £29,400 |

See Annex F for detail of historical Plan 3 overseas repayment thresholds.

#### *4.2.3.2 Overseas fixed instalments – Plan 3 loans*

Where a borrower does not provide SLC with required income information to determine an income-related overseas repayment schedule then fixed monthly instalments will apply.

The Band E fixed instalment rate, i.e. the UK equivalent fixed instalment rate, for Plan 3 is calculated at the start of each FY as the monthly repayment due (rounded down to the nearest pound) on earnings of twice the median working age graduate salary in England (Regulation 74A):

$$\frac{((2 \times \text{median working age graduate salary in England}) - \text{Plan 3 annual repayment threshold}) \times 6\%}{12}$$

The figure for median working age graduate salary in England will be taken as the most recent data available, published by the Department for Education, at the point fixed repayment rates for the upcoming FY are set. This will be the data for the calendar year two years prior to the calendar year in which the relevant FY begins. For example, FY25-26 will use data from calendar year 2023 (which will be published during calendar year 2024). The data will be sourced from https://explore-education-statistics.service.gov.uk/find-statistics/graduate-labour-markets.

The remaining banded rates are calculated as the relevant percentage of the Band E rate.

The Plan 3 fixed monthly instalments in FY25-26 are:

| Band | % Rate | Fixed Monthly Instalment |
|---|---|---|
| A | 20% | £59.00 |
| B | 40% | £118.00 |
| C | 60% | £177.00 |
| D | 80% | £236.00 |
| E | 100% | £295.00 |
| F | 120% | £354.00 |
| G | 140% | £413.00 |

#### 4.2.4 *Overseas borrowers - Plan 4 loans*

See Annex K for detail on Plan 4

#### 4.2.5 *Overseas borrowers - Plan 5 loans*

##### *4.2.5.1 Overseas repayment thresholds – Plan 5 loans*

The earliest SRDD for Plan 5 loans is 6 April 2026 therefore there is no statutory Plan 5 repayment threshold applicable until FY26-27.

A Plan 5 borrower will repay 9% of their gross income above the relevant overseas repayment threshold (Regulation 75(4)(a)).

The Plan 5 overseas repayment thresholds in FY26-27 will be:

| Repayment Band | Price Level Index | Repayment Threshold |
|---|---|---|
| A | 0<30 | £5,000 |
| B | 30<50 | £10,000 |
| C | 55<70 | £15,000 |
| D | 70<90 | £20,000 |
| E | 90<110 | £25,000 |
| F | 110<130 | £30,000 |
| G | 130+ | £35,000 |

##### *4.2.5.2 Overseas fixed instalments – Plan 5 loans*

Where a borrower does not provide SLC with required income information to determine an income-related overseas repayment schedule then fixed monthly instalments will apply.

The Band E fixed instalment rate, i.e. the UK equivalent fixed instalment rate, for Plan 5 will be calculated at the start of each FY as the monthly repayment due (rounded down to the

nearest pound) on earnings of twice the median working age graduate salary in England (Regulation 74A):

$$\frac{((2 \times \text{median working age graduate salary in England}) - \text{Plan 5 annual repayment threshold}) \times 9\%}{12}$$

The figure for median working age graduate salary in England will be taken as the most recent data available, published by the Department for Education, at the point fixed repayment rates for the upcoming FY are set. This will be the data for the calendar year two years prior to the calendar year in which the relevant FY begins. For example, FY26-27 will use data from calendar year 2024 (which will be published during calendar year 2025). The data will be sourced from https://explore-education-statistics.service.gov.uk/find-statistics/graduate-labour-markets.

The remaining banded rates will be calculated as the relevant percentage of the Band E rate.

### 4.3 **UK and Overseas borrowers - Multi-Plan**

Where a borrower is repaying loan balances under a combination of Plan 1, Plan 2, Plan 4 and/or Plan 5 then repayment instalments will be calculated on income above the lowest applicable repayment threshold.

Where a borrower has a Plan 3 balance and also has a Plan 1, Plan 2, Plan 4 and/or Plan 5 loan balance in repayment status, repayments taken for the Plan 3 balance will be calculated and deducted independently of any other repayment due. Therefore a borrower may be making a repayment to their Plan 3 balance and to their Plan 1, Plan 2, Plan 4 and/or Plan 5 loan balance(s) simultaneously. This applies whether the borrower is making repayments based on income or, where the borrower is an overseas borrower, fixed repayments where income cannot be determined.

Example:

1) Charlotte has a Plan 2 balance that is in repayment status. They also have a Plan 3 balance that is in repayment status. Charlotte has an annual income of £30,000 and is paid monthly. Their monthly income is £2,500. As Charlotte has a Plan 2 and a Plan 3 they will repay both concurrently.

   The monthly Plan 2 repayment threshold in FY25-26 is £2,372.50. Charlotte repays 9% of their income above this threshold therefore they repay £11 a month to their Plan 2 loan.

   The monthly Plan 3 repayment threshold in FY25-26 is £1,750. Charlotte repays 6% of their income above this threshold therefore they repay £45 a month to their Plan 3 loan.

   Charlotte repays a combined amount of £56 to their Plan 2 loan and Plan 3 each month.

# 5 Repayment allocation (Statutory Repayments)

## 5.1 Repayment allocation – Date of Repayment

### 5.1.1 Date of Repayment – Employed borrowers

HMRC report student loan deductions taken by employers via PAYE that relate to FY19-20 or later to SLC on a weekly basis. This will include all pay period deductions reported during the previous week detailing the amount and date each deduction was made by an employer. SLC will allocate repayments to a borrower's loan account to reflect the date and amount advised by the employer via HMRC.

Example:

> Amelia is paid on the 20th of each month. Based on their income Amelia's employer makes a student loan deduction of £80 from their monthly salary and reports this to HMRC. HMRC inform SLC how much was deducted from Amelia's salary, including the date the deduction was taken, when they receive it from the employer each month. When SLC receive this notification the repayment is allocated to Amelia's student loan on the 20th of the month (the date advised by HMRC).

Note that repayments that relate to any FY prior to FY19-20 are reported by HMRC and allocated to the borrowers loan account on an annual basis.

#### *5.1.1.1 In-year repayment adjustments*

From FY19-20 onwards HMRC will report in-year repayment adjustments to SLC throughout the FY. In-year adjustments can be made by either an employer or HMRC to correct an earlier error in reporting. Depending on the amendment being made an in-year adjustment can be a positive or negative value.

In cases where an adjustment has been reported, HMRC will send the in-year adjustment to SLC. The adjustment will be allocated to the borrower's account on the date as specified by HMRC (Regulation 17(ca)(ii)). The student loan deduction year to date figure will be amended from the date the adjustment was allocated to account for the adjustment.

Examples:

1) Isabella is paid monthly and has student loan repayments deducted from their salary each month.

   In November Isabella's employer reports an in-year positive adjustment. The date of adjustment is reported to HMRC as 20 November. On receipt of the adjustment from HMRC SLC apply the adjustment to Isabella's loan on the 20 November as reported by HMRC.

2) Luna is paid monthly and has student loan repayments deducted from their salary each month.

   In December HMRC report an in-year negative adjustment. The date of adjustment is reported to HMRC as 10 December. SLC allocate the negative adjustment to remove the erroneous amount from Luna's loan on 10 December as reported by HMRC.

#### *5.1.1.2 **End of year repayment adjustments***

HMRC will send SLC an end of year summary for each employed borrower to confirm the total amount of repayments made within the FY. Where there is a difference between the in-year repayments previously reported to SLC and the total end of year repayment the difference will be applied to the borrower's account as an end of year adjustment. SLC will allocate the end of year adjustment on the last day of the FY that the adjustment relates to (Regulation 17(ca)(ii)).

Where a borrower has multiple employers then HMRC will send a separate end of year summary for each employer.

Note that an end of year adjustment value can be either positive or negative.

### 5.1.2 **Date of Repayment – Self-assessed borrowers**

A SA borrower repays their loan through completion of their SA tax return. Where HMRC notify SLC of an SA repayment it will be allocated to a borrower's account on 31 January following the FY for which the SA repayment is in respect of (Regulation 17(b)).

Example:

Noah submits their tax return in respect of FY24-25 to HMRC by the submission deadline of 31 January 2026. Based on their SA income, Noah makes a student loan repayment in respect of FY24-25 which is credited to their loan balance on 31 January 2026.

## 5.2 **Repayment allocation – Single plan**

Where a borrower has loan balance(s) under a single plan type which is subject to only one set of repayment terms any statutory loan repayments made are split across all outstanding loans that are in repayment. The repayment amount is split proportionally according to the outstanding balance of each loan, so that each loan if repaid in full would reach zero at the same time. Note, however that where a borrower 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.

## 5.3 **Repayment allocation – Multi Plan**

Where a borrower is repaying loan balances under more than one plan type then multi-plan allocation* rules will apply (Regulation 18A) and repayment instalments will be allocated across loan balances as set out as below.

*Note: Multi-plan allocation is currently only applicable to Plan 1, Plan 2 and Plan 4 loans. Plan 3 loans are repaid separately.

Plan 5 loans will be subject to multi-allocation rules however the earliest SRDD for Plan 5 is 6 April 2026. Therefore no statutory repayments will be allocated to Plan 5 until FY26-27 at the earliest.

### 5.3.1 **Repayment allocation – Multi Plan – Employed borrowers**

Where a borrower makes repayments via PAYE deductions taken by their employer then allocation across plan types will be on a calendar month basis. This will be determined by calculating a maximum amount of repayment that can be allocated to the plan type with the lowest repayment threshold in each calendar month:

1. **Plan 1 and Plan 2**

A borrower with a Plan 1 loan and a Plan 2 loan will have PAYE repayments allocated as follows:

(Plan 2 annual threshold/12 – Plan 1 annual threshold/12) x 9%, e.g. (£2,372.50 - £2,172.08) x 9% = £18 (rounded down)

Repayments up to that value (i.e. £18) will be allocated to Plan 1 each month and any remaining repayment will be allocated to Plan 2. If the monthly repayment amount is less than or equal to the maximum repayment that can be allocated to Plan 1, i.e. £18, then repayments will only be allocated to the Plan 1 loan balance.

Examples:

1) **Standard Monthly Repayments**
   Henry has Plan 1 and Plan 2 loans, both of which are in repayment. They have an annual income of £30,000 and are paid monthly via PAYE. Their monthly income is £2,500.

   The monthly Plan 1 repayment threshold is £2,172.08. Henry repays 9% of their monthly income above this threshold. This works out as a repayment of £29 per month.

   The maximum repayment that can be applied to Henry's Plan 1 loan in a calendar month is £18. Any additional repayment above this is applied to their Plan 2 loan.

| Month | Repays | Plan 1 | Plan 2 |
|---|---|---|---|
| Month 1 | £29 | £18 | £11 |
| Month 2 | £29 | £18 | £11 |
| Month 3 | £29 | £18 | £11 |
| Month 4 | £29 | £18 | £11 |
| Month 5 | £29 | £18 | £11 |
| Month 6 | £29 | £18 | £11 |
| Month 7 | £29 | £18 | £11 |
| Month 8 | £29 | £18 | £11 |
| Month 9 | £29 | £18 | £11 |
| Month 10 | £29 | £18 | £11 |
| Month 11 | £29 | £18 | £11 |
| Month 12 | £29 | £18 | £11 |
| **Total** | **£348** | **£216** | **£132** |

**2) Monthly Repayments – Fluctuation In Income**

Rowan has Plan 1 and Plan 2 loans, both of which are in repayment. They are paid monthly via PAYE but don't have a fixed annual salary. Their monthly income fluctuates which means their monthly student loan repayments differ.

The monthly Plan 1 repayment threshold is £2,172.08. Rowan repays 9% of their monthly income above this threshold.

The maximum repayment that can be applied to Rowan's Plan 1 loan in a calendar month is £18. Any additional payment above this is applied to their Plan 2 loan.

In any month where Rowan's repayment is £18 or less, repayments will not be allocated to Plan 2.

| Month | Income | Repays | Plan 1 | Plan 2 |
|---|---|---|---|---|
| Month 1 | £2,500 | £29 | £18 | £11 |
| Month 2 | £2,300 | £11 | £11 | £0 |
| Month 3 | £1,900 | £0 | £0 | £0 |
| Month 4 | £2,500 | £29 | £18 | £11 |
| Month 5 | £1,900 | £0 | £0 | £0 |
| Month 6 | £2,500 | £29 | £18 | £11 |
| Month 7 | £2,800 | £56 | £18 | £38 |
| Month 8 | £1,900 | £0 | £0 | £0 |
| Month 9 | £2,800 | £56 | £18 | £38 |
| Month 10 | £1,600 | £0 | £0 | £0 |
| Month 11 | £2,500 | £29 | £18 | £11 |
| Month 12 | £2,300 | £11 | £11 | £0 |
| **Total** | **£27,500** | **£250** | **£130** | **£120** |

**3) Weekly Repayments - Standard**

Ava has Plan 1 and Plan 2 loans, both of which are in repayment. They have an annual income of £29,328 and are paid weekly via PAYE. Their weekly income is £564.

The weekly Plan 1 repayment threshold is £501.25. Ava repays 9% of their monthly income above the threshold. This works out as a repayment of £5 per week.

Weekly repayments are allocated to their Plan 1 loan up to a calendar month capped threshold of £18. Once £18 has been allocated to their Plan 1 loan within a calendar month any additional repayments for that month are allocated to their Plan 2 loan.

| **Month 1** | **Repays** | **Plan 1** | **Plan 2** |
|---|---|---|---|
| Week 1 | £5 | £5 | £0 |
| Week 2 | £5 | £5 | £0 |
| Week 3 | £5 | £5 | £0 |
| **Monthly Total** | **£15** | **£15** | **£0** |

| **Month 2** | **Repays** | **Plan 1** | **Plan 2** |
|---|---|---|---|
| Week 4 | £5 | £5 | £0 |
| Week 5 | £5 | £5 | £0 |
| Week 6 | £5 | £5 | £0 |
| Week 7 | £5 | £3 | £2 |
| Week 8 | £5 | £0 | £5 |
| **Monthly Total** | **£25** | **£18** | **£7** |

| **Month 3** | **Repays** | **Plan 1** | **Plan 2** |
|---|---|---|---|
| Week 9 | £5 | £5 | £0 |
| Week 10 | £5 | £5 | £0 |
| Week 11 | £5 | £5 | £0 |
| Week 12 | £5 | £3 | £2 |
| **Monthly Total** | **£20** | **£18** | **£2** |

**2. Plan 1 and Plan 4**

A borrower with a Plan 1 loan and a Plan 4 loan will have PAYE repayments allocated as follows:

(Plan 4 annual threshold/12 – Plan 1 annual threshold/12) x 9%, e.g. (£2,728.75 - £2,172.08) x 9% = £50 (rounded down).

Repayments up to that value (i.e. £50) will be allocated to Plan 1 each month and any remaining repayment will be allocated to Plan 4. If the monthly repayment amount is less than or equal to the maximum repayment that can be allocated to Plan 1, i.e. £50, then repayments will only be allocated to the Plan 1 loan balance.

Examples:

**1) Monthly Repayments – Plan 1 and Plan 4**

Mila has Plan 1 and Plan 4 loans, both of which are in repayment. They have an annual salary of £30,000 and is paid monthly via PAYE. Their monthly salary is £2,800.

The lowest monthly repayment threshold is Plan 1 which is £2,172.08. Mila repays 9% of their monthly income above this which works out as a repayment of £56 per month.

