



STUDENT DEBT

Expenses while you are studying

Budgeting is one of the most important skills you can use while you are a student. It may be your first time away from home and the first time you have to be completely responsible for all your own finances.

It is a good idea to work out a budget to include all your income and expenditure while you are studying. Student welfare advisers will be able to give an estimate of typical costs. The National Union of Students (NUS) also produces a useful set of leaflets including guidelines for average student expenditure. When working out a budget you should be clear what period the budget covers. Budgets can be worked out monthly or weekly, or you may prefer to do a budget each term or annually, with a separate budget for the long vacation. **Phone us for advice** or contact the NUS directly.

Information

Contact details for the NUS are given in the 'Useful addresses' section at end of this fact sheet.

Choosing a bank account - things to think about

Most of the major banks offer special accounts for students. Things to consider when choosing a bank account are:

- the amount of any interest-free overdraft you can have;
- the charges and interest on authorised and unauthorised overdrafts and loans; **and**

- how long you can keep using the same account after graduation. Many banks have the option to move to a graduate account with preferential rates instead, while some may insist on you turning your overdraft into a loan.

Warning

Check out what the bank will charge if you go over your overdraft limit. These charges can often be very high.

Student loans

Old style 'fixed-term' loan

- Student loans were introduced in 1990 to complement the mandatory local council grant. These loans are regulated by the **Consumer Credit Act 1974** and run by the Student Loans Company (SLC).
- The interest charged on your loan is linked to the rate of inflation and adjusted in line with the retail price index. Interest is calculated daily from the day your loan starts and is added to your account at the end of each month.
- The SLC will write to you in the February after graduation, advising you when to start making repayments. They will also give you the opportunity to apply to defer repayments. Unless the SLC agrees to defer repayments they will start collecting repayments from you in the April of that year. Your repayments can be deferred if your gross income (before tax and National Insurance) is below 85% of national average earnings. During the 2011 – 2012 academic year this is £3,311 per month (£27,734 a year).

Warning

You must ask for a new deferral each year. If you are late in applying for a deferral, you may be asked to start making repayments.

Repayments are usually made over five years by monthly instalments as a direct debit from your bank account. You will have to agree to this when signing the loan agreement. It is therefore important to keep the SLC informed of your current address and to contact them if you change bank accounts. It is also important to inform the SLC if you leave your course. A statement is sent out each year by the SLC showing the level of monthly instalments, the interest rate and the total interest added as well as the current balance. There are options to repay the loan earlier, or to make top-up payments.

- If you do not defer payments and payment is missed for whatever reason, the SLC will begin recovery action. They may pass the debt to collection agents. They are not bailiffs and have no power to enter your home. SLC could also apply to recover the debt through the county court.

Fact sheet

We have a fact sheet on 'Replying to a county court claim' which may be of assistance to you. **Phone us for a copy.**

- It is important to contact the SLC as soon as possible if you have missed a payment, or forgotten to defer, in order to avoid court action. From **15 April 2009**, the SLC introduced a new system to recover outstanding 'fixed-term' style loans. The SLC will send you a letter asking you to contact them within 28 days to discuss repayments. Unless you have deferred payments or are keeping to a payment arrangement, after 28

days your account will be registered with a credit reference agency. The SLC can agree not to register your details if you have special circumstances.

Information

See the section on 'Credit reference files' or **phone us for advice.**

If you are disabled there are special repayment and deferment arrangements. If you can show, that as a result of your disability that you will be permanently disabled, your loan will be cancelled. If you are a disabled borrower and your income is above the deferment threshold you can postpone your payments for 36 months and extend your repayment term.

New 'income-based' loans

These were introduced in **September 1998** to replace the 'fixed-term' style loans. From **September 2006** loans have been available to cover both fees and living costs. The amount of the loan you will receive depends on your year of study, the type of course and the location of your college or university. If you started your course on the 'fixed-term' style loan you are likely to continue on the old system.

