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Graduates' Perspectives on the Student Loan System in England

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Abstract: Calls to reduce public expenditure on higher education in England and make its funding more financially sustainable focus on changes to tuition fees and student loans. Augar recommended cutting tuition fees, extending the repayment period and freezing the repayment threshold. To inform policy debates, HEPI has modelled the costs of reducing interest rates, extending the repayment period, and lowering the repayment threshold. Missing from this conversation, the modelling, political rhetoric and existing research is graduates' voices. Graduates' perspectives are vital - they are the group most immediately affected by any such changes to loan repayments. They alone know and understand the realities of repaying student loans. Their experiences can therefore provide unique insights into proposed reforms. This paper offers such insights by exploring graduates' experiences of student loans based on the findings from nearly 100 in-depth interviews - highlighting both the positively and negatively perceived features of loans.

Paper: *Introduction*

Since 1990, English students have borne an increasing share of higher education's (HE) costs following the introduction of cost-sharing policies. Tuition fees rises in 2006 and 2012 were rendered politically more acceptable by income-contingent loans (ICL) as HE remained "free" at the point of entry and loan repayments were linked to ability to repay.

Numerous reforms since 1990 have changed England's HE funding system (Belfield et al., 2017). Currently, there are calls for further reforms to create a more financially sustainable and flexible system.

In 2019, the Augar report recommended cutting tuition fees, extending the student loan repayment period and freezing the repayment threshold (Department for Education, 2019). In anticipation of public funding cuts, HEPI modelled changes to reduce government expenditure on loans: reducing interest rates, extending the repayment period, and decreasing the repayment threshold (Hillman, 2021).

Missing from this conversation and from the modelling, forecasts, political rhetoric and existing research is graduates' voices. Graduates' perspectives are vital - they are the group most immediately affected by any proposed changes to loan repayments. They alone know, understand

and experience the realities of repaying loans. They can provide unique insights into proposed reforms and their views should be central. This paper offers such insights by exploring graduates' experiences and perspectives on student loans.

Literature

Introduced in 1989 in Australia, ICLs now exist in several countries. They provide insurance to borrowers from repayment hardship and default (Chapman, 2016). ICLs' design is particularly important. Their repayment threshold, interest rate, repayment period, and recovery mechanism influence overall repayment rates (and the costs to government) while directly impacting graduates repaying their loans (Barr et al., 2017).

Yet, there is little research on graduates' views on ICLs and their features, and none in England. A few studies explore students' views (Vigurs et al., 2016) but their experiences are likely to differ from graduates'. An Australian study showed that its ICLs are considered unfair, especially for low-income individuals which is tied to a weak moral obligation to repay (Braithwaite et al., 2020). But the study gives no insights into the loan features.

Methods

This paper is based on the textual analysis of 98 qualitative in-depth phone interviews with graduates who took out student loans. 48 graduates interviewed started university between 2006 and 2009, paying tuition fees of around £3,000 (Cohort 1). Another 50 graduates interviewed started university in 2012 or 2013, paying £9,000 tuition fees (Cohort 2). The interviews were conducted in 2020-2021, about 10 years after graduation for cohort 1 and 5 years for cohort 2. Table 1 provides an overview of the key features of the funding system for each cohort.

The interviews investigated the influence of student loans on graduates' lives and their experience of, and feelings about, the loan system.

Preliminary results

Graduates from both cohorts view some elements of the loan system positively. Loans allowed access to HE, irrespective of family background. Loan repayments automatically deducted from their pay slips mean graduates do not have to arrange the payment themselves and explains why some do not feel any loss of money – this is money they never see and never have. Generally, interviewees agree repayments are manageable because the amount paid is small and affordable. They appreciate that repayments are linked to ability to pay so the low paid and unemployed make no repayments.

However, graduates also have negative experiences of student loans. They question the £9,000 tuition fees and the amount of debt owed is a recurring theme. They resent the interest paid on their loan and find the small or negative changes in their outstanding loan balance discouraging. They describe the length of the repayment period as lasting a lifetime. These issues were evident among

both cohorts, despite cohort 1 having generally more favorable tuition and loans conditions.

Conclusion

This paper adds a crucial insight, graduates’ perspectives, to the HE funding system debate in England. Responding to the Augar and HEPI reports, lowering the repayment threshold would be in line with graduates experiencing repayments as low. Reducing tuition fees and the interest rate would also target sources of negativity. However, graduates already protest at the current length of the repayment period, suggesting they would be discontent with a further increase.

References: Table 1 – Description of the funding system for both cohorts

	Cohort 1	Cohort 2
Number of interviews	48	50
Tuition fees	£3,000 in 2006	£9,000 in 2012
Repayment threshold when plan started	£15,000	£21,000
Repayment threshold in 2021	£19,895	£27,295
Repayment rate over the threshold	9%	9%
Repayment period	25 years	30 years
Interest rates	The lowest between: <ul style="list-style-type: none"> • RPI^[1] of the previous March • Bank of England base rate plus 1% 	While studying: RPI +3% While repaying: <ul style="list-style-type: none"> • RPI if income <£27,296 • RPI + up to 3% if income between £27,296 to £49,130 • RPI + 3% if income >£49,130
Average loan balance at graduation	2010 repayment cohort: £14,670	2017 repayment cohort: £32.350

Sources: (Student Finance England, 2021; Student Loans Company, 2021)

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