The maximum repayment that can be applied to Mila's Plan 1 loan in a calendar month is £50. Any additional repayment above this is applied to their Plan 4 loan.

This means £50 is allocated to their Plan 1 loan and £6 is allocated to their Plan 4 loan.

| Month | Repays | Plan 1 | Plan 4 |
|---|---|---|---|
| Month 1 | £56 | £50 | £6 |
| Month 2 | £56 | £50 | £6 |
| Month 3 | £56 | £50 | £6 |
| Month 4 | £56 | £50 | £6 |
| Month 5 | £56 | £50 | £6 |
| Month 6 | £56 | £50 | £6 |
| Month 7 | £56 | £50 | £6 |
| Month 8 | £56 | £50 | £6 |
| Month 9 | £56 | £50 | £6 |
| Month 10 | £56 | £50 | £6 |
| Month 11 | £56 | £50 | £6 |
| Month 12 | £56 | £50 | £6 |
| **Total** | **£672** | **£600** | **£72** |

**2) Weekly Repayments – Plan 1 and Plan 4**

Maeve has dual Plan 1 and Plan 4 loans both of which are in repayment. They are paid weekly via PAYE. Their weekly salary is £650.

The weekly Plan 1 repayment threshold is £501.25. Maeve repays 9% of their weekly income above the threshold which works out as a repayment of £13 per week.

Weekly repayments are allocated to their Plan 1 loan up to a maximum repayment amount of £50 per calendar month. Once £50 has been allocated to the Plan 1 loan within a calendar month any additional repayments for that month are allocated to the Plan 4 loan.

| Month 1 | Repays | Plan 1 | Plan 4 |
|---|---|---|---|
| Week 1 | £13 | £13 | £0 |
| Week 2 | £13 | £13 | £0 |
| Week 3 | £13 | £13 | £0 |
| Week 4 | £13 | £11 | £2 |
| **Monthly Total** | **£52** | **£50** | **£2** |

| Month 2 | Repays | Plan 1 | Plan 4 |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Week 1 | £13 | £13 | £0 |
| Week 2 | £13 | £13 | £0 |
| Week 3 | £13 | £13 | £0 |
| Week 4 | £13 | £11 | £2 |
| Week 5 | £13 | £0 | £13 |
| **Monthly Total** | **£65** | **£50** | **£15** |

### 3. Plan 2 and Plan 4

A borrower with a Plan 2 loan and Plan 4 loan will have repayment of loans allocated as follows:

(Plan 4 annual threshold/12 – Plan 2 annual threshold/12) x 9%, e.g. (£2,728.75 - £2,372.50) x 9% = £32 (rounded down).

Repayments up to that value (i.e. £32) will be allocated to Plan 2 each month. Any remaining repayment will be allocated to Plan 4.

Examples:

#### 1) Monthly Repayments – Plan 2 and Plan 4

Hazel has Plan 2 and Plan 4 loans, both of which are in repayment. They have an annual salary of £30,000 and is paid monthly via PAYE. Their monthly salary is £3,000.

The lower monthly repayment threshold is Plan 2 which is £2,372.50. Hazel repays 9% of their monthly income above this which works out as a repayment of £56 per month.

The first £32 of the monthly repayment is applied to the Plan 2 loan. The remaining £24 is allocated to the Plan 4 loan.

| **Month** | **Repays** | **Plan 2** | **Plan 4** |
|---|---|---|---|
| Month 1 | £56 | £32 | £24 |
| Month 2 | £56 | £32 | £24 |
| Month 3 | £56 | £32 | £24 |
| Month 4 | £56 | £32 | £24 |
| Month 5 | £56 | £32 | £24 |
| Month 6 | £56 | £32 | £24 |
| Month 7 | £56 | £32 | £24 |
| Month 8 | £56 | £32 | £24 |
| Month 9 | £56 | £32 | £24 |
| Month 10 | £56 | £32 | £24 |
| Month 11 | £56 | £32 | £24 |
| Month 12 | £56 | £32 | £24 |
| **Total** | **£672** | **£384** | **£288** |

#### 2) Weekly Repayments – Plan 2 and Plan 4

Michelle has Plan 4 and Plan 2 loans, both of which are in repayment. They are paid weekly via PAYE. Their weekly salary is £650.

The weekly Plan 2 repayment threshold is £547.50. Michelle repays 9% of her weekly income above the threshold which works out as a repayment of £9 per week.

Weekly repayments are allocated to the Plan 2 loan up to a maximum repayment amount of £32 per calendar month. Once £32 has been allocated to the Plan 2 loan within a calendar month any additional repayments for that month are allocated to the Plan 4 loan.

| **Month 1** | **Repays** | **Plan 2** | **Plan 4** |
|---|---|---|---|
| Week 1 | £9 | £9 | £0 |
| Week 2 | £9 | £9 | £0 |
| Week 3 | £9 | £9 | £0 |
| Week 4 | £9 | £5 | £4 |
| **Monthly Total** | **£36** | **£32** | **£4** |

| **Month 2** | **Repays** | **Plan 2** | **Plan 4** |
|---|---|---|---|
| Week 1 | £9 | £9 | £0 |
| Week 2 | £9 | £9 | £0 |
| Week 3 | £9 | £9 | £0 |
| Week 4 | £9 | £5 | £4 |
| Week 5 | £9 | £0 | £9 |
| **Monthly Total** | **£45** | **£32** | **£13** |

**4. Plan 1, Plan 2 and Plan 4**

A borrower with a Plan 1 loan, Plan 2 loan and a Plan 4 loan will have repayment of loans allocated as follows:

- The maximum repayment to be allocated to Plan 1 loans is (Plan 2 annual threshold/12 – Plan 1 annual threshold/12) x 9%, e.g. (£2,372.50 - £2,172.08) x 9% = £18 (rounded down).

  Repayments up to that value (i.e. £18) will be allocated to Plan 1 in each calendar month.

- The maximum repayment to be allocated to Plan 2 loans is (Plan 4 annual threshold/12 – Plan 2 annual threshold/12) x 9%, e.g. (£2,728.75 - £2,372.50) x 9% = £32 (rounded down).

  The next amount of repayment up to that value (i.e. £32) will be allocated to Plan 2 in each calendar month.

- Any remaining repayment will be allocated to Plan 4.

Examples:

**1) Monthly Repayments – Plan 1, Plan 2 and Plan 4**

Peter has Plan 1, Plan 2 and Plan 4 loans, all of which are in repayment. They have an annual salary of £45,000 and are paid monthly via PAYE. Their monthly salary is £3,750.

The lowest monthly repayment threshold is Plan 1 which is £2,172.08. Peter repays 9% of their monthly income above this which works out as a repayment of £142 per month.

The maximum repayment that can be applied to Peter's Plan 1 loan in a calendar month is £18.

The next £32 of the monthly repayment is applied to the Plan 2 loan.

The remaining £92 is allocated to the Plan 4 loan.

| Month | Repays | Plan 1 | Plan 2 | Plan 4 |
|---|---|---|---|---|
| Month 1 | £142 | £18 | £32 | £92 |
| Month 2 | £142 | £18 | £32 | £92 |
| Month 3 | £142 | £18 | £32 | £92 |
| Month 4 | £142 | £18 | £32 | £92 |
| Month 5 | £142 | £18 | £32 | £92 |
| Month 6 | £142 | £18 | £32 | £92 |
| Month 7 | £142 | £18 | £32 | £92 |
| Month 8 | £142 | £18 | £32 | £92 |
| Month 9 | £142 | £18 | £32 | £92 |
| Month 10 | £142 | £18 | £32 | £92 |
| Month 11 | £142 | £18 | £32 | £92 |
| Month 12 | £142 | £18 | £32 | £92 |
| **Total** | **£1,704** | **£216** | **£384** | **£1,104** |

**2) Weekly Repayments – Plan 1, Plan 2 and Plan 4**

Louisa has Plan 1, Plan 4 and Plan 2 loans, all of which are in repayment. They are paid weekly via PAYE. Their weekly income is £650.

The weekly Plan 1 income threshold is £501.25. Louisa repays 9% of their weekly income above the threshold which works out as a repayment of £13 per week.

Weekly repayments are allocated to the Plan 1 loan up to a maximum repayment amount of £18 per calendar month.

Once £18 has been allocated to the Plan 1 loan within a calendar month any additional repayments for that calendar month are allocated to the Plan 2 loan up to a maximum of £32.

Once £32 has been allocated to the Plan 2 loan within a calendar month any additional repayments for that calendar month are allocated to the Plan 4 loan.

| **Month 1** | **Repays** | **Plan 1** | **Plan 2** | **Plan 4** |
|---|---|---|---|---|
| Week 1 | £13 | £13 | £0 | £0 |
| Week 2 | £13 | £5 | £8 | £0 |
| Week 3 | £13 | £0 | £13 | £0 |
| Week 4 | £13 | £0 | £11 | £2 |
| **Monthly Total** | **£52** | **£18** | **£32** | **£2** |

| **Month 2** | **Repays** | **Plan 1** | **Plan 2** | **Plan 4** |
|---|---|---|---|---|
| Week 1 | £13 | £13 | £0 | £0 |
| Week 2 | £13 | £5 | £8 | £0 |
| Week 3 | £13 | £0 | £13 | £0 |
| Week 4 | £13 | £0 | £11 | £2 |
| Week 5 | £13 | £0 | £0 | £13 |
| **Monthly Total** | **£65** | **£18** | **£32** | **£15** |

5.3.2 **Repayment allocation – Multi plan - SA borrowers**

Where a borrower makes repayment via their SA tax return to HMRC then allocation across plan types will be on an annual basis.

Allocation will be determined by calculating a maximum amount of repayment that can be allocated to a plan type in the FY:

1. **Plan 1 and Plan 2**

A borrower with a Plan 1 loan and a Plan 2 loan will have repayment of loans allocated as follows:

(Plan 2 annual threshold – Plan 1 annual threshold) x 9%, e.g. (£28,470 - £26,065) x 9% = £216 (rounded down)

Repayments up to that value (i.e. £216) will be allocated to Plan 1 and any remaining repayment will be allocated to Plan 2.

2. **Plan 1 and Plan 4**

A borrower with a Plan 1 loan and a Plan 4 loan will have repayment of loans allocated as follows:

(Plan 4 annual threshold – Plan 1 annual threshold) x 9%, e.g. (£32,745 - £26,065) x 9% = £601 (rounded down)

Repayments up to that value (i.e. £601) will be allocated to Plan 1 and any remaining repayment will be allocated to Plan 4.

### 3. Plan 2 and Plan 4

A borrower with a Plan 2 loan and Plan 4 loan will have repayment of loans allocated as follows:

(Plan 4 annual threshold – Plan 2 annual threshold) x 9%, e.g. (£32,745 - £28,470) x 9% = £384 (rounded down)

Repayments up to that value (i.e. £384) will be allocated to Plan 2. Any remaining repayment will be allocated to Plan 4.

### 4. Plan 1, Plan 2 and Plan 4

A borrower with a Plan 1 loan, Plan 2 loan and a Plan 4 loan will have repayment of loans allocated as follows:

- (Plan 2 annual threshold – Plan 1 annual threshold) x 9%, e.g. (£28,470 - £26,065) x 9% = £216 (rounded down)

  Repayments up to that value (i.e. £216) will be allocated to Plan 1.

- (Plan 4 annual threshold – Plan 2 annual threshold) x 9%, e.g. (£32,745 - £28,470) x 9% = £384 (rounded down)

  The next amount of repayments up to that value (i.e. £384) will be allocated to Plan 2.

- Any remaining repayment will be allocated to Plan 4.

Example:

**1) SA Repayments – Plan 1, Plan 2 and Plan 4**

Luke has Plan 1, Plan 2 and Plan 4 loans, all of which are in repayment. They have an annual income of £35,000.

The lowest annual repayment threshold is Plan 1 which is £26,065. Luke repays 9% of their income above this which works out as a repayment of £804.

The maximum repayment that can be applied to the Plan 1 loan in the FY is £216.

The next £384 of the repayment is applied to the Plan 2 loan.

The remaining of £204 is allocated to the Plan 4 loan.

| Annual Repayment | Plan 1 | Plan 2 | Plan 4 |
|---|---|---|---|

| | | | |
|---|---|---|---|
| £804 | £216 | £384 | £204 |

## 5.4 **Repayment Allocation – Plan 3 (PGL) with Plan 1, Plan 2 and/or Plan 4**

Where a borrower has a Plan 3 loan balance and also has a Plan 1 , Plan 2 and/or a Plan 4 loan balance in repayment status, repayments taken for the Plan 3 balance will be calculated and deducted independently of any other repayment due. Therefore a borrower may be making repayments to their Plan 3 loan balance and to their Plan 1, Plan 2 and/or Plan 4 loan balance simultaneously. This applies whether the borrower is making repayments based on income, or, where the borrower is an overseas borrower, fixed repayments where income cannot be determined.

Example:

1) Alex has a Plan 2 loan and a Plan 3 loan that are both in repayment. They have an annual income of £31,000 and are paid monthly via PAYE. Alex's monthly income is £2,583.

   As Alex earns above the threshold for both Plan 2 and Plan 3, they make repayments to both loans concurrently.

   The monthly Plan 2 repayment threshold is £2,372.50. Alex repays 9% of their monthly income above this threshold. This works out as a repayment of £18 per month.

   The monthly Plan 3 repayment threshold is £1,750. Alex repays 6% of their monthly income above this threshold. This works out as a repayment of £49 per month.

| **Month** | **Plan 2 Repayment** | **Plan 3 Repayment** |
|---|---|---|
| Month 1 | £18 | £49 |
| Month 2 | £18 | £49 |
| Month 3 | £18 | £49 |
| Month 4 | £18 | £49 |
| Month 5 | £18 | £49 |
| Month 6 | £18 | £49 |
| Month 7 | £18 | £49 |
| Month 8 | £18 | £49 |
| Month 9 | £18 | £49 |
| Month 10 | £18 | £49 |
| Month 11 | £18 | £49 |
| Month 12 | £18 | £49 |
| **Total** | **£216** | **£588** |

## 5.5 **Repayment Allocation with a Credit Balance**

Where a borrower has loans across two plan types and one of those loans has been over repaid then the credit balance on the over repaid loan may be used to reduce the debit

balance on the second loan. The combinations of loans that can be considered for credit balance reallocation are:

- Plan 1 and Plan 2
- Plan 1 and Plan 3
- Plan 1 and Plan 4
- Plan 1 and Plan 5
- Plan 2 and Plan 3
- Plan 2 and Plan 4
- Plan 2 and Plan 5
- Plan 3 and Plan 4
- Plan 3 and Plan 5
- Plan 4 and Plan 5

If the credit balance is greater than £10 then SLC must give notice to the borrower of the intention to treat the credit balance as a direct repayment to their second loan balance (Regulation 20A(2)). If the borrower does not notify SLC that they wish the credit balance to be refunded within 60 days then SLC must allocate the credit balance to the second loan balance (Regulation 20A(3)).

In cases where a borrower has loans under more than two plan types, and any of the loans have been over-repaid, SLC **cannot** use the credit balance to reduce the balance of any of the remaining loans. The credit balance must be refunded to the borrower.

Examples:

1) Julie has a Plan 2 loan in debit and a Plan 1 loan in credit. The credit balance on Julie's Plan 1 loan is £11. SLC write to Julie to inform them of the credit balance on their Plan 1 loan. After 60 days Julie hasn't contacted SLC to request a refund of the credit balance. The credit balance is treated as a direct repayment and allocated to the Plan 2 loan.