Warning

Income-based loans are not regulated by the **Consumer Credit Act.**

- Interest is linked to the rate of inflation and is added daily from the date you receive your first loan instalment.
- Repayments start from the April after you graduate or leave your course, if your gross income exceeds the income threshold. The income threshold is £15,000, or £1,250 per month, or £288 per week. The amount that you pay is 9% of the difference between your income and the income threshold.

- You can choose to repay the loan by direct debit or through deductions from your pay. If you repay the loan by direct debit, the payments will finish when the loan is paid off. But if you repay the loan through deductions from your pay, you could end up overpaying the loan. If this happens, the SLC will repay the extra you have paid at the end of the tax year, with interest added.

Example

Salary = £17,000 a year

Threshold = £15,000

Difference = £2,000

9% of £2,000 = $9/100 \times 2,000 = £180$

The amount to repay is £180 a year or £15 per month.

- Your repayments will usually be collected by HM Revenue & Customs via your employer through the Pay As You Earn scheme (PAYE). If you are self-employed you will repay through self-assessment tax returns.
- If you are outside the UK tax system you will have to repay the SLC directly.
- Repayments will not be over a fixed period as the level of your repayments will rise or fall directly in line with your income. This means that the length of time over which the loan will be repaid will depend on your income after graduation and on the total amount you borrowed.
- Disability benefits are not counted as income when assessing your threshold income.

Warning

Be aware that interest will be added to both types of student loans. The interest rate depends on whether you have an old 'fixed-term' loan or new 'income-based' loan.

If you have a 'fixed-term' loan the interest rate will be 5.3% from **1 September 2011 to 31 August 2012**. If you have a new 'income-based' loan the interest will be 1.5% from **1 September 2011**.

Can my loan be cancelled?

In some circumstances, if you are permanently unfit for work, liability for the loan will be cancelled.

If you can show, that as a result of your disability that you will be permanently disabled, your loan will be cancelled.

Loans can be cancelled in other circumstances, depending on whether you have an old style or a new style loan. If you have an old style loan it can be cancelled if:

- you are 50 and you made your last loan agreement before you were 40;
- you are 60 and you made your last loan agreement when you were 40; **or**
- your last loan agreement has been owing money for 25 years or more.

If you have a new style loan it can be cancelled when:

- you reach 65, if you took your first loan out before the 2005 - 6 academic year; **or**
- 25 years have passed since you started repayment, if you took your first loan out after the 2006 - 7 academic year.

Debts to university and college

You may owe money to your education establishment for a variety of reasons. Debts may include: accommodation, rent, tuition fees, hardship loans or library fines. The consequences for non-payment vary depending on the type of debt.

Different colleges and universities may have different policies on how they will treat the debts depending on the circumstances.

Many colleges and universities will consider withholding qualifications or prevent you going on to further studies if you owe money to the university. These policies could be considered unfair if the money is not owed for fees. You may want to dispute this if you are unable to come to a repayment arrangement you are happy with. Student welfare officers should be the first point of contact. **Phone us for advice.**

Accommodation

Most colleges and universities provide some kind of accommodation for students. The tenancy is often only for one academic year excluding the summer vacation. This payment should be treated as a priority.

Many colleges and universities may be reluctant to evict you for non-payment, but they may refuse to offer you accommodation in later years. This means that you need to make an arrangement to pay back any outstanding debts at a rate you can afford to prevent this happening.

Tuition fees

Universities and colleges in England and Wales are able to charge different fees for different courses, up to a maximum which is set out by Government each year. You can apply for a loan

to cover all or part of this cost. See the section 'Student loans' for more information. You are responsible for paying any college or university fees which are not covered by the loan.



Warning

If you still owe tuition fees to your college or university you may not be allowed to progress to your next year of study, or your degree certificate could be withheld if you are in your final year. **Phone us for advice.**

Credit debts

Credit debts can include bank loans, overdrafts and credit cards. If you are still a student you may have access to an interest-free overdraft. If you have other credit debts to the same bank where you have your overdraft, you may be in a position to prioritise payments on these to keep the overdraft. If this is not possible, for example because you do not have enough money to pay the monthly minimum on your credit card bill, **phone us for advice.**

You may be able to negotiate extending the overdraft with the bank, or make an arrangement to pay back the overdraft once you have graduated. If you have other credit debts which are not specifically student-related, you may have to come to an arrangement to pay what you can afford. We suggest you use our information pack 'Dealing with your debts' to work out a personal budget and make offers to your creditors.



