



MYTH BUSTING

THE STUDENT LOAN

Once you've read pages 3-5, you'll have a good idea what your student support package will look like, and will see that the majority of your support is made up of a student loan. While the idea of a loan may seem scary, it's important to understand how the student loan differs from other types of loans, and what makes it special.

DON'T NEED IT? DON'T TAKE IT!

You don't have to take the student loan, or you can elect to take less than the full amount available to you. It does make up the majority of your support package though, so you should think carefully about how you are going to get by without it.

WHERE DOES IT COME FROM?

The Student Loans Company (SLC) is a UK public sector organisation, administering student funding schemes on behalf of the government.

HOW MUCH DOES IT COST?

Unlike other forms of credit, the student loan does not have an interest rate that is designed to make the Student Loans Company money. Instead, the rate of interest is linked to inflation, making it much cheaper than commercial alternatives (like bank loans, credits cards etc.).

HOW MUCH DO YOU PAY BACK?

With interest rates linked to inflation, the amount you pay back will be about the same in real terms as the value of the amount you borrowed. For example, if you borrowed a penny to buy a sweetie from your local sweetie shop in the 1970's, but that sweetie, because of inflation, now costs 5p, you would pay back 5p.

WHEN DO YOU START PAYING IT BACK?

You do not have to start paying back your loan until the April after you graduate or leave the course. At that point, you become liable, but you do not repay anything until your income is over a set threshold. Currently, that threshold is £21K (England/Wales) or £17,775 (Scotland and NI).

HOW DO YOU PAY IT BACK?

Unlike commercial credit, you won't have to repay your loan over a fixed period. When you are earning above the threshold, your repayment amount will be based on your earnings. Someone earning £25K a year will pay back much less each month than someone earning £50K a year. You pay 9% of your income over the threshold. For example, if you are Scottish and earn £22K a year, take away the £17,775 threshold and you pay 9% of £4,225, which is £380.25 for the year, or £31.69 per month.

The SLC works with HMRC to collect your payments from your salary, in the same way that you pay tax and national insurance. If you are self-employed, HMRC will collect payments through the self-assessment system.

CAN YOU PAY IT BACK QUICKER?

You can make extra payments direct to the SLC if you want, but remember to think carefully before doing so. If you have others forms of credit, e.g. a mortgage or car loan, you are always best to pay off the most expensive debt first, which is almost never your student loan.

It's quite simple really – if you don't earn above the threshold, you are not expected to make repayments. This is the case even if you have been making repayments but your income falls.

DOES IT AFFECT YOUR CREDIT RATING?

The student loan, unlike other forms of credit, will not affect your credit rating. It won't show up on any credit check.

WILL YOU BE PAYING IT BACK FOREVER?

Probably not. There is a period of liability that starts the April after you graduate or leave the course. This ends after 25 years for students from England/Wales/NI or 35 years for those from Scotland. If you never earn above the threshold, or don't pay it all back within the period of liability, any outstanding amount is written-off.



FIND OUT MORE AT WWW.STUDENTLOANREPAYMENTS.CO.UK