2) George has a Plan 1 loan, a Plan 2 loan and a Plan 4 loan. There is a credit balance of £250 on their Plan 1 loan. As George has loans under more than two plan types SLC write to inform the borrower of the credit balance but will not treat the credit balance as a direct repayment toward any of the other loan balances.

## 6 Voluntary Repayments

A borrower may make voluntary repayments to their loan balance at any time without charge or penalty, either before or after the loan balance has entered repayment status.

Where a borrower has loan balances under more than one plan type they can choose which plan type they wish to allocate their voluntary repayment to. If the borrower does not specify the loan that a voluntary repayment should be allocated to, the following default order of voluntary repayment allocation will be followed:

1. Outstanding arrears
2. Plan 3 loans in repayment status
3. Plan 2 loans in repayment status
4. Plan 5 loans in repayment status
5. Plan 1 loans and/or Plan 4 loans in repayment status
6. Plan 3 loans in payment status
7. Plan 2 loans in payment status
8. Plan 5 loans in payment status
9. Plan 1 loans and/or Plan 4 loans in payment status

The hierarchy ensures that the allocation of voluntary repayments is to loans in repayment status first with priority given to loans with a higher rate of interest and then to loans with longer terms.

As the interest rate applicable to Plan 1 and Plan 4 loans is the same, where a borrower has Plan 1 and Plan 4 loans that are both in the same status (either both loans in repayment or both loans in payment) then the voluntary repayment will be allocated across both plan types – the repayment will be allocated on a proportional basis dependant on each loan balance.

Where a borrower has Plan 1 and Plan 4 loans in different statuses then allocation priority will be given to the loan in repayment.

Examples:

1) Pauline has a Plan 1 loan and a Plan 2 loan, both of which are in repayment. They make a voluntary repayment of £500 and specify that the repayment should be allocated to their Plan 1 loan. The full repayment is allocated to the Plan 1 loan.

2) David has a Plan 1 loan and a Plan 2 loan, both of which are in repayment. They make a voluntary repayment of £500 but do not specify which plan the repayment should be allocated to. As David has not specified the plan type to allocate the repayment to it is allocated to the Plan 2 loan as per the voluntary repayment allocation rules.

3) Rosaleen has a Plan 1 loan that is in repayment status and Plan 2 loan that is in payment status. They make a voluntary repayment of £100 but do not specify which plan the repayment should be allocated to. The repayment is allocated to the Plan 1 loan because priority is given to the loan in repayment.

4) Brian has a Plan 1 loan and a Plan 4 loan, both of which are in repayment. They make a voluntary repayment of £1,000 but do not specify which plan the repayment should be allocated to. As both loans are in the same status the voluntary repayment is allocated proportionally across both plan types.

   Brian's repayment is allocated as follows:

| Total Balance | Plan 1 Balance | Repayment Allocated to Plan 1 | Plan 4 Balance | Repayment Allocated to Plan 4 |
|---|---|---|---|---|
| £10,000 | £7,000 | £700 | £3,000 | £300 |

### 6.1 Repayment by a third party

Any third party such as a parent, relative or employer can make a voluntary direct repayment to SLC on behalf of a borrower. They can do so over the phone, online or by cheque. The borrower's CRN or SSN will be required to ensure that the repayment is made against the correct account. 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 wants account specific information, they need to demonstrate they hold Power of Attorney or the borrower needs to contact SLC and set up `Consent to Share`.

### 6.2 Refunds of voluntary repayments

A borrower should note that voluntary repayments to SLC do not take the place of or reduce any scheduled repayments due through the tax system. Therefore, regardless of any extra voluntary repayments made, an employee will still have deductions taken from their salary if they earn above the relevant repayment threshold and a SA borrower 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 may 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 from which the payment was made.

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

## 7 Repaying by Direct Debit

Regulation 18 allows a PAYE repayer to switch their repayment method to Direct Debit if SLC are satisfied that the borrower is within 23 months of repaying their full outstanding balance. The scheme is optional therefore a borrower is not under an obligation to switch to Direct Debit repayments.

It is within SLC discretion to determine when to contact a borrower within the 23 month period to invite them onto the scheme.

When the Direct Debit is set up, SLC acting under Regulation 18(2) will notify HMRC that deductions from a borrower's income are to stop. In the event that a borrower has both a deduction from their salary and makes a Direct Debit payment through the Direct Debit scheme, the borrower may request a refund of the salary deduction.

The Direct Debit option is not available to a borrower who has a combination of Plan 1, Plan 2, Plan 4 and/or Plan 5 loans in repayment status. This is because the statutory repayment of multi plan loans is a combined deduction from the borrowers income and deductions cannot be stopped if any of the loans are not within 23 months of being repaid in full. In such cases the Direct Debit option may result in the borrower paying by Direct Debit to SLC and via PAYE and/or SA, and therefore paying more each month than they would otherwise be required to repay.

Note, as Plan 3 loans are repaid concurrently with loans under any other plan type, a borrower with a Plan 3 loan and a loan under any other plan type will be eligible for the Direct Debit scheme for either of their Plan 3 and/or the other student loan when appropriate.

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 Direct Debit scheme where they have previously been on the scheme and stopped making repayments without the permission of SLC (Regulation 18(1)(c)).

When the loan balance has been repaid in full through the Direct Debit scheme, SLC will cancel the Direct Debit.

# 8 Cancellation

Regulation 19 provides for the cancellation of a borrower's liability to repay the outstanding balance (including interest) of a student loan in certain circumstances.

## 8.1 **Qualifying Criteria**

To qualify for regulatory cancellation of an outstanding student loan balance a borrower must not be in breach of their obligation to repay any existing student loan balance(s) (Regulation 19(1)).

A breach in obligation to repay is considered to be any instance where a borrower has failed to make repayments due in, but not limited to, the following scenarios:

- in respect of a Plan 1, Plan 2, Plan 3, Plan 4 and/or Plan 5 loan during an overseas period of residence,
- in respect of a Plan 1, Plan 2, Plan 3, Plan 4 and/or Plan 5 loan by Direct Debit (i.e. where the student is considered to be less than two years from paying the loan balance in full), or
- in respect of any MS loan(s) (generally payable to students who started their course prior to 1998).

## 8.2 Cancellation on Death of Borrower – All Plan Types

A borrower's liability to repay an outstanding Plan 1, Plan 2, Plan 3 and/or Plan 5 loan balances is cancelled if the borrower dies (Regulation 19(3)(a)).

A cancellation under Regulation 19(3)(a) will only occur once SLC has been able to verify that the borrower has died. Verification of a borrower's death can be by:

- receipt of notification of death from HMRC and DWP,
- sight of the borrower's original death certificate, or
- sight of a certified copy of the borrower's death certificate.

The effective date of the cancellation is the date on which SLC verify the borrower's death.

Note that the borrower remains liable to make statutory repayments:

- during the tax year of the borrowers death in the case of an SA repayment (Regulation 19(5)(a)), or
- prior to the date of cancellation in the case of a PAYE repayment (Regulation 19(6)).

See Annex K for detail on Plan 4 loans.

## 8.3 Cancellation for Reason of Disability – All Plan Types

A borrower's liability to repay any outstanding Plan 1, Plan 2, Plan 3 and/or Plan 5 loan balances is cancelled if the borrower receives a disability-related benefit and because of the disability is permanently unfit for work (Regulation 19(3)(b)).

Note that to qualify for cancellation under Regulation 19(3)(b) the borrower must be in receipt of one of the relevant disability-related benefits as defined in Regulation 9(1).

Before a cancellation under Regulation 19(3)(b) can occur SLC will require:

- evidence that the borrower is in receipt of a relevant disability-related benefit as defined in Regulation 9(1) at the time of request for cancellation, and
- written confirmation from a qualified medical professional that the borrower's disability means they will be unable to return to work on a permanent basis.

When SLC are satisfied that the borrower meets the criteria for cancellation under Regulation 19(3)(b) the cancellation effective date will be the date on which the borrower has been declared as being permanently unfit for work.

Note that the borrower remains liable to make statutory repayments:

- in relation to any tax year prior to the tax year in which the borrowers liability to repay was cancelled (Regulation 19(5)(b)), or
- prior to cancellation effective date in the case of a PAYE repayment (Regulation 19(6)).

If, for any reason, SLC receive a statutory repayment after they ceased to be liable to make repayments to the loan it must be refunded to the borrower.

See Annex K for detail on Plan 4 loans.

## 8.4 Cancellation on End of Loan Term

### 8.4.1 *Plan 1 Loans*

A borrower's liability to repay any outstanding Plan 1 loan balance is cancelled at the end of their loan term. A Plan 1 loan's cancellation term is dependent on whether the Plan 1 loan is a post-2006 loan or not.

#### *8.4.1.1 Post-2006 loans*

The effective date of the cancellation of a borrower's liability to repay an outstanding post-2006 Plan 1 loan balance is the twenty-fifth anniversary of the SRDD (i.e. the twenty-fifth anniversary of the date on which the post-2006 Plan 1 loan entered repayment status) (Regulation 19(3)(c)).

Example:

> Don has a post-2006 Plan 1 loan. The SRDD for Don's loan is 6 April 2010. The twenty-fifth anniversary of the SRDD is 6 April 2035. Don's liability to repay the outstanding balance of the loan is cancelled on 6 April 2035.

Note that the borrower remains liable to make statutory repayments:

- in relation to any tax year prior to the tax year in which the borrowers liability to repay was cancelled in the case of a SA repayment (Regulation 19(5)(b)), or
- prior to the effective date of the cancellation in the case of a PAYE repayment (Regulation 19(6)).

If, for any reason, SLC receive a statutory repayment in relation to a period dated after they ceased to be liable to make repayments to the loan then it must be refunded to the borrower (unless the borrower has a separate student loan for which they remain liable and for which the repayment would be due to be allocated to).

A post-2006 Plan 1 loan is:

- a Plan 1 loan taken out for a course that started on or after 1 September 2006 that:
  - is **not** an end-on course to a preliminary course that started before 1 September 2006 (Regulation 19(2)(b)(ii)), or

    - is **not** a course that the borrower started on or after 1 September 2006 having transferred their eligibility from a course they started prior to 1 September 2006 (Regulation 19(2)(b)(iii));
- a Plan 1 loan taken out for a course that started on or after 1 September 2006 that:
    - is an end-on course to a preliminary course that started before 1 September 2006 where:
        - the borrower **did not** receive a student loan for the preliminary course, or
        - the borrower took out a student loan for the preliminary course for the first time on or after 1 September 2006; or
    - is a course that the borrower started on or after 1 September 2006 having transferred their eligibility from a course that started prior to 1 September 2006 where:
        - the borrower **did not** receive a student loan for the course that started prior to 1 September 2006, or
        - the borrower took out a student loan for the course that started before 1 September 2006 for the first time on or after 1 September 2006; or
- a Plan 1 loan taken out **for the first time** on or after 1 September 2006 for a course the borrower began before 1 September 2006 (i.e. the borrower was a continuing student on the course but had not taken out any loan support in respect of years of that course that started prior to 1 September 2006) (Regulation 19(2)(a)).

#### *8.4.1.2 **Loans that are not post-2006 loans***

The effective date of the cancellation of a borrower's liability to repay an outstanding loan balance for a Plan 1 loan that is not a post-2006 loan is the date of the borrower's sixty-fifth birthday (Regulation 19(3)(d)).

> Rory has a Plan 1 loan that is not a post-2006 loan. Rory turns 65 on 15 August 2030. Rory's liability to repay the outstanding loan balance is cancelled on 15 August 2030.

Note that the borrower remains liable to make statutory repayments:

- in relation to any tax year prior to the tax year in which the borrowers liability to repay was cancelled in the case of a SA repayment (Regulation 19(5)(b)), or
- prior to the effective date of the cancellation in the case of a PAYE repayment (Regulation 19(6)).

If, for any reason, SLC receive a statutory repayment in relation to a period dated after they ceased to be liable to maek repayments to the loan then it must be refunded to the borrower (unless the borrower has a separate student loan for which they remain liable and for which the repayment would be due to be allocated to).

A Plan 1 loan that is not a post-2006 loan is:

- a Plan 1 loan **first taken out** before 1 September 2006 including:

    - loans taken out by a borrower in continuing AYs of a course for which they took out a student loan before 1 September 2006, and
    - loans taken out by a borrower for a course they started on or after 1 September 2006 having transferred their eligibility for student support from a course for which they received a student loan before 1 September 2006.
- a Plan 1 loan taken out for a course that started on or after 1 September 2006 that was an end-on course to a preliminary course for which the borrower took a student loan before 1 September 2006.

### 8.4.2 *Plan 2 Loans*

The effective date of the cancellation of a borrower's liability to repay an outstanding Plan 2 loan balance is the 30th anniversary of the SRDD, (i.e. the 30th anniversary of the date on which the Plan 2 loan entered repayment status) (Regulation 19(3)(e)).

Example:

> Tony has a Plan 2 loan. The SRDD for Tony's loan is 6 April 2016. The 30th anniversary of the SRDD is 6 April 2046. Tony's liability to repay the outstanding balance of the loan is cancelled on 6 April 2046.

Note that the borrower remains liable for any statutory repayments due:

- in relation to any tax year prior to the tax year in which the borrowers liability to repay was cancelled in the case of a SA repayment (Regulation 19(5)(b)), or
- prior to the effective date of the cancellation in the case of a PAYE repayment (Regulation 19(6)).

If, for any reason, SLC receive a statutory repayment in relation to a period dated after they ceased to be liable to make repayments to the loan then it must be refunded to the borrower (unless the borrower has a separate student loan for which they remain liable and for which the repayment would be due to be allocated to).

### 8.4.3 *Plan 3 (PGL) Loans*

The effective date of the cancellation of a borrower's liability to repay an outstanding Plan 3 loan balance is the 30th anniversary of the SRDD, i.e. (the 30th anniversary of the date on which the Plan 3 loan entered repayment status) (Regulation 19(3)(g)).

Example:

> Robert has a Plan 3 loan. The SRDD for the borrower's loan is 6 April 2020. The 30th anniversary of the SRDD is 6 April 2050. Robert's liability to repay the outstanding balance of the loan is cancelled on 6 April 2050.

Note that the borrower remains liable for any statutory repayments due:

- in relation to any tax year prior to the tax year in which the borrowers liability to repay was cancelled in the case of an SA repayment (Regulation 19(5)(b)), or
- prior to the effective date of the cancellation in the case of a PAYE repayment (Regulation 19(6)).

If, for any reason, SLC receive a statutory repayment in relation to a period dated after they ceased to be liable to make repayments to the loan then it must be refunded to the borrower (unless the borrower has a separate student loan for which they remain liable and for which the repayment would be due to be allocated to).

### 8.4.4 *Plan 4 Loans*

See Annex K for detail on Plan 4 loans.

### 8.4.5 *Plan 5 Loans*

The effective date of the cancellation of a borrower's liability to repay an outstanding Plan 5 loan balance is the 40th anniversary of the SRDD, (i.e. the 40th anniversary of the date on which the Plan 5 loan entered repayment status) (Regulation 19(3)(h)).

Example:

> Lynsey has a Plan 5 loan. The SRDD for Lynsey's loan is 6 April 2026. The 40th anniversary of the SRDD is 6 April 2066. Lynsey's liability to repay an outstanding balance of the loan is cancelled on 6 April 2066.

Note that the borrower remains liable for any statutory repayments due:

- in relation to any tax year prior to the tax year in which the borrowers liability to repay was cancelled in the case of an SA repayment (Regulation 19(5)(b)), or
- prior to the effective date of the cancellation in the case of a PAYE repayment (Regulation 19(6)).