Advice

If you have a student account, contact the account manager at your bank, your student welfare officer or **phone us for advice.**

Student loans, bankruptcy and individual voluntary arrangements (IVAs)

From **1 July 2004** ('fixed-term' style loans from 1990 to 1998) or **1 September 2004** (for income-based loans after 1998) student loans are no longer provable in bankruptcy. This means they are not written off with your other debts at the end of the bankruptcy.

Student loans are also excluded from an individual voluntary arrangement (IVA) approved on or **after 6 April 2010**. But if the IVA was approved **before 6 April 2010**, your student loan would be included in the IVA, as long as the loan had been received before the date that the IVA had been approved.

Utility debts

Many students have problems with utility debts, especially if they share bills with other students in a shared house. To avoid these problems it is a good idea to ask for the bill to be put in joint names so that each person named on the bill is jointly responsible. You should also be careful to pay only for the fuel that you have used and not the fuel used by previous or future tenants.

Advice

Contact your utility supplier with up-to-date meter readings whenever you move into, or leave, a property.

If you have a utility bill you cannot pay, you should contact your utility supplier straight away to see if you can come to an arrangement.

You should treat gas and electricity debts as a priority debt because your supplier can install a pre-payment meter, or disconnect your supply, if you do not pay. You cannot be cut off if you fall behind with water bills, although your water

company can take court action against you if you do not keep up with your payments. **Phone us for advice.**

Credit reference files

The majority of creditors have structured repayment arrangements for student-related debt, once you start earning. As long as the arrangement is kept to, there should not be a problem with your credit rating. If you have credit agreements that are not specific to students, such as credit cards or store cards, then defaulting on these agreements will affect your credit rating and ability to obtain credit in the future.

Warning

The SLC can pass on details of old 'fixed-term' style student loans to credit reference agencies. They may decide to do this if you have not made a payment arrangement or you have not deferred your loan. They should notify you first and give you 28 days to get in contact with them. **Phone us for advice.**

Fact sheet

We have a fact sheet on 'Credit reference agencies' which may be of assistance to you. **Phone us for a copy.**

Sources of financial help

Warning

The following information about help with tuition fees and maintenance is only applicable to new students who are starting courses during the 2011 - 12 academic year.

The information below gives a brief summary of the sources of financial help available. More detailed information can be obtained from the Student Finance England and Student Finance

Wales websites. See the 'Useful addresses' section at the end of this fact sheet for their contact details.

You can also get help from your Local Education Authority (LEA), the Department for Education (DFE) or the National Union of Students (NUS).

Advice

Don't wait until you've got a place on a course. Apply well before the start of the academic year, preferably when you apply for your course. If you apply after this, your first payment may not be ready when term starts.

Student loans and grants

Student loans are available to cover both living costs and tuition fees while you are at university. Contact the website for where you live to get information on how to apply.

Help with tuition fees and maintenance in England

You need to register with Student Finance England first. This can be done online or on paper. You can download the form from the Directgov website. See the 'Useful addresses' section at the end of this fact sheet.

The SLC will make loan payments directly to the university for tuition fees for standard-length courses up to a maximum of £3,375. A 'long courses loan' may be payable on top of this for courses that last more than 30 weeks and three days. The amount you get does not depend upon your income or your family's income.

If you are a student from a lower-income family, you may be entitled to a maintenance grant to help with rent and living costs, or a special support grant if you are on certain benefits such as Income Support or Housing Benefit. The maximum for each grant in 2011 - 12 is £2,906, but the amount you get will depend upon your

household income. These grants do not have to be repaid, but part of any maintenance grant you get is for living costs and this is taken off your student loan for maintenance, up to a maximum of £1,292.

