

Repayment of Student Loans

Student loans are part of the government's financial support package for students in higher education in the UK. They are available to help students meet their expenses while they are studying.

The Student Loans Company (SLC) was set up to undertake the administration and processing involved in the payment of loans and grants to students, and the payment of tuition fees to higher and further education services. The majority of students will have a loan to cover the cost of tuition fees plus a maintenance loan to cover the cost of living expenses.

Interest rates

How interest is calculated is dependent on the repayment 'Plan'. There are five types of repayment plan for Income Contingent Loans; the one that applies depends on where and when the individual first began their studies. The five types of plan and how interest is calculated are set out in the table below:

Plan	Applicable to	Interest calculation
Plan 1	English and Welsh undergraduate students who started before 1 September 2012 All Northern Irish students including postgraduates	Lower of RPI and Bank of England base rate plus 1%
Plan 2	English students who started between 1 September 2012 and 31 July 2023 and Welsh students who started after 1 September 2012.	RPI plus up to 3% depending on circumstances and income up to an interest rate cap of 7.6%
Plan 4	Scottish students including postgraduates	Lower of RPI and Bank of England base rate plus 1%
Plan 5	English students who started on or after 1 August 2023	Usually RPI up to an interest rate cap of 7.6%
Postgraduate	English and Welsh postgraduate students	RPI plus 3% up to an interest rate cap of 7.6%

Repayment

SLC undertakes account maintenance and communication with borrowers. For borrowers within the UK tax system, collection is undertaken by HMRC through the PAYE or Self Assessment (SA) processes. Loans are collected directly by SLC for borrowers outside the UK tax system.

If you took out a student loan while on a university or college course that began in September 1998 or after you will have an Income Contingent Loan.

Repayment of student loans begins from the April after borrowers finish or leave their higher education course, but only when their income exceeds a certain level (threshold). The threshold and repayment rates are summarised in the table below:

Plan	Threshold (2023/24)	Repayment rate
Plan 1	£22,015	9%
Plan 2	£27,295	9%
Plan 4	£27,660	9%
Plan 5	£25,000	9%
Postgraduate	£21,000	6%

This system of collection is known as Income-Contingent Repayment (ICR), because it tapers the repayment obligation according to the gross income of the account holder. The 9% repayments are unaffected by the rate of interest.

PAYE collection

SLC sends details of borrowers who are due to repay their loans to HMRC to identify them as taxpayers with current employment.

Employers should start making Student Loan deductions only when:

- they receive a Start Notice (Form SL1)
- a new employee gives them a form P45 with a 'Y' in the 'Continue Student Loan Deduction' box
- they prepare a Starter Checklist with the Student Loan ticked 'yes'.

Repayments deducted by the employer are worked out on individual pay periods and not on the total income for a whole year. The deductions are paid over together with PAYE tax and NICs deducted during the same period.

When employees leave, the employer must identify on their P45 that they are liable to make Student Loan repayments.

Under the Real Time Information (RTI) rules, employers have to report details of student loan repayments at or before the time of the relevant salary payments. HMRC will collate this information and pass it to SLC, who update their borrowers' loan accounts, including calculation of interest charges to match when the payments were made.

Employees who have queries about their loans or their liability to have repayments deducted should be advised to contact SLC direct.

Self Assessment collection

Borrowers who are not employees, but who fall under the SA system, have to send HMRC a tax return each year. Their student loan repayments will be collected through SA, along with their tax.

Employees who also receive a SA tax return may have to make some loan repayments when they make their annual balancing payment, as well as having deductions made under PAYE.

Borrowers can also make voluntary repayments direct to SLC at any time.