If, for any reason, SLC receive a statutory repayment in relation to a period dated after they ceased to be liable to make repayments to the loan then it must be refunded to the borrower (unless the borrower has a separate student loan for which they remain liable and for which the repayment would be due to be allocated to).

## 8.5 **Access to HE Cancellation – Plan 2 and Plan 5**

A borrower who has received a Plan 2 or a Plan 5 ALL to undertake an Access to HE Diploma will qualify for a cancellation of their liability to repay any outstanding balance on the ALL when they subsequently complete a designated HE course. This is intended to help and encourage borrowers who enter HE via the Access to HE route.

To qualify for cancellation a borrower must:

- have achieved an Access to HE diploma,
- have successfully completed a subsequent HE course designated for support by or under the Education (Student Support) Regulations 2011 (as amended)*, and
- have been an eligible borrower in respect of the HE course. Note that a borrower is not required to have taken a student loan in respect of the HE course in order to qualify for cancellation of the ALL balance.

*A borrower will **not** qualify for cancellation by:

- completing a Postgraduate Masters or Postgraduate Doctoral Course designated for Postgraduate Loan funding by or under the relevant Postgraduate Loans support regulations (i.e. courses that are designated for Plan 3 loan support); or
- completing a Higher Education Short Course designated for TFL support under the Higher Education Short Course Loans Regulations 2022 (as amended).

The outstanding balance (including interest accrued) on the course end date of the HE course ("the cancellation effective date") will be cancelled.

Note that the borrower remains liable for any statutory repayments:

- in relation to any tax year prior to the tax year in which the borrowers liability to repay was cancelled in the case of an SA repayment (Regulation 19(5)(b)), or
- prior to the effective date of the cancellation in the case of a PAYE repayment (Regulation 19(6)).

If, for any reason, SLC receive a statutory repayment in relation to a period dated after they ceased to be liable to make repayments to the loan then it must be refunded to the borrower (unless the borrower has a separate student loan for which they remain liable and for which the repayment would be due to be allocated to).

In circumstances where the borrower has made any voluntary repayments prior to the cancellation of the ALL balance it cannot be refunded.

More detailed guidance on Access to HE Cancellation is available in the Advanced Learner Loan guidance chapter.

## 9 Interest

Interest will accrue on all loan balances from the date that the first payment of a loan is made until the loan balance is repaid in full (Regulations 21, 21A, 21B and 21C). This means that for all borrowers, interest on their loan accrues whilst they are studying.

SLC has a duty to publish interest rates in accordance with Regulations 21(5), 21A(7) and 21B(4). This information is available at https://www.gov.uk/repaying-your-student-loan.

## 9.1 Definition of RPI used in interest rate calculation

RPI used in interest calculations is the percentage increase between the retail prices all items index published by the ONS for the two Marches immediately before 1 September each year. For example, for 1 September 2025 RPI will be set as the percentage increase between March 2024 and March 2025.

The RPI rate can be viewed on the ONS website:
https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/czbh/mm23

## 9.2 Applying Interest - General

Interest is calculated on the principal outstanding daily and is applied retrospectively to the principal monthly.

If a borrower repays their loan in the UK through PAYE, SLC receive details of repayments from HMRC on a pay period basis throughout the FY. SLC calculate and apply interest to a PAYE borrower's account on the second Saturday of each calendar month to reflect the updated balance following statutory repayments received by SLC during the previous month.

If a borrower repays their loan in the UK through SA, SLC will receive details of repayments from HMRC annually after the end of each FY.

## 9.3 Prevailing Market Rate ("PMR")

The Teaching and Higher Education Act 1998 provides that interest rates on Plan 2, Plan 3 and Plan 5 student loans cannot exceed interest rates that are prevailing on the market (the "prevailing market rate" or "PMR"). Plan 1 and Plan 4 loans are not subject to this requirement.

If it is considered that the PMR is below the maximum interest rate set for Plan 2, Plan 3 and/or Plan 5 loans then the applicable interest rate will be capped in line with the PMR (Regulation 20BA).

For more information on how PMR is calculated see Annex I.

## 9.4 Plan 1 Interest

Plan 1 loans are charged interest at the rate of RPI (Regulation 21(1)). However, if the rate of RPI exceeds the Bank Base Rate plus 1% at any point during the AY then the interest charged on Plan 1 loans will be set at Bank Base Rate plus 1% ("the low interest cap") (Regulation 21(2)).

The current Plan 1 interest rate which has been effective from 1 September 2024 is 4.3% which is based on the RPI rate.

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

## 9.5 **Plan 2 Interest**

### 9.5.1 **Plan 2 Interest – Interest rates**

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

| Borrower status | Applicable Interest Rate | Regulation |
|---|---|---|
| FT borrowers in study (and until 6 April after leaving study) | RPI + 3% | 21A(2)(a)(i) |
| PT borrowers in study (and until whichever of the following dates occurs first:<br>• 6 April after leaving study, or<br>• 6 April after the fourth anniversary of the course start date | RPI + 3% | 21A(2)(a)(iii) |
| Loans in repayment status until the loan balance is paid in full. | Income at the lower interest threshold or less – RPI only | 21A(2)(b)(i) |
| | Income between the lower interest threshold and the upper interest threshold – RPI plus an additional variable interest rate applied on a scale from 0% to 3% depending on income | 21A(2)(b)(ii) |
| | Income at the upper income threshold or above – RPI + 3% | 21A(2)(b)(iii) |
| Withdrawn from / completed course and lost touch with SLC (NCR) | RPI + 3% | 21A(4) |

Examples:

1) Mary started a four year FT course in September 2015 and completed the course in June 2019. Their loan entered repayment status on 6 April 2020. Interest is charged at RPI + 3% until 5 April 2020. From 6 April 2020 interest is charged at a rate which depends on Mary's income.

2) Louis started a PT course in September 2016 and will complete the course in June 2022. Their loan entered repayment status on 6 April 2021 (the start of the FY following the fourth anniversary of the course start date). Interest will be charged at RPI + 3% until 5 April 2021. From 6 April 2021, interest will be charged at a rate which depends on the Louis' income.

3) Megan started a three year FT course in September 2018. They withdrew from the course in June 2019. Their loan entered repayment status on 6 April 2020. Interest is charged at RPI + 3% until 5 April 2020. From 6 April 2020 interest is charged at a rate which depends on Megan's income.

4) Mark started a three year FT course in September 2015 and completed the course in June 2018. Their loan entered repayment status on 6 April 2019. Interest is charged at RPI + 3% until 5 April 2019. Prior to April 2019, SLC contacts Mark requesting details of their employment status because they cannot be located in the UK tax system, however Mark does not respond. From 6 April 2019 interest is applied at RPI + 3%, until such time as Mark's employment status is identified by HMRC or Mark contacts SLC to confirm their status.

### 9.5.2 **Plan 2 Interest – Variable Interest Rate (VIR)**

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

3 x (I – L) / (H – L) where –

I is the borrower's income in pounds as calculated for interest purposes for that FY (the borrowers interest income)

L is the lower interest threshold

H is the higher interest threshold

#### *9.5.2.1* ***Plan 2 Interest – VIR – UK borrowers***

For a UK borrower the lower interest threshold is £28,470 (Regulation 21AB(1)) and the higher interest threshold is £51,245 (Regulation 21AA(1)). 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 2 decimal places.

Examples of variable interest rate calculation:

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

   3 x ((£32,000 – £28,470) / (£51,245 – £28,470)) = 3 x (£3,530 / £22,775) = 0.46%

   The rate of interest applied to the borrower's loan balances is RPI + 0.46%

2) A borrower whose loan is in repayment status and who is self employed in the UK has total income for that FY confirmed by HMRC as £29,000. Interest to be applied for this FY is RPI plus the following:

   3 x ((£29,000 – £28,470) / (£51,245 – £28,470)) = 3 x (£503.00 / £22,775) = 0.06%

   The rate of interest applied to the borrower's loan balance is RPI + 0.06%

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

Example:

> Matthew in the UK earns £25,000 in the first 6 months of the FY (£50,000 annual salary). They are then unemployed for 2 months. For the final 4 months of the FY they earn £15,000 (£60,000 annual salary). Their total income for the FY (£40,000) is used to calculate the variable interest rate, which is RPI + 1.51%.

Where a borrower has loan balances under different plan types, interest will be calculated and applied to each loan balance according to the interest calculation rules applicable to each individual plan type.

#### *9.5.2.2 **Plan 2 Interest – VIR – Overseas borrowers***

For an overseas borrower the lower and upper interest thresholds will depend on the banding of the country that the borrower is living in, which is determined based on the country's PLI data and are calculated in accordance with Regulations 21AA(2) and 21AB(2).

The interest thresholds for overseas borrowers in FY25-26 are:

| Band | Price Level Index | Lower Interest Threshold | Higher Interest Threshold |
|---|---|---|---|
| A | 0<30 | £5,695 | £10,250 |
| B | 30<50 | £11,390 | £20,500 |
| C | 50<70 | £17,085 | £30,750 |
| D | 70<90 | £22,780 | £41,000 |
| E | 90<110 | £28,470 | £51,245 |
| F | 110<130 | £34,165 | £61,495 |
| G | 130+ | £39,860 | £71,745 |

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

Example:

Lynne started a three year FT course in September 2018 and completed the course in June 2021. Their loan entered repayment status on 6 April 2022. Prior to April 2022, they notify SLC that they are now living in a Band C country and provide evidence that their salary is above the higher interest threshold for a Band C country. From the first day of the overseas assessment period as processed by SLC, interest is applied at RPI + 3% as Lynne's income exceeds the upper interest income threshold.

### 9.5.3 **Plan 2 Interest – Non-Compliance Rate (NCR)**

Where it is determined that a Plan 2 borrower has failed to comply with the regulatory requirement to:

- notify SLC of a change of name or home address (Regulation 22),
- respond to an information notice issued to the borrower requesting relevant information and/or evidence to administer their loan repayments (Regulation 23), or
- notify SLC of a period of overseas residence including information about their income during a period of overseas residence (Regulation 72)

interest will be charged at the highest rate of RPI + 3% ("the NCR rate") until the date the borrower complies with the relevant regulatory requirement (Regulation 21A(4)).

SLC will notify the borrower that the NCR rate will be applied should they fail to provide required information. 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 (for example, serious illness).

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

- Where SLC is required to issue a notice to a borrower requesting confirmation of employment details the borrower has 42 days from the date of the notice 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's Plan 2 loan is in repayment status, the variable interest rate will be applied to the 42-day period and NCR will commence after the end of the 42-day period.

- If HMRC confirm a backdated match between a borrower and their employment details (a date in the past from which the match is active), the NCR 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:

- Where a borrower does not provide required information the NCR rate will be applied effective from the later of:
    - the UK leaving date, or

- 42 days after the borrower notifies SLC of their intention to leave the UK.

Examples:

1) Ruth advises SLC on 15 September 2022 that they left the UK on 1 August 2022. They do not provide the required income information. The NCR rate will be applied starting from 42 days after 15 September 2022.

2) Siobhan advises SLC on 15 September 2022 that they will leave the UK on 10 December 2022. They do not provide the required income information. The NCR rate will be applied starting from 10 December 2022 (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.

### 9.5.4 Plan 2 interest - Part of the FY spent as a domestic borrower and part as an overseas borrower

Where a Plan 2 borrower has an overseas assessment in place but also spent part of the FY in the UK, interest will be calculated separately for the period 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 borrower.

- Calculate interest for the period spent in the UK (whole months and part months) according to the income confirmed by HMRC for that FY.

- 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 NCR of RPI + 3%).

Examples:

1) Greg's loans are in repayment. They contact SLC on 10 June 2025 to advise that they moved to a Band C country on 20 May 2025, and that their income will be equivalent to £35,000. Their overseas assessment is effective from 1 July 2025. Interest in FY25-26 is applied at:

- RPI only for the period spent in the UK in FY25-26 (April and May 2025). HMRC confirms an annual income of less than the UK lower interest income threshold for that period.

- RPI only for June 2025 (The borrower was not in the UK in June 2025, and June is not covered by an overseas assessment).

- RPI + 3% for the overseas assessment period (July 2025 to March 2026 inclusive) (£35,000 exceeds the upper interest income threshold for interest calculation for Band C countries).

2) Jacob's loans enter repayment status on 6 April 2025. They contact SLC on 15 September 2025 to advise that they have moved to a Band C country on 1 September 2025. However they do not complete an overseas assessment form, and the fixed repayment schedule starts approximately 8 weeks later, in this case on 1 November. If Jacob pays the fixed monthly repayment instalment of £231.60 for Band C countries, their account will not fall into arrears.

   Interest in FY25-26 is applied at:

   - RPI only for the period spent in the UK (April 2025 to August 2025 inclusive) as HMRC confirms an annual income of less than the UK lower interest threshold for that period.

   - RPI only for the period after leaving the UK until the start of the application of NCR interest.

   - RPI + 3% (NCR) 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 September 2025. This rate is applied because the borrower has not provided the data required by SLC to complete the overseas income assessment.

Alternatively, Jacob does not pay the fixed monthly repayment instalment and the account falls into arrears. Jacob returns the overseas assessment form on 10 January 2026. The overseas assessment start date will be backdated to 1 November 2025 to clear the fixed repayment arrears and the scheduled overseas assessment will replace the fixed repayment assessment from 1 November 2025 for the repayment purposes but not for interest purposes – the NCR rate is still charged.

3) Morven's loans enter repayment status on 6 April 2025. They leave the UK on 1 September 2025 but do not inform SLC until January 2026. Morven confirms that they have moved to a Band C country and that their income is above the upper interest threshold. The overseas assessment period commences from 1 February 2025. Interest will be charged at the rate of RPI + 3% for the period of the FY covered by this overseas assessment. After the end of FY24-25, HMRC confirms a annual income figure of £25,000 for the period of the FY spent in the UK (April 2025 to August 2026 inclusive). As this is below the lower UK interest threshold interest is applied to

Morven's account at a rate of RPI only for the months of the FY spent in the UK. Interest is also applied at a rate of RPI only for the months of September 2025 to January 2026 inclusive.

### 9.5.5 **Plan 2 Interest – Settlement via direct voluntary repayment**

Where a borrower has a Plan 2 loan and repays all of the outstanding balance via direct voluntary repayment, the following rules apply:

- Loans in payment status: Interest is applied at the in-study rate of RPI + 3% up to and including the settlement date.

- First year of loans being in repayment status: RPI only is applied during the current FY until the settlement date. Where a borrower is SA, the 'first year' of loans being in repayment status is extended to the date on which SLC receive the first repayment file from HMRC. Interest applied will not be adjusted once HMRC confirm current FY income.

- Loans that were in repayment status in previous FY:

  1) Where the borrower is subject to an overseas assessment during the current FY, the variable 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 FY, 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 FY, the variable interest rate to be applied to any months of the current FY that the borrower spends in the UK will be determined using the borrower's end of year income from the previous FY (Regulation 21(2A)(a)).

     Note that:

     - Where HMRC has advised previous FY UK income then this income will be used to determine the variable interest rate for the current FY.

     - Where HMRC has not yet advised previous FY UK income, the borrower can advise SLC of their UK income for the previous FY. This income will be used to determine the interest rate to be applied during the previous FY and the current FY up to the settlement date. Note that, where the borrower provides PAYE income for the purposes of calculating a settlement quotation, SLC will use repayments received in the previous year to validate the income provided by the borrower. Where SLC are unable to

validate the income provided, the borrower will have to provide evidence of income in order for a settlement quotation to be provided.