You can also apply for a maintenance loan to help with rent and living costs. If you are living away from home, the maximum maintenance loan is £4,950 if you are studying outside London and up to £6,928 in London. How much you get will depend upon when you started your studies, your income and that of your family.

Help with tuition fees and maintenance in Wales

You need to register with Student Finance Wales on their website first. If you live in Wales, you can apply for an Assembly learning grant. You can also obtain an application form from your local authority. The Assembly learning grant is a means-tested allowance which can pay a maximum yearly amount of £5,600. How much you get depends upon your household income. If your household income is more than £50,020 per year, you will not receive any allowance. Part of the grant you get is for maintenance costs and this is taken off any student loan for maintenance that you might get, up to a maximum of £2,844.

Advice

If you are a full-time student and eligible to claim means-tested benefits, it would be better for you to claim a special support grant, as this is not deducted from any student loan you might get. This amount could be up to £5,600 and would be the same as you would receive under an Assembly learning grant. It is not taken into account as income when working out what benefits you can get.

You can also apply to Student Finance Wales for a maintenance loan to help with rent and living costs. If you are living away from home, the maximum maintenance loan is £4,745 if you are

studying outside London and up to £6,648 in London. How much you get will depend upon when you started your studies, your income and that of your family.

maximum weekly payment is £255 (£206 in Wales). You do not have to pay back this grant.

Adult dependants' grant

If you are studying as a full-time student in higher education and have an adult who depends on you financially, you may be entitled to extra financial help. The maximum amount that you can get from an adult dependants' grant is £2,642 (£2,647 in Wales). How much you get depends upon your family circumstances and the household income. An adult dependant can include a partner or another adult who depends on you financially. They will usually be a member of your family. However, you **cannot** count your grown-up son or daughter as adult dependants. You do not have to pay back this grant.

Parents' learning allowance

If you have dependent children you may be able to claim a parents' learning allowance for extra help with course-related costs. The maximum available is £1,508 per student. If you are part of a couple, both you and your partner can each make a separate claim. The amount you get is dependent on your income and that of your children.

Help available from college

Access to learning fund

This is available through your university or college to provide extra financial support if you are on a low income and need extra financial support. Payments will usually be in the form of grants that do not have to be paid back. Apply to the student services department of your college or university.

Information

If you are applying online to study in a county that is not the one in which you live, you should contact the student finance website for your country and follow their guidance about how to send in your application.

Information

For further information on paying back your student loan, see the main section on 'Student loans'.

Disabled students' allowance (DSA)

If you are a student with disabilities you may be eligible for a disabled student allowance, which can help with the costs you incur in attending your course.

These are available to full-time and part-time students with disabilities. Unlike a student loan, DSA assistance does not have to be repaid. Talk to your Local Education Authority (LEA) to see if you can claim, or tick the box on the main student finance application form.

Childcare grant

The childcare grant is money to help you pay for childcare costs while you are a full-time student. The amount you get will depend on how old your children are, your household income and your actual childcare costs. To qualify, you must have a dependant child in registered or approved childcare. If you qualify, you can receive up to 85% of your actual childcare costs. For one child the maximum weekly payment is £148.75 (£121 in Wales). For two or more children the

Career development loans

If you cannot get help through other sources then you may be able to get a professional and career development loan (PCDL). PCDLs are bank loans offered at a reduced interest rate, in partnership between the Young People's Learning Agency (YPLA) and participating high street banks. You can borrow between £300 and £10,000. YPLA will pay the interest whilst you are learning and for one month afterwards.

Information

For further information on PCDLs see the 'Useful addresses' section at the end of this fact sheet.

Other help

Trusts and charities

There are a number of trusts and charities available who may provide financial assistance to students. Many of these relate to students studying a particular subject or having links to a particular geographical area.

Information

For further information on trusts and charities see the 'Useful addresses' section at the end of this fact sheet.

NHS and social work bursaries

If you are training to work in social work, medicine or certain areas of healthcare, you may be entitled to a bursary from the NHS. See the 'Useful addresses' section at the end of this fact sheet.