In both of the above scenarios, if the borrower settles their loan balance in full then SLC will not adjust interest on receipt of a subsequent confirmation or update of their previous FY PAYE income from HMRC. Where a borrower has settled their loan and HMRC subsequently confirm SA income for the previous FY then SLC will adjust the interest rate in the settlement period based on the confirmed SA income.

Note: When a borrower has settled their loan balance interest is not adjusted once their income for the FY in which the loan balance was settled (their current year income) is confirmed by HMRC.

In the circumstances where the borrower has settled their loan balance and their UK income in the current FY is lower than it was in the previous FY, the borrower can request an adjustment to their interest based on their income in the current FY. This adjustment will only be carried out on request from the borrower at the end of the FY (Regulation 21A(2B)).

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

Examples:

1) Adam has a Plan 2 loan that enters repayment in April 2025.

   In October 2025 they request a settlement quotation from SLC. As they are in the first year of repayment interest is calculated at RPI from 6 April 2025 up to the date of settlement quotation. Adam pays their loan off in full.

   After the end of FY25-26 SLC receive confirmation of Adam's income for that year. Although HMRC confirm that their income is above the lower interest rate threshold SLC do not recalculate interest at the applicable VIR as the loan balance has been settled in full.

2) Harry has a Plan 2 loan that is in repayment.

   In December 2025 Harry requests a settlement quotation from SLC. They have been in the UK for the whole of the previous FY24-25. HMRC have confirmed Harry's income for FY24-25 which SLC have used to determine an interest rate of RPI + 2%. This interest rate is applied for the current FY up to and including the date of settlement. Harry settles their loan in full.

   HMRC subsequently provide updated FY24-25 income. SLC do not recalculate interest as Harry has already settled their loan.

After the end of FY25-26 SLC receive confirmation that Harry's income was lower in FY25-26 than in FY24-25 income used to calculate their settlement quotation. As Harry has already settled their loan SLC do not automatically recalculate settlement interest.

Harry contacts SLC to request an interest adjustment using current FY income. SLC adjust the settlement interest accrued in FY25-26 using the confirmed income for that FY.

3) Dylan has a Plan 2 loan that is in repayment.

   In May 2025 Dylan requests a settlement quotation from SLC. HMRC have not yet confirmed their income for FY24-25. Dylan advises SLC of their annual income for that year. This is used to calculate interest on their loan for FY24-25 and the period in FY25-26 up to the date of settlement.

   HMRC subsequently confirm Dylan's income for FY24-25. As Dylan has settled their loan SLC do not recalculate VIR based on HMRC reported income.

4) Margaret's loan entered repayment in April 2020. From April 2020 to October 2020 inclusive Margaret is in the UK. From November 2020 until October 2021 Margaret is subject to an overseas assessment. An interest rate of RPI + 2.5% is charged for the overseas period, based on their advised overseas income. Margaret returns to the UK in October 2021. On 15 January 2022 they contact SLC to settle their loan balance. HMRC has confirmed a UK income for FY20-21 which is used to determine the an interest rate of RPI + 1% to be applied to months spent in the UK during the current FY (November 2021 – January 2022).

### 9.5.6 **Plan 2 Interest – Settlement via PAYE repayment deducted by an employer**

For repayments received that relate to FY19-20 or later, where a borrower has a Plan 2 loan and settles their Plan 2 loan balance via PAYE deductions, the following rules apply:

- First year of loans being in repayment status: RPI only is applied during the current FY until the settlement date. Interest applied will not be adjusted once HMRC confirm current FY income.

- Loans that were in repayment status in previous FY:

  1) Where the borrower has been subject to an overseas assessment during the current FY, the variable 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 FY, the non-compliance interest rate of RPI + 3% will be applied for the period of non-compliance (Regulation 21A(2A)(c)).

3) Where the borrower was in the UK during all or part of the previous FY, the variable interest rate to be applied to any months of the current FY that the borrower spends in the UK will be determined using the borrower's end of year income from the previous FY (Regulation 21A(2D). Note that:

   - Where HMRC has advised previous FY PAYE income then this income will be used to determine the variable interest rate for the current FY. In cases where a borrower has multiple employments, and HMRC has not yet advised previous FY PAYE income for all of these employments, then SLC will determine the variable interest using the borrower's known previous FY PAYE income at the time of calculating the settlement.

   - Where HMRC has not advised previous FY UK income, RPI only will be applied for the previous FY and the current FY up to the settlement date.

   In both of the above scenarios SLC will not adjust interest on receipt of subsequent confirmation or update of the borrower's previous FY PAYE income from HMRC. Where a borrower has settled their loan and HMRC subsequently confirm SA income for the previous FY then SLC will adjust the interest rate in the settlement period based on the confirmed SA income.

   Note: When a borrower has settled their loan balance SLC will not adjust interest once confirmation of their income for the FY in which the loan balance was settled (their current FY income) is confirmed by HMRC.

   In the circumstances where the borrower has settled their loan balance and their UK income in the current FY is lower than it was in the previous FY, the borrower can request an adjustment to their interest based on their income in the current FY. This adjustment will only be carried out on request from the borrower at the end of the FY (Regulation 21A(2E)).

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

Example:

Barry has a Plan 2 loan and is paid monthly via PAYE.

When Barry's repayment is reported in November it results in a credit balance on their Plan 2 loan.

HMRC have advised SLC of Barry's PAYE income for the previous FY which is used to determine the applicable VIR that should be applied to their loan in the current FY. Interest for the settlement period from April to November is calculated at the

applicable VIR rate and applied to Borrower A's loan resulting in a debit balance. SLC do not send a stop to HMRC.

In December a further repayment is reported to SLC that results in a credit balance. As the interest on Barry's loan has now been calculated at the correct VIR SLC send a stop notification to HMRC.

SLC do not recalculate interest when confirmation of their current FY income is received from HMRC.

### 9.5.7 **Plan 2 Interest – Direct Debit scheme**

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 FY they may provide evidence of income after the end of the current FY in order that interest is applied to the account based on actual income rather than previous FY income. A readjustment of current FY interest will only be carried out on the request of the borrower (Regulation 21A(2B)(a)(ii).

### 9.5.8 **Plan 2 Interest – PGCE option**

Where a borrower has a mortgage style loan and a Plan 2 loan for a PG Initial Teacher Training course the borrower may request to not make statutory repayments to the Plan 2 loan under Regulation 16(3) – see section 3.8 for more detail on the PGCE option.

In such cases, for the period during which the borrower is not making statutory repayments to the Plan 2 loan the interest rate applied will be RPI only, or the prevailing market rate, if this is lower (Regulation 16(3A)).

### 9.5.9 **Plan 2 Interest – PMR**

The maximum interest rate applicable to Plan 2 loans is subject to the PMR (Regulation 21A(11A)) – see section 9.3 for detail on PMR.

## 9.6 **Plan 3 (PGL) Interest**

Interest will begin to accrue on Plan 3 loan balances from the date that the loan is paid to the borrower (Regulation 21B(2)). Interest will be applied to Plan 3 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)).

### 9.6.1 Plan 3 Interest – PMR

The maximum interest rate applicable to Plan 3 loans is subject to the PMR (Regulation 21B(4ZA)) – see section 9.3 for detail on PMR.

## 9.7 Plan 4 Interest

See Annex K for detail on Plan 4 loans.

## 9.8 Plan 5 Interest

Interest will begin to accrue on Plan 5 balances from the date that the loan is paid to the borrower (Regulation 21C(2)). Interest will be applied to Plan 5 balances at a rate of RPI (Regulation 21C(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 21C(3)).

### 9.8.1 Plan 5 Interest – PMR

The maximum interest rate applicable to Plan 5 loans is subject to the PMR (Regulation 21C(4)) – see section 9.3 for detail on PMR.

# 10 Charges for non-compliance

SLC may request information from a borrower which is necessary in order to establish how much they should be repaying (Regulations 23 and 72). A request for information can be issued either by post or electronically as required (Regulation 8(1)). Where a borrower does not respond, or fails to comply, with a request for information, SLC has the discretion under Regulation 24 to apply financial penalties. A borrower is reminded that where they either change their home address or name, they must notify SLC of the changes within 6 weeks of the change (Regulation 22(a) and 22(b)). Similarly a borrower 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 their account, a non-compliance interest rate (NCR) will also be applied to their Plan 2 loan balance - see section 9.5.3 for detail on NCR.

# 11 Refunds

Where SLC is satisfied that a borrower has over repaid their loan then SLC must refund to the borrower any amount not required to fully repay the loan balance (Regulation 20(1)).

The interest on a credit balance is calculated in accordance with Regulation 20(1A) and 20(1C) and will accrue from the date of the over-repayment until 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 accrue.

In circumstances where a borrower has over-repaid their loan SLC must provide notice to the borrower that an over-repayment has been received (Regulation 20(1B)(a)(i)). The notice must also state the length of time for which interest will accrue on the credit balance (Regulation 20(1B)(b)).

The interest rate applied to the credit balance depends on the borrower's Plan type – see below for further information.

### 11.1 **Credit balance interest rate – Plan 1 Loans**

Interest on a Plan 1 credit balance will accrue at the rate at which it would have accrued on a debit balance if the loan had not been repaid in full (Regulation 20(1C)(a).

Therefore credit interest on a Plan 1 loan will accrue at the rate of RPI (or the Bank Base Rate plus 1% if the low interest cap is in force).

### 11.2 **Credit balance interest rate – Plan 2 loans**

Interest on a Plan 2 credit balance will accrue at the rate at which it would have accrued on a debit balance if the loan had not been repaid in full, up to a maximum rate of RPI (Regulation 20(1C)(a)).

Therefore credit interest on a Plan 2 loan will accrue at rate of RPI or , for any period in which a capped interest rate below RPI is in force, credit interest will accrue at the capped rate.

### 11.3 **Credit balance interest rate – Plan 3 Loans (PGL)**

Interest on a Plan 3 credit balance will accrue at the rate at which it would have accrued on a debit balance if the loan had not been repaid in full (Regulation 20(1C)(a)).

Therefore credit interest on a Plan 3 loan will accrue at rate of RPI + 3% or, for any period in which a capped interest rate below RPI + 3% is in force, credit interest will accrue at the capped rate.

### 11.4 **Credit balance interest rate – Plan 4 Loans**

See Annex K for detail on Plan 4 loans.

## 11.5 **Credit balance interest rate – Plan 5 Loans**

Interest on a Plan 5 credit balance will accrue at the rate at which it would have accrued on a debit balance if the loan had not been repaid in full (Regulation 20(1C)(a).

Therefore credit interest on a Plan 5 loan will accrue at rate of RPI or, for any period in which a capped interest rate below RPI is in force, credit interest will accrue at the capped rate.

## 11.6 **Credit balance – notifying the borrower**

SLC will notify a borrower who has a credit balance in excess of £10 that they are due a refund. If the borrower has another loan of a different plan type then the notification will also advise that the credit balance will be credited to the other loan balance should the borrower not request the refund within 60 days of the date that the notice was issued (Regulation 20A(2)).

Where the borrower has other loan(s) of the same plan type that are in debit and have reached SRDD, the credit balance can be applied to the debit balance without notice or offer of a refund to the borrower. Note that where the borrower has other loan(s) of the same plan type that have not yet reached SRDD then the borrower will be notified that they are due a refund.

## 11.7 **Refunds for self-assessed borrowers**

Where a SA borrower makes an over-repayment to their student loan through their tax payment to HMRC, SLC must refund the over-repayment to HMRC (Regulation 20(2)).

Refunds returned to HMRC for a SA borrower will not accrue interest and will be considered to have been received back by HMRC on the same date that SLC received the overpayment (Regulation 20(3)).

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

## 11.8 **Refund where earnings are below the repayment threshold**

A borrower who is repaying via PAYE may have deductions taken when they earn below the applicable annual repayment threshold. This can happen where a borrower's pay exceeds the applicable repayment 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 PAYE deductions taken however over the course of a FY they may not earn above the annual repayment threshold.

Where a borrower's total PAYE earnings in the FY are below the applicable annual repayment 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, evidencing their annual earnings were below the repayment threshold.

Example:

> Rob has a Plan 2 loan that is in repayment and they are paid monthly via PAYE. Their monthly income is £2,000.
>
> The monthly Plan 2 income threshold is £2,372.50. As Rob's income is below the repayment threshold no repayments are taken from their salary.
>
> In Month 9 they receive a one-off bonus payment meaning their income for that month only is £2,800. As this is above the monthly repayment threshold a student loan repayment of £38 is taken from their salary.
>
> At the end of the FY HMRC confirm that Rob's total PAYE income for the year has been £22,800. As their annual PAYE income, as confirmed by HMRC, is below the Plan 2 annual repayment threshold Rob can request that SLC refund the £38 repayment.

| Month | Income | Repayment |
|---|---|---|
| Month 1 | £2,000 | £0 |
| Month 2 | £2,000 | £0 |
| Month 3 | £2,000 | £0 |
| Month 4 | £2,000 | £0 |
| Month 5 | £2,000 | £0 |
| Month 6 | £2,000 | £0 |
| Month 7 | £2,000 | £0 |
| Month 8 | £2,000 | £0 |
| Month 9 | £2,800 | £38 |
| Month 10 | £2,000 | £0 |
| Month 11 | £2,000 | £0 |
| Month 12 | £2,000 | £0 |
| **Total** | £22,800 | £38 |

# 12 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 SA tax return. Provisions of the Taxes Management Act 1970 dealing with payment of income tax through SA are extended to cover repayment of student loans, and loan repayments through SA are treated like income tax (Regulation 28).

## 12.1 **Amount of repayments**

Under Regulation 29(3) a SA borrower will repay 9% of their total annual income over the repayment threshold, including any unearned income exceeding £2,000 (Regulation 29(4)).

There are certain exclusions and reliefs applied to the calculation of the borrower's income which are outlined in full in Regulation 29(4).

### 12.2 **Tax deductibility**

For self-employment, generally an expense can be deducted from trading profits if incurred wholly and exclusively for the purpose 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 are therefore not tax deductible. This is consistent with the fact that amount loaned or granted to a borrower is not taxed when paid directly to them or universities on their behalf.

### 12.3 **Repayment**

A self-employed borrower will repay their loan through completion of their SA tax return. The loan repayments will be due as part of the SA for tax (Regulation 35(1)). The payment will be due on or before 31 January in the FY following the end of the relevant FY (Regulation 35(3)).

### 12.4 **Provision of information and penalties**

Student loans are treated in the same way as income tax under the Regulations. Therefore a SA borrower 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).

## 13 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 deductions from their salary. 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.

### 13.1 **Real time information**

Employers report their PAYE deductions bill (which may include student loan deductions) to HMRC on a pay period basis if they are an RTI employer. Note that the frequency of pay period, for which student loan deductions may be liable, is determined by the employer.

As of FY19-20 HMRC report PAYE student loan deductions to SLC on a weekly basis including all pay period deductions reported during the previous week. The detail reported to SLC includes the amount of the deduction and date the deduction was made by the employer.

SLC will allocate repayments to the borrower's loan to reflect the date and amount advised by the employer via HMRC. Interest will be calculated to reflect the month end position.

## 13.2 **Commencement of employment**

Where a borrower begins employment they are required to inform their employer of any liability the borrower has to repay a student loan and, if so, which Plan type the liability relates to (Regulation 43).

MFDS files reported by HMRC indicate the plan type the employer has used to calculate the student loan deduction. In cases where the plan type reported is incorrect SLC will notify HMRC that the employer is calculating student loan deductions for the wrong plan type. HMRC will then advise the employer of the correct plan type repayment threshold to use.
Note that SLC will still apply the repayment as reported via HMRC to the borrower's loan.
Where the error has resulted in the borrower's in-year repayment amounts being higher than they should have been then they are entitled to request a refund of the difference from SLC.

## 13.3 **Amount of repayments**

A borrower who has Plan 1, Plan 2 and/or Plan 5 loans will make repayment at a rate of 9% of their earnings which exceed the applicable repayment threshold depending on their loan plan type(s) (Regulation 44(1)(a)). A borrower who has a Plan 3 loan will make repayment at a rate of 6% of their earnings above the Plan 3 repayment threshold (Regulation 44(1)(b)). 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 FY.

A borrower will have to make student loan repayments, for any plan type, if their income is over the repayment threshold in a given earnings period (Regulation 44(1) and 44(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 FY the borrower has not earned above the annual repayment 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. Where fluctuations in income occur, this could result in the borrower paying more than 9% of their annual earnings in student loan repayments, however unless the borrower's annual earnings fall below the repayment threshold, the borrower would not be entitled to a refund.

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 (Regulations 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)).

### 13.4 **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 (Regulations 64 and 65).

It is important that a borrower retains 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.

### 13.5 **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)).

### 13.6 **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.

There may also be a scenario in which an employee is having deductions taken, but the employee is not a student loan borrower and has not realised what the deduction was for. When SLC discovers the error, SLC should contact HMRC and the individual and confirm that the individual is not a borrower. Once satisfied that the individual is not a borrower, the erroneous deductions are refunded by the employer .

## 14 Insolvency

Part 6 of the Regulations details the provisions concerning the insolvency of a borrower.

### 14.1 **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 SLC or loan purchaser does not at any time form part of the debts of that borrower for the purposes of the bankruptcy (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.

### 14.2 **Individual voluntary arrangements**

Similarly, Regulations 80(2)(c) and (d) have the effect of excluding student loans from an individual voluntary arrangement (IVA). 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 a borrower 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. A borrower is not disadvantaged as repayments are made on an income contingent basis and they will not repay until earning above the repayment threshold.

## 15 Credit Rating

An ICR student loan will not impact on a borrower's credit rating. 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).

# 16 Annexes

## 16.1 Annex A – UK Repayment Thresholds for Plan 1 Loans

Plan 1 thresholds for UK borrowers are as follows:

| Financial year | Uplift on previous year (March RPI) | Threshold (£) | | |
|---|---|---|---|---|
| | | Annual threshold | Monthly threshold | Weekly threshold |
| Pre 12-13 | - | £15,000 | £1,250.00 | £288.46 |
| 12-13 | 5.3% | £15,795 | £1,316.25 | £303.75 |
| 13-14 | 3.6% | £16,365 | £1,363.75 | £314.71 |
| 14-15 | 3.3% | £16,910 | £1,409.16 | £325.19 |
| 15-16 | 2.5% | £17,335 | £1,444.58 | £333.36 |
| 16-17 | 0.9% | £17,495 | £1,457.91 | £336.44 |
| 17-18 | 1.6% | £17,775 | £1,481.25 | £341.82 |
| 18-19 | 3.1% | £18,330 | £1,527.50 | £352.50 |
| 19-20 | 3.3% | £18,935 | £1,577.91 | £364.13 |
| 20-21 | 2.4% | £19,390 | £1,615.83 | £372.88 |
| 21-22 | 2.6% | £19,895 | £1,657.91 | £382.59 |
| 22-23 | 1.5% | £20,195 | £1,682.91 | £388.36 |
| 23-24 | 9.0% | £22,015 | £1,834.58 | £423.36 |
| 24-25 | 13.5% | £24,990 | £2,082.50 | £480.57 |
| 25-26 | 4.3% | £26,065 | £2,172.08 | £501.25 |

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

## 16.2 Annex B – Overseas Repayment Threshold for Plan 1 Loans

Plan 1 annual thresholds for overseas borrowers are as follows:

| Financial 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 |
| 18-19 | 3.1% | £3,680 | £7,345 | £11,005 | £14,670 | £18,330 | £21,995 | £25,660 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 19-20 | 3.3% | £3,790 | £7,575 | £11,365 | £15,150 | £18,935 | £22,725 | £26,510 |
| 20-21 | 2.4% | £3,880 | £7,755 | £11,635 | £15,510 | £19,390 | £23,270 | £27,145 |
| 21-22 | 2.6% | £3,980 | £7,960 | £11,940 | £15,920 | £19,895 | £23,875 | £27,855 |
| 22-23 | 1.5% | £4,040 | £8,080 | £12,120 | £16,160 | £20,195 | £24,235 | £28,275 |
| 23-24 | 9.0% | £4,405 | £8,810 | £13,210 | £17,615 | £22,015 | £26,420 | £30,825 |
| 24-25 | 13.5% | £5,000 | £10,000 | £14,995 | £19,995 | £24,990 | £29,990 | £34,990 |
| 25-26 | 4.3% | £5,215 | £10,430 | £15,640 | £20,855 | £26,065 | £31,280 | £36,495 |

## 16.3 **Annex C – UK Repayment Threshold for Plan 2 Loans**

Plan 2 threshold for UK borrowers are as follows:

| Financial Year | Annual threshold | Monthly threshold | Weekly threshold |
|---|---|---|---|
| 16-17 | £21,000 | £1,750.00 | £403.84 |
| 17-18 | £21,000 | £1,750.00 | £403.84 |
| 18-19 | £25,000 | £2,083.33 | £480.76 |
| 19-20 | £25,725 | £2,143.75 | £494.71 |
| 20-21 | £26,575 | £2,214.58 | £511.05 |
| 21-22 | £27,295 | £2,274.58 | £524.90 |
| 22-23 | £27,295 | £2,274.58 | £524.90 |
| 23-24 | £27,295 | £2,274.58 | £524.90 |
| 24-25 | £27,295 | £2,274.58 | £524.90 |
| 25-26 | £28,470 | £2,372.50 | £547.50 |

## 16.4 **Annex D – Overseas repayment threshold for Plan 2 loans**

Plan 2 annual thresholds for overseas borrowers are as follows:

| Financial Year | Repayment Band and Price Level Index | | | | | | |
|---|---|---|---|---|---|---|---|
| | A<br>0<30 | B<br>30<50 | C<br>50<70 | D<br>70<90 | E<br>90<110 | F<br>110<130 | G<br>130+ |
| 16-17 | £4,200 | £8,400 | £12,600 | £16,800 | £21,000 | £25,200 | £29,400 |
| 17-18 | £4,200 | £8,400 | £12,600 | £16,800 | £21,000 | £25,200 | £29,400 |
| 18-19 | £5,000 | £10,000 | £15,000 | £20,000 | £25,000 | £30,000 | £35,000 |
| 19-20 | £5,145 | £10,290 | £15,435 | £20,580 | £25,725 | £30,870 | £36,015 |
| 20-21 | £5,315 | £10,630 | £15,945 | £21,260 | £26,575 | £31,890 | £37,205 |
| 21-22 | £5,460 | £10,920 | £16,380 | £21,840 | £27,295 | £32,755 | £38,215 |
| 22-23 | £5,460 | £10,920 | £16,380 | £21,840 | £27,295 | £32,755 | £38,215 |
| 23-24 | £5,460 | £10,920 | £16,380 | £21,840 | £27,295 | £32,755 | £38,215 |
| 24-25 | £5,460 | £10,920 | £16,380 | £21,840 | £27,295 | £32,755 | £38,215 |
| 25-26 | £5,695 | £11,390 | £17,085 | £22,780 | £28,470 | £34,165 | £39,860 |

## 16.5 **Annex E – UK repayment threshold for Plan 3 Loans (PGL)**

Plan 3 thresholds for UK borrowers are as follows:

| Financial Year | Annual threshold | Monthly threshold | Weekly threshold |
|---|---|---|---|
| 19-20 | £21,000 | £1,750.00 | £403.84 |
| 20-21 | £21,000 | £1,750.00 | £403.84 |
| 21-22 | £21,000 | £1,750.00 | £403.84 |
| 22-23 | £21,000 | £1,750.00 | £403.84 |
| 23-24 | £21,000 | £1,750.00 | £403.84 |
| 24-25 | £21,000 | £1,750.00 | £403.84 |
| 25-26 | £21,000 | £1,750.00 | £403.84 |

## 16.6 **Annex F – Overseas repayment threshold for Plan 3 Loans (PGL)**

Plan 3 annual thresholds for overseas borrowers are as follows:

| Financial Year | 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+ |
| 19-20 | £4,200 | £8,400 | £12,600 | £16,800 | £21,000 | £25,200 | £29,400 |
| 20-21 | £4,200 | £8,400 | £12,600 | £16,800 | £21,000 | £25,200 | £29,400 |
| 21-22 | £4,200 | £8,400 | £12,600 | £16,800 | £21,000 | £25,200 | £29,400 |
| 22-23 | £4,200 | £8,400 | £12,600 | £16,800 | £21,000 | £25,200 | £29,400 |
| 23-24 | £4,200 | £8,400 | £12,600 | £16,800 | £21,000 | £25,200 | £29,400 |
| 24-25 | £4,200 | £8,400 | £12,600 | £16,800 | £21,000 | £25,200 | £29,400 |
| 25-26 | £4,200 | £8,400 | £12,600 | £16,800 | £21,000 | £25,200 | £29,400 |

## 16.7 **Annex G – UK repayment threshold for Plan 4 Loans**

Plan 4 threshold for UK borrowers are as follows:

| Financial Year | Annual threshold | Monthly threshold | Weekly threshold |
|---|---|---|---|
| 21-22 | £25,000 | £2,083.33 | £480.76 |
| 22-23 | £25,375 | £2,115.00 | £488.00 |
| 23-24 | £27,660 | £2,305.00 | £532.00 |
| 24-25 | £31,395 | £2,616.00 | £604.00 |
| 25-26 | £32,745 | £2,728.75 | £629.71 |

## 16.8 **Annex H – Overseas repayment threshold for Plan 4 Loans**

Plan 4 annual thresholds for overseas borrowers are as follows:

| Financial Year | Repayment Band and Price Level Index | | | | | | |
|---|---|---|---|---|---|---|---|
| | A<br>0<30 | B<br>30<50 | C<br>50<70 | D<br>70<90 | E<br>90<110 | F<br>110<130 | G<br>130+ |
| 21-22 | £5,000 | £10,000 | £15,000 | £20,000 | £25,000 | £30,000 | £35,000 |
| 22-23 | £5,075 | £10,150 | £15,225 | £20,300 | £25,375 | £30,450 | £35,525 |
| 23-24 | £5,535 | £11,065 | £16,600 | £22,130 | £27,660 | £33,195 | £38,725 |
| 24-25 | £6,285 | £12,560 | £18,845 | £25,120 | £31,395 | £37,680 | £43,955 |
| 25-26 | £6,560 | £13,105 | £19,660 | £26,205 | £32,745 | £39,305 | £45,850 |

## 16.9 **Annex I – Prevailing Market Rate (PMR)**

### 16.9.1 ***Calculation of PMR***

The PMR is not defined in law. No product on the market offers a direct "market rate" comparator to student loans. The Authority considers that the most appropriate comparators for student loans are the effective interest rates available on unsecured personal loans, as published by the Bank of England's effective interest rate data (series CFMZ6LI (existing loans) and CFMZ6K9 (new loans)).

Outturn data for the series CFMZ6K9 is published by the Bank of England: CFMZ6K9 | Bank of England | Database

Outturn data for the series CFMZ6LI is published by the Bank of England: CFMZ6LI | Bank of England | Database

Effective interest rates are considered to be a better comparator than the advertised interest rate because an effective interest rate must be available to more than half of applicants. The typical student tends to have little or no credit history or income and so is likely to be riskier to lend to, meaning that most students are unlikely to be offered a loan at the advertised rate.

The Authority considers that a 12-month rolling average is an appropriate indicator of whether a rate is "prevailing" on the market. This means that short-term shocks in the system, such as lender sales, do not cause significant changes to the PMR.

To calculate a comparable PMR, the Authority uses a simple average (mean) of the BoE series CFMZ6LI for the most recent 12 months available at the time of setting the cap, and another for the series CFMZ6K9, and determines the PMR to be the lower of these two averages.

The Authority monitors the comparable PMR monthly. The comparable prevailing market rate used for setting a cap in a given calendar month period is based on the latest CFMZ6LI and CFMZ6K9 data available at the time of setting the cap. This latest data available is normally for the 12 month period ending 2 months prior to the calendar month in which the cap becomes effective, for example, a cap set for 1 September would be based on CFMZ6LI and CFMZ6K9 data for June and the 11 months prior.

### 16.9.2 **Maximum interest rates applicable to Plan 2, Plan 3 and Plan 5**

The rate of RPI applicable to Plan 2, Plan 3 and Plan 5 student loans from 1 September 2024 until 31 August 2025 is 4.3%.

A capped rate will be implemented, if required, to reduce student loan interest rates in line with the calculation of the comparable PMR as set out in section 16.9.1. Any future capped rate will be confirmed by the Authority closer to the time.

If a capped rate is not required, the maximum interest rate will revert to the relevant applicable rates (RPI+3% for Plan 2 and Plan 3 loans and RPI for Plan 5 loans).

Detail on current student loan interest rates, including a list of historical rates, can be found by visiting Repaying your student loan: How much you repay - GOV.UK (www.gov.uk)

## 16.10 **Annex J – List of applicable regulations – England and Wales**

The provisions for the repayment of English and Welsh ICR student loans are made by the Secretary of State and Welsh Ministers under the powers conferred by sections 22 and 42 of the Teaching and Higher Education Act 1998 (Chapter 30) (as amended by section 76 of the Education Act 2011) 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 (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)
- the Education (Student Loans) (Repayment) (Amendment) Regulations 2014 (2014/651)
- The Repayment of Student Loans and Postgraduate Master's Degree Loans (Amendment) Regulations 2017 (2017/831)
- The Education (Student Loans)(Repayment)(Amendment) Regulations 2018 (2018/284)

- The Education (Postgraduate Doctoral Degree Loans and the Education (Student Loans) (Repayment) (Amendment) (No. 2) etc.) Regulations 2018 (2018/599)

- The Education (Student Loans) (Repayment) (Amendment) Regulations 2019 (2019/189),

- The Education (Student Loans) (Repayment) (Amendment) Regulations 2021 (2021/191),

- The Education (Student Loans) (Repayment) (Amendment) Regulations 2022 (2022/301),

- The Education (Student Loans) (Repayment) (Amendment) (No. 4) Regulations 2022 (2022/1335),

- The Education (Student Loans) (Repayment) (Amendment) (No. 5) Regulations 2022 (2022/1392), and

- The Education (Student Loans) (Repayment) (Amendment) (No. 3) Regulations 2023 (2023/1184).

The Regulations shown above are referred to as the Education (Student Loans) (Repayment) Regulations 2009 (as amended) or "the Regulations" in the body of this guidance, excluding Annex K and Annex L.

## 16.11 **Annex K – Scottish ICR Student Loan Repayment provisions**

This Annex refers to the Repayment of Student Loans (Scotland) Regulations 2000 (2000/110). For this section of the guidance, these provisions will be referred to as the Regulations.

This Annex deals with the repayment of student loans by Scottish-funded borrowers who started a HE course in August 1998 or later.

Borrowers who began their courses before then, and certain borrowers who began their courses after then (for example, gap-year students), remain subject to the previous system of mortgage-style loans for maintenance under the Education (Student Loans) Act 1990 (1990 Chapter 6) (Regulation 4).