Benefits

The majority of students do not qualify for means-tested benefits. If you are a student with

a disability, or a single parent, you may qualify for some benefits.

Advice

Contact your student welfare department, the Department for Work and Pensions (DWP) or **phone us for advice**.

Council Tax

You will frequently not be liable for Council Tax as a student, even if you share a mortgage or tenancy with other people who are not students. But you could be liable for Council Tax if:

- you are the sole owner or sole tenant; **and**
- you live with an adult who is not your partner and who is not a student.

Contact your local council to get exemption from Council Tax.

Useful addresses

Government Information

Direct Gov

www.direct.gov.uk

- Go to the website.
- Type 'student finance' into the search box and click the 'Go' button.
- Select the 'Student finance' link.

Department for Education (DfE)

Tel: 0370 000 2288

www.education.gov.uk

Young People's Learning Agency

Professional and career development loans

pcdl.ypla.gov.uk

www.direct.gov.uk/pcdl

Department for Business, Innovation & Skills

Tel: 020 7215 5000

www.bis.gov.uk

The Welsh Assembly Government

wales.gov.uk

- Go to the website.
- Choose the language you want.
- Type 'student' into the search box and click the 'Search' button.
- Select the 'Student financial support' link.

Sources of financial help

Most colleges and universities have student welfare officers that can provide you with up-to-date information and advice about any financial issues while you are a student.

Disability Alliance

Disability Alliance

Universal House

88-94 Wentworth Street

London

E1 7SA

Tel: 0800 328 5050

www.disabilityalliance.org/skill.htm

skill4disabledstudents@disabilityalliance.org

Family Action

501 – 505 Kingsland Road

Dalston

London

E8 4AU

Tel: 020 7241 7459

www.family-action.org.uk

- Go to the website.
- Select the 'Apply for a grant' link underneath the 'Search' box.
- Select the link for the kind of grant that you want.

Funderfinder

www.funderfinder.org.uk

Local Education Authority (LEA)

You may be able to get financial assistance towards your tuition fees (and in some cases other assistance) from your LEA. You need to apply to the LEA where you live before starting your course.

National Union of Students (NUS)

4th Floor

184-192 Drummond Street

London

NW1 3HP

Tel: 0845 521 0262

www.nus.org.uk

NHS Students

NHS Student Bursaries

Hesketh House

200-220 Broadway

Fleetwood

FY7 8SS

Tel: 0845 358 6655

www.nhsbsa.nhs.uk/Students.aspx

Scholarship Search

www.scholarship-search.org.uk

Social Work Students

Social Work Bursaries

Sandyford House

Newcastle upon Tyne

NE2 1DB

Tel: 0845 610 1122

www.nhsbsa.nhs.uk/Students/825.aspx

Student Finance England

Tel: 0845 300 5090

www.direct.gov.uk

- Go to the website.
- Type 'student finance' into the 'Search' box.
- Select the link of the academic year for which you want a grant.

Student Finance Northern Ireland

Tel: 0845 600 0662

www.studentfinancenir.co.uk

Student Award Agency for Scotland

Tel: 0300 555 0505

www.saas.gov.uk

Student Finance Wales

Tel: 0845 602 8845

www.studentfinancewales.co.uk

Student Loans Company (SLC)

100 Bothwell Street

Glasgow

G2 7JD

Tel: 0845 300 5090 (living in England)

Tel: 0845 602 8845 (living in Wales)

www.slc.co.uk

Trainee Teachers

Training and Development Agency for Schools

Tel: 0800 389 2500

Tel: 0800 085 0971 (Welsh speakers)

www.tda.gov.uk

Turn2us staff will check which benefits and charitable grants you may be entitled to. It is a free service.

Tel: 0808 802 2000

www.turn2us.org.uk

UK Council for International Student Affairs

9-17 St Albans Place

London

NI 0NX

Tel 020 7107 9922

www.ukcisa.org.uk

Remember: You can always contact us for advice about any difficulty you have in dealing with your debts.

Freephone 0808 808 4000 Website www.nationaldebtline.co.uk

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