Below is a description on various distinctions and provisions as they differ from the above English and Welsh guidance. It must be noted that Sections 1 "How ICR Loans are repaid" and 2 "Definitions," as found in the main body of the guidance above, are also applicable to Scotland.

### 16.11.1 **Statutory Repayment Due Date (SRDD)**

The SRDD is the date on which a student loan enters repayment status and a borrower becomes liable to make statutory repayments to the loan. A borrower is not required to make any repayments to their student loan(s) until the SRDD has passed, however a voluntary repayment can be made pre-SRDD should the borrower choose to do so.

The SRDD for a Plan 4 loan is the start of the FY beginning on 6 April following the date that the borrower completes or withdraws from their course (Regulation 7).

### 16.11.2 **Repayment Threshold**

On reaching SRDD, a borrower will make statutory 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, no repayments will be taken from their salary.

A Plan 4 borrower repays 9% of their income above the repayment threshold related to their pay period.

The Plan 4 repayment threshold in FY25-26 is:

- £32,745.00 per year
- £2,728.75 per calendar month
- £629.71 per week

The Plan 4 repayment threshold is adjusted annually at the start of each FY in line with RPI (Regulation 2).

For the purpose of adjusting the Plan 4 repayment thresholds RPI is taken as the percentage increase between the retail prices all items index published by the ONS for the two Marches immediately before the commencement of the previous FY (Regulation 2). For example, in FY25-26 (beginning 6 April 2025) the relevant repayment thresholds are adjusted in line with the percentage increase in RPI between March 2023 and March 2024.

The RPI rate can be viewed on the ONS website:
https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/czbh/mm23

See Annex G for detail of historical Plan 4 annual repayment thresholds.

16.11.3 **Borrowers not resident in the UK ("Overseas borrowers")**

Part 3 of the Regulations sets out the repayment terms for borrowers who are not resident in the UK for income tax purposes. Residence has the same meaning as in the Taxes Act (Regulation 10).

Borrowers are required to notify SLC of any period of residence outside the UK which exceeds 3 months. This notification must be made within 6 weeks of the end of the 3 month period of absence (Regulation 11). Borrowers outside of the UK Tax System must provide SLC with evidence of their income or the means of supporting themselves financially during their residence abroad. Borrowers can do this by using the 'update your employment details' service available online at https://www.gov.uk/repaying-your-student-loan/update-your-employment-details or by completing the Overseas Income Assessment Form (OVFA) and returning it by post to SLC with evidence of their income or means of support.

To take account of differences in living costs, the repayment threshold in a foreign country will not necessarily be the same as in the UK. Overseas repayment thresholds depend on the banding of the country that the borrower is living in, with the applicable banding for a country being determined by the country's PLI data. PLI data provides a measure of the differences in the general price levels of countries and therefore represents a relative cost of living between countries, enabling a fair threshold to be set. For the purposes of determining bandings PLI information is taken from data for the most recent year published by the World Bank. Where PLI data for a country is not available, the applicable PLI value for that country may be determined by reference to a comparable country.

Note that a territory of another country will normally be allocated the same repayment threshold as its sovereign country. However, World Bank GDP per capita data is also taken into account to ensure that a borrower is not disadvantaged where the GDP per capita data for the territory differs from that of the sovereign country. Where 2 different thresholds are possible, the threshold that is most beneficial to the borrower is selected.

An overseas borrower who is in repayment status and whose annual overseas repayment schedule spans more than 1 FY will see their repayment calculated twice each year:

- The monthly repayment amount due will be set at the start of the overseas repayment period (Regulation 13A(2)) and thereafter amended every 12 months when a new overseas assessment period starts, and

- The monthly repayment amount due will be amended on 6 April each year in order to take account of the annual adjustment to the overseas repayment thresholds and any change to the repayment threshold applicable to the borrower's country of residence during their existing current overseas income assessment period.

Income used to calculate repayments for an overseas borrower is the total gross overseas income a borrower is likely to receive for the 12 calendar months following the date on which the overseas repayment schedule begins (Regulation 13A(4)). For overseas borrowers, gross income means income from all sources before deductions for, or relief from, tax or other statutory charge (Regulation 10).

UK income is not be included in an overseas income assessment (Regulation 13A(4)(b)). It is for SLC to determine what the likely total income is for the purposes of calculating the repayment schedule.

Note that annual changes to currency exchange rates are not applied to overseas borrowers during their current overseas income assessment period. Should a borrower's income change during the assessment year, the borrower can request a reassessment of their monthly scheduled repayment amount at any time. A reassessment if the borrower is moving between countries with different threshold bands can also be requested.

SLC are instructed by the Authority to use the average annual exchange rate for the most recent calendar year available from HMRC to convert income to sterling from foreign currencies. Note that this is not specified in Regulations. HMRC exchange rates are available online at https://www.trade-tariff.service.gov.uk/exchange_rates/average

A Plan 4 overseas borrower repays 9% of their gross income above the relevant overseas repayment threshold (Regulation 13A(4)(a)).

The Plan 4 overseas repayment thresholds in FY25-26 are:

| Repayment Band | Price Level Index | Repayment Threshold |
|---|---|---|
| A | 0<30 | £6,560 |
| B | 30<50 | £13,105 |
| C | 55<70 | £19,660 |
| D | 70<90 | £26,205 |
| E | 90<110 | £32,745 |
| F | 110<130 | £39,305 |
| G | 130+ | £45,850 |

See Annex H for detail of historical Plan 4 overseas repayment thresholds.

Where a borrower does not provide SLC with required income information to determine an income-related overseas repayment schedule then fixed monthly instalments will apply.

The Plan 4 fixed instalment rates are set out in Regulation 13B(1).

| Band | Price Level Index | Fixed Monthly Instalment |
|---|---|---|
| A | 0<30 | £40.20 |
| B | 30<50 | £80.40 |
| C | 55<70 | £120.60 |
| D | 70<90 | £160.80 |
| E | 90<110 | £201.00 |
| F | 110<130 | £241.00 |
| G | 130+ | £281.40 |

16.11.4 **Voluntary Repayments**

A borrower may make voluntary repayment to their loan balance at any time without charge or penalty, either before or after the loan balance has entered repayment status (Regulation 7(1)). Such a repayment would be made directly to SLC.

The borrower may choose to allocate a voluntary repayment to a particular loan balance. However, if the borrower has arrears on a balance, any voluntary repayment made will be allocated to the arrears first (Regulation 6).

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 in accordance with Regulation 6:

1. Outstanding arrears, penalties, charges, or costs resulting from the penalisation of the borrower failing to follow their contractual obligations
2. Outstanding interest payments
3. The principal, which will be reduced or satisfied from the date of receipt
4. Any loans which have not yet reached SRDD

Example:

> Kate has Plan 4 loans that are in repayment status and a fine for failing to update SLC on a change of address. Kate makes a voluntary repayment of £100 but does not specify which balance the repayment should be allocated to. The repayment will be allocated to payment of the penalty as per the order of allocation shown above.

Please see Section 6 of the principle body of the Guidance for applicable rules with regards to repayments by a third party and refunds of voluntary repayments.

16.11.5 **Repaying by Direct Debit**

The rules found in Section 7 of the principle body of the guidance mirrors Scotland's approach. Please refer to Section 7 of this guidance for full details of this provision.

16.11.6 **Cancellation**

A borrowers's outstanding Plan 4 loan balance is cancelled if:

- The borrower dies (Regulation 8(4)(a)),
- The borrower receives a disability-related benefit (as defined in Regulation 2) and because of the disability is permanently unfit for work (Regulation 8(4)(b)),
- in the case of a post-2007 student loan, the 30th anniversary of the date on which the borrower became liable to repay the student loan (Regulation 8(4)(c), or
- in the case of a student loan which is not a post-2007 student loan, the earlier of:
    - the 30th anniversary of the date on which the borrower became liable to repay the student loan (Regulation 8(4)(d)(ii)), or
    - when the borrower reaches the age of 65 (Regulation 8(4)(d)(i)).

SLC requires evidence should the following events occur:

- Where a borrower dies, SLC will require sight of either the original death certificate or a certified copy in order for the outstanding loan balances to be cancelled
- Where a borrower received 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 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 may reject the request.

Where a borrower is in arrears or in breach of any obligation to repay any student loan balance(s) then outstanding student loan balances will not be cancelled (Regulation 8(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 (where the borrower is considered to be less than two years from paying the loan balance in full), or
- Any 'mortgage style' loan (generally payable to borrowers who started their course prior to 1998).

16.11.7 **Interest**

The Education (Student Loans) (Scotland) Regulations 2007 (as amended) set out the applicable interest rate for Plan 4 loans.

Plan 4 loans are charged interest at the rate of RPI (Regulation 14(1)). However, if the rate of RPI exceeds the Bank Base Rate plus 1% at any point during the AY then the interest charged on Plan 4 loans will be set at Bank Base Rate plus 1% ("the low interest cap") (Regulation 14(2)).

The current Plan 4 interest rate which has been effective from 1 September 2024 is 4.3% which is based on the rate of RPI.

Interest on Plan 4 student loans is calculated daily and added to the loan balance monthly (Regulation 14(3)).

16.11.8 **Charges for non-compliance**

Scottish Ministers have the right, accorded by Regulation 11B, to issue an 'Information Notice' mandating that the borrower provide relevant information and its documentary evidence. The borrower must comply with this notice within 28 days of its receipt in person or by post (Regulation 11B(4) and Regulation 11F). Failure to supply the information requested may result in a 'Penalty Notice' being issued (Regulation 11C(4)).

Similarly, a borrower must, within 6 weeks of the event, inform SLC and provide them with particulars if the borrower changes their name or address (Regulation 11A). Failure to comply with Regulation 11A or 11B(4) can result in a fine of £50 (Regulation 11C(1) and (2)).

Should the borrower fail in repaying a penalty, a further fine of £100 may be imposed. Subsequently, this fine may be added to the borrower's loan account should they exceed 28 days between the Penalty Notice and payment (Regulation 11C(5)). Any reasonable expenses or costs incurred by the Scottish Ministers in the process of serving the aforementioned notices may be charged to the borrower and added to their student loan account (Regulation 11D(1)).

Continued non-compliance after an Information Notice, a penalty or both may result in the full loan balance being deemed due for repayment in full and immediately (Regulation 11G).

Discretion may be applied by SLC where the borrower can provide evidence of extenuating circumstances as to why they could not contact SLC with the required information within the timescales listed above (for example, serious illness).

16.11.9 **Refunds**

Where a borrower has over-repaid their Plan 4 loan then SLC must refund the borrower any amount not required to repay the loan in full with interest (Regulation 9(1)).

Interest on a Plan 4 credit balance will accrue at the rate at which it would have accrued on a debit balance if the loan had not been repaid in full (Regulation 9(1)).

Therefore credit interest on a Plan 1 loan will accrue at the rate of RPI (or the Bank Base Rate plus 1% if the low interest cap is in force).

Interest on a Plan 4 credit balance will accrue from the date of 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.

### 16.11.10 Self-Assessed Borrowers

Please see Section 12 of this Guidance for rules governing SA borrowers.

### 16.11.11 Employed Borrowers

Please see Section 13 of this Guidance for rules governing employed borrowers.

### 16.11.12 Insolvency

Please refer to Section 14 of this Guidance for full details regarding insolvency.

### 16.11.13 List of applicable regulations - Scotland

This Annex covers the provisions for the repayment of ICR student loans as they are made by the Scottish Ministers in exercise of the power conferred upon them by sections 73(f), 73B, and 74(1) of the Education (Scotland) Act 1980. These provisions are set out in The Repayment of Student Loans (Scotland) 2000 (2000/110) (as amended by):

- The Education (Student Loans) (Scotland) Regulations 2000 (SSI 2000/200)
- The Repayment of Student Loans (Scotland) Amendment Regulations 2001 (SSI 2001/227)
- The Student Loans (Information Requests, Maximum Threshold, Maximum Repayment Levels and Hardship Loans) (Scotland) Regulations 2005 (SSI 2005/314)
- The Education (Student Loans for Tuition Fees) (Repayment and Allowances) (Scotland) Amendment Regulations 2006 (SSI 2006/326)
- The Repayment of Student Loans (Scotland) Amendment Regulations 2007 (SSI 2007/159)
- The Employment and Support Allowance (Consequential Provisions) (No. 3) Regulations 2008 (2008/1879)

- The Repayment of Student Loans (Scotland) Amendment Regulations 2009 (SSI 2009/102)
- The Repayment of Student Loans (Scotland) Amendment Regulations 2012 (SSI 2012/22)
- The Welfare Reform (Consequential Amendments) (Scotland) Regulations 2013 (SSI 2013/65)
- The Education (Fees, Awards and Student Support) (Miscellaneous Amendments) (Scotland) Regulations 2013 (SSI 2013/80)
- The Welfare Reform (Consequential Amendments) (Scotland) (No. 3) Regulations 2013 (SSI 2013/142)
- The Education (Fees, Awards and Student Support) (Miscellaneous Amendments) (Scotland) Regulations 2016 (SSI 2016/82)
- The Education (Student Loans) (Miscellaneous Amendments) (Scotland) Regulations 2018 (SSI 2018/307)
- The Education (Fees and Student Support) (Miscellaneous Amendments) (EU Exit) (Scotland) Regulations 2019 (SSI 2019/70),
- The Repayment of Student Loans (Scotland) Amendment Regulations 2021 (SSI 2021/008),
- The Disability Assistance for Children and Young People (Consequential Amendment and Transitional Provision) (Scotland) Regulations (SSI 2021/73),
- The Disability Assistance for Working Age People (Consequential and Miscellaneous Amendment and Transitional Provision) (Scotland) Regulations (SSI 2022/31).

## 16.12 **Annex L – Northern Irish ICR Student Loan Repayment provisions**

This Annex refers to the Education (Student Loans) (Repayment) Regulations (Northern Ireland) 2009 (2009/128). For this section of the Guidance, these provisions will be referred to as "the Regulations." References to "the Department" are in relation to DfE NI.

This Annex deals with the repayment of student loans by Northern Ireland domiciled borrowers who started a HE course in August 1998 or later. Borrowers who began their courses before then, and certain borrowers who began their courses after then (for example, gap-year students), remain subject to the previous system of mortgage-style loans for maintenance under the Education (Student Loans) Act 1990 (1990 Chapter 6) (Regulation 4).

This Annex elaborates on various distinctions and provisions as they differ from the rest of the guidance, it is noteworthy that Sections 1, "How ICR Loans are repaid," and 2, "Definitions," as found above in the main body of the guidance, are applicable to Northern Ireland.

### 16.12.1 **Statutory Repayment Due Date (SRDD)**

The SRDD is the date on which a student loan enters repayment status and a borrower becomes liable to make statutory repayments to the loan. A borrower is not required to make any repayments to their student loan(s) until the SRDD has passed, however a voluntary repayment can be made pre-SRDD should the borrower choose to do so.

The SRDD for a NI Plan 1 loan taken out for a FT course is the start of the FY beginning on 6 April following the date that the borrower completes or withdraws from their course (Regulation 11(2)).

The SRDD for a NI Plan 1 loan taken out for a DL or a PT course is whichever of the following dates occurs first:

- the start of the FY beginning 6 April following the date that the borrower completes or withdraws from their course (Regulation 11(2A)(a)), or

- the start of the FY beginning 6 April following the fourth anniversary of the course start date (Regulation 11(2A)(b)). Where a borrower is undertaking a period of DL or PT study where their DL or PT course continues beyond the SRDD any future loan payments made during this period of study enter repayment immediately on the date they are paid.

### 16.12.2 **Changes to mode of study and SRDD**

Where a borrower starts a FT course and transfers to a PT course, all loans taken out by the borrower (including payments made when the borrower was FT) should enter repayment in accordance with the repayment rules for PT SRDD (Regulation 11(2B)(a)).

Where a borrower starts a PT course and transfers to a FT course before the PT SRDD, all of the loans taken (including payments made when the borrower was registered as PT) should enter repayment at the start of the FY following the borrower's completion of or withdrawal from the course they transferred to (Regulation 11(2B)(b)).

Where a borrower starts a PT course and transfers to a FT course after the PT SRDD, all FT loan payments will enter repayment status as soon as they are made (as would any PT payments made to the borrower after the SRDD if the borrower had continued studying PT) (Regulation 11(2B)(c)).

To summarise:

| **Change of Circumstance** | **SRDD will** |
|---|---|
| FT to PT | Move to the PT SRDD |
| PT to FT before the PT SRDD | Move to the FT SRDD |
| PT to FT after the PT SRDD | Remain as the PT SRDD (as the borrower is already in repayment) |

For borrowers who change their mode of study more than once, the course they transfer to will determine their SRDD, unless the borrower has studied PT and has already passed the PT SRDD (as per table above). In that case, all future loan payments will enter repayment status as soon as they are paid, even if the borrower subsequently changes mode to FT study.

Should a borrower change their mode of study between a designated course and a designated DL course then Regulation 2D stipulates that:

- When the borrower switches from a designated course to a designated DL course then all loans taken out by the borrower should enter repayment status in accordance with the repayment rules for PT SRDD as found in Regulation 2A and Regulation 2D(a).
- When the borrower switches from a designated DL course to a designated course, then all loans taken out by the borrower should begin repayment on the 6 April following completion or withdrawal from the course (Regulation 2 and Regulation 2D(b)).
- Should the borrower change their mode of study after the commencement of SRDD any loans taken out will immediately enter repayment status, regardless of the change (Regulation 2D(c)).

### 16.12.3 **Repayment Threshold**

On reaching SRDD, a borrower will make statutory repayments if their income is above the repayment threshold (Regulation 23). When the borrower's income falls below the repayment threshold, obligatory repayments will stop.

Plan 1 borrowers will repay 9% of their income above the repayment threshold (Regulation 24(2)).

The Plan 1 repayment threshold in FY25-26 is:

- £26,065 per year
- £2,172.08 per calendar month
- £501.25 per week

The Plan 1 repayment threshold is adjusted in line with RPI at the start of each FY (Regulation 24(6)).

For the purpose of adjusting the Plan 1 repayment thresholds RPI is taken as the percentage increase between the retail prices all items index published by the ONS for the two Marches immediately before the commencement of the previous FY (Regulation 24(6)). For example, in FY25-26 (beginning 6 April 2025) the relevant repayment thresholds are adjusted in line with the percentage increase in RPI between March 2023 and March 2024.

The RPI rate can be viewed on the ONS website:
https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/czbh/mm23

See Annex A for detail of historical Plan 1 annual repayment thresholds.

16.12.4 **Overseas borrowers**

Part 5 of the Regulations sets out the repayment terms for borrowers who are not resident in the UK for income tax purposes. Residence has the same meaning as in the Taxes Act (Regulation 66). Borrowers are required to notify SLC of any period of residence outside the UK which exceeds 3 months. Borrowers outside of the UK Tax System must provide SLC with evidence of their income or the means of supporting themselves financially during their residence abroad. Borrowers can do this by using the 'update your employment detail service available online at https://www.gov.uk/repaying-your-student-loan/update-your-employment-details or by completing the Overseas Income Assessment Form (OVFA) and returning it by post to SLC with evidence of their income or means of support.

To take account of differences in living costs, the repayment threshold in a foreign country will not necessarily be the same as in the UK. Overseas repayment thresholds depend on the banding of the country that the borrower is living in, with the applicable banding for a country being determined by the country's PLI data. PLI data provides a measure of the differences in the general price levels of countries and therefore represents a relative cost of living between countries, enabling a fair threshold to be set. For the purposes of determining bandings PLI information is taken from data for the most recent year published by the World Bank. Where PLI data for a country is not available, the applicable PLI value for that country may be determined by reference to a comparable country.

Note that a territory of another country will normally be allocated the same repayment threshold as its sovereign country. However, World Bank GDP per capita data is also taken into account to ensure that a borrower is not disadvantaged where the GDP per capita data for the territory differs from that of the sovereign country. Where 2 different thresholds are possible, the threshold that is most beneficial to the borrower is selected.

An overseas borrower who is in repayment status and whose annual overseas repayment schedule spans more than 1 FY will see their repayment calculated twice each year:

- The monthly repayment amount due will be set at the start of the overseas repayment period (Regulation 70(2)) and thereafter amended every 12 months when the new overseas assessment period starts, and

- The monthly repayment amount due will be amended on 6 April each year in order to take account of the annual adjustment to the overseas repayment thresholds and any change to the repayment threshold applicable to the borrower's country of residence during their existing current overseas income assessment period.

Income used to calculate repayments for an overseas borrower is the total gross overseas income a borrower is likely to receive for the 12 calendar months following the date on which the overseas repayment schedule begins (Regulation 70(2A))). For overseas borrowers, gross income means income from all sources before deductions for, or relief from, tax or other statutory charge (Regulation 66).

UK income is not be included in an overseas income assessment. It is for SLC to determine what the likely total income is for the purposes of calculating the repayment schedule.

Note that annual changes to currency exchange rates are not applied to overseas borrowers during their current overseas income assessment period. Should a borrower's income change during the assessment year, the borrower can request a reassessment of their monthly scheduled repayment amount at any time. A reassessment if the borrower is moving between countries with different threshold bands can also be requested.

SLC are instructed by the Authority to use the average annual exchange rate for the most recent calendar year available from HMRC to convert income to sterling from foreign currencies. Note that this is not specified in Regulations. HMRC exchange rates are available online at https://www.trade-tariff.service.gov.uk/exchange_rates/average

A Plan 1 overseas borrower repays 9% of their income above the relevant overseas repayment threshold.

The Plan 1 overseas repayment thresholds in FY25-26 are:

| Repayment Band | Price Level Index | Repayment Threshold |
|---|---|---|
| A | 0<30 | £5,215 |
| B | 30<50 | £10,430 |
| C | 55<70 | £15,640 |
| D | 70<90 | £20,855 |
| E | 90<110 | £26,065 |
| F | 110<130 | £31,280 |
| G | 130+ | £36,495 |

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

Fixed monthly instalments are due when an overseas borrower does not provide evidence of residence and/or income (Regulation 68(2)).

The Plan 1 fixed instalment rates are set out in Regulation 71(1).

| Band | Price Level Index | Fixed Monthly Instalment |
|---|---|---|
| A | 0<30 | £80.80 |
| B | 30<50 | £161.60 |
| C | 55<70 | £242.40 |
| D | 70<90 | £323.20 |
| E | 90<110 | £404.00 |
| F | 110<130 | £484.80 |
| G | 130+ | £565.60 |

16.12.5 **Voluntary Repayments**

A borrower may make voluntary repayment to their loan balance at any time without charge or penalty, either before or after the loan balance has entered repayment status (Regulation 11(1)). Such a repayment would be made directly to SLC.

If the borrower has arrears on a balance, any voluntary repayment made will be allocated to the arrears first. Arrears, penalties, and other charges are not added to the principal, but rather kept separate (Regulation 10(1)).

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 in accordance with Regulation 10:

- Outstanding arrears, penalties, charges, or costs resulting from the penalisation of the borrower failing to follow their contractual obligations (Regulation 10(2)(a))
- Outstanding arrears, penalties, charges, or costs resulting from the penalisation of the overseas borrower failing to follow their contractual obligations (Regulation 10(2)(b))
- Outstanding interest payments (Regulation 10(2)(c))
- The principal, which will be reduced or satisfied from the date of receipt (Regulation 10(2)(d))
- Any loans which have not yet reached SRDD.

Example:

> Jessica has Plan 1 loans that are in repayment status and a fine for failing to update SLC on a change of address. Jessica then makes a voluntary repayment of £100 but does not specify which balance the repayment should be allocated to. The repayment will be allocated to payment of the penalty as per the order of allocation shown above.

Please see Section 6 of the principle body of the Guidance for applicable rules with regards to repayments by a third party and refunds of voluntary repayments.

### 16.12.6 **Repaying by Direct Debit**

A borrower becomes eligible for repayment by direct debit if they firstly give notice to the Department (Regulation 13(a)). The Department then examines the borrower and will disqualify anyone who is, or has been previously without authorisation, in arrears (Regulation 13(c)). The Department must be satisfied that the borrower is likely to repay all of the outstanding balance of the student loan within 23 months of the notice (Regulation 13(b)).

Where an amount is paid by the borrower directly to the Department, or by direct debit under Regulation 13, the repayment is considered to have been received on the date on which the amount is, in fact, received (Regulation 12(a)). Bank transfer, as authorised by the borrower, must be received no later than 30 days following the Department's note of their approval of direct debit as a method of payment (Regulation 13(4)).

The borrower must complete and return to the Department in the format required by the Department "from time to time" a standing instruction to the borrower's bank authorising monthly lump sum payments to the Department in such sum as is required to ensure payment of the outstanding balance within the next 23 months (Regulation 13(3)).

This arrangement may be suspended by the borrower at any time, after agreement with the Department, and payments through HMRC commenced (Regulation 13(6)).

### 16.12.7 **Cancellation**

All of a borrower's outstanding Plan 1 loan balances are cancelled if:

- The borrower dies (Regulation 14(3)(a)),
- The borrower receives a disability-related benefit (as defined in Regulation 6) and because of the disability is permanently unfit for work (Regulation 14(3)(b)),
- in the case of a post-2006 student loan, the twenth-fifth anniversary of the date on which the borrower became liable to repay the student loan (Regulation 14(3)(c)), or
- in the case of a student loan which is not a post-2006 student loan, the borrower reaches the age of 65 (Regulation 14(3)(d)).

SLC requires evidence in the following events:

- Where a borrower dies, SLC will require sight of either the original death certificate or a certified copy in order for the outstanding loan balance(s) to be cancelled or
- Where a borrower received 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 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 may reject the request.

Where a borrower is in arrears or in breach of any obligation to repay any loan balance(s) then any outstanding student loan balances will not be cancelled (Regulation 14(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 (where the borrower is considered to be less than two years from paying the loan balance in full), and
- Any 'mortgage style' loan (generally payable to borrowers who started their course prior to 1998).

### 16.12.8 **Interest**

Regulation 16 of the Regulations are reflected in substance by Section 9.4 of this guidance in relation to the interest calculation of Plan 1 loans.

### 16.12.9 **Charges for non-compliance**

The Department have the right, accorded by Regulation 18, to issue an 'Information Notice' mandating that the borrower provide relevant information and its documentary evidence. The borrower must comply with this notice within 28 days of its receipt (Regulation 18(4)). Failure to resolve an Information Notice may result in the issuance of a 'Penalty Notice' (Regulation 19(5)). Similarly, a borrower must, within 6 weeks of the event inform SLC of the change and provide them with particulars if the borrower changes their name or address (Regulation 17). Failure to comply with Regulations 17 or 18(4), as discussed above, can result in a fines of £50, respectively (Regulation 19(1) and (2)).

Should the borrower fail in repaying a penalty, a further fine of £100 may be imposed. Subsequently, this fine may be added to the borrower's loan account should they exceed 28 days between the Penalty Notice and payment (Regulation 19(3)). Any reasonable expenses or costs incurred by the Department in the process of serving the aforementioned notices may be charged to the borrower and added to their student loan account (Regulation 20). The Department also has the right to add the above penalties and fines into the principal (Regulation 19(7)).

Continued non-compliance after an Information notice, a penalty or both may result in foreclosure, and as such the Department may require the borrower to repay their student loan in full and immediately (Regulation 22).

16.12.10 **Refunds**

Where the Department, has received a repayment either from the borrower or from HMRC, the Department must refund to the borrower any amount overpaid, together with interest calculated as if it were the principal of a student loan.

If the overpayment has been received via a payment from HMRC, under Part 3 of the Regulations, will be considered to have been received by the Department on 31 January next following the FY in accordance with Regulation 12(b). The Department must refund to HMRC for the borrower's account any overpayment. Any overpayment received via HMRC payment, will not carry interest and HMRC will be considered to have received the refund on the date the payment was received by the Department in accordance with Regulation 12.

16.12.11 **Self-Assessed Borrowers**

Please see Section 12 of the principle body of the Guidance for rules governing SA borrowers residing in the UK.

16.12.12 **Employed Borrowers**

Please see Section 13 of the principle body of the Guidance for rules governing employed borrowers residing in the UK.

16.12.13 **Insolvency**

Please refer to Section 14 of the principle body of the Guidance for full details regarding insolvency.

16.12.14 **Real Time Information**

Employers report their PAYE deductions bill (which may include student loan deductions) to HMRC on a pay period basis if they are a real time information employer. Note that the frequency of pay period, for which student loan deductions may be liable, is determined by the employer.

As of FY19-20 HMRC report student loan deductions to SLC on a weekly basis including all pay period deductions reported during the previous week and detailing the amount and date each deduction was made by the employer. SLC will allocate repayments to the borrower's loan to reflect the date and amount advised by the employer via HMRC. Interest will be calculated to reflect the month end position.

16.12.15 **List of applicable regulations – Northern Ireland**

This Annex details the provisions as they relate to the repayment of ICR student loans in Northern Ireland. These provisions are set out in The Education (Student Loans)(Repayment) Regulations (Northern Ireland) 2009 (as amended)(2009/128) by The Department for the Economy through the exercise of the powers conferred to them by Articles 3(2) to (5) and 8(4)

of the Education (Student Support)(Northern Ireland) Order 1998. These provisions have been amended by:

- The Education (Student Loans) (Repayment) (Amendment) Regulations (Northern Ireland) 2012 (2012/136)
- The Education (Student Loans) (Repayment) (Amendment) Regulations (Northern Ireland) 2013 (2013/68)
- The Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No.2) Order 2013 (2013/1881)
- The Armed Forces and Reserve Forces Compensation Scheme (Consequential Provisions: Subordinate Legislation) (Northern Ireland) Order 2013 (2013/2021)
- The Education (Student Loans) (Repayment) (Amendment) Regulations (Northern Ireland) 2014 (2014/87)
- The Personal Independence Payment (Supplementary Provisions and Consequential Amendments) Regulations (Northern Ireland) 2016 (2016/228)
- The Education (Student Support) (No.2) (Amendment) and Education (Student Loan) (Repayment) (Amendment) Regulations (Northern Ireland) 2017 (2017/7)
- The Education (Student Support) (No.2), etc. (Amendment) Regulations (Northern Ireland) 2019 (2019/35), and
- The Education (Student Support, etc.) (Amendment) Regulations (Northern Ireland) 2021 (2021/050).

### 16.13 *Annex M – Organisation contact details*

Student Loans Company
10 Clyde Place
Glasgow
Scotland
G5 8DF

https://www.gov.uk/repaying-your-student-loan

## 16.14 *Annex N – Update Log*

| Version | Date | Updates |
|---|---|---|
| V0.1 | 15 January 2025 | **Rollover changes**<br>• Updates to rates, thresholds and illustrative examples to reflect FY25-26 values. |
| V0.2 | 20 February 2025 | • Updates made following internal review. |
| V0.3 | 13 March 2025 | • Updates made following stakeholder review. |
| V1.0 | 18 March 2025 | • Signed off. |