

**EXPLANATORY MEMORANDUM TO**  
**THE EDUCATION (STUDENT LOANS) (REPAYMENT) (AMENDMENT)**  
**REGULATIONS 2022**

**2022 No. 301**

**1. Introduction**

- 1.1 This explanatory memorandum has been prepared by the Department for Education and is laid before Parliament by Command of Her Majesty.
- 1.2 These are composite regulations with the Welsh Ministers and these Regulations will also be laid before the Senedd Cymru.

**2. Purpose of the instrument**

- 2.1 This instrument amends the Education (Student Loans) (Repayment) Regulations 2009 (S.I. 2009/470) to maintain the repayment threshold – the income level above which Plan 2 loan borrowers are required to make repayments after leaving study – at its current level of £27,295 for financial year 2022-23.
- 2.2 The post-study interest thresholds that apply to Plan 2 loans will also be kept at their current levels for financial year 2022-23 in accord. The lower interest threshold will remain at £27,295 – to align with the repayment threshold – and the upper interest threshold will remain at £49,130.
- 2.3 Maintaining the Plan 2 repayment and interest rate thresholds at their current levels for financial year 2022-23 will help to ensure the ongoing sustainability of the student loan system.

**3. Matters of special interest to Parliament**

*Matters of special interest to the Joint Committee on Statutory Instruments*

- 3.1 None.

**4. Extent and Territorial Application**

- 4.1 The extent of this instrument is primarily England and Wales because it concerns the repayment terms in respect of loans made to borrowers ordinarily resident in England and Wales. However, the administrative work of collecting student loan repayments is managed on a UK-wide basis by the Student Loans Company (SLC), working in partnership with Her Majesty's Revenue and Customs (HMRC). This instrument thus extends to all of the UK insofar as the 2009 Regulations impose any obligation or confer any power on HMRC, an employer or a borrower in relation to repayment under Parts 3 or 4 of those Regulations, or on any other person in relation to the retention or production of information or records.
- 4.2 The territorial application of this instrument is primarily England and Wales only.

**5. European Convention on Human Rights**

- 5.1 As the instrument is subject to the negative resolution procedure and does not amend primary legislation, no statement is required.

## 6. Legislative Context

- 6.1 This instrument amends the 2009 Regulations made under section 22 of the Teaching and Higher Education Act 1998, which govern the repayment of income-contingent repayment student loans.
- 6.2 These Regulations implement the decision to maintain the Plan 2 repayment and interest rate thresholds at their current level for financial year 2022-23, giving effect to a policy announced by Minister Donelan in a Written Ministerial Statement of 28 January 2022 (UIN HCWS569).
- 6.3 Further regulations will be laid to implement the wider reforms to student finance repayment terms announced on 24 February 2022 (statement UIN HCWS630) ahead of their introduction.

## 7. Policy background

### *What is being done and why?*

- 7.1 Since 1998 Government has provided financial support for students in the form of income-contingent repayment loans, issued by the SLC, with a minimum income threshold above which repayments are required. Borrowers, once they reach their statutory repayment due date (SRDD) – that is, the end of the tax year in which either; the borrower ceases to be eligible for financial support; the borrower leaves the course; or in the case of loans in relation to part-time courses, the fourth anniversary of the course start date occurs - are required to make repayments of 9% of the portion of their income that falls above the repayment threshold. Borrowers are not required to make any repayments on their loans if their annual income (or its weekly or monthly equivalent) is below the repayment threshold.
- 7.2 Separate repayment thresholds apply to borrowers who commenced study in academic year 2011/12 or before (and who consequently received Plan 1 loans), borrowers who commenced study in the 2012/2013 academic year onwards (Plan 2 loan borrowers), and borrowers with Plan 3 loans for postgraduate study. Plan 2 loans encompass loans issued for tuition fee and living costs for full-time and part-time undergraduate courses, and also Advanced Learner Loans for further education.
- 7.3 The repayment thresholds applicable to Plan 1 and Plan 3 loans are not affected by this instrument. The deferment threshold applicable to older (pre-1998) mortgage-style loans is also unaffected.
- 7.4 This instrument amends the repayment threshold that applies to all repayments due on Plan 2 student loans for the 2022-23 financial year, such that the threshold is maintained at its current level of £27,295. Since 2018 the 2009 Regulations have provided for the repayment and interest thresholds for Plan 2 student loans to adjust annually in-line with changes to average earnings. Absent the amendments made by this instrument, the repayment threshold would rise by a further 4.6% on 6 April 2022 to £28,555. This compares to median annual earnings for young graduates (age 21-30) of £28,000 in 2020 (up from £24,500 in 2016), some £6,500 higher than their non-graduate counterparts.<sup>1</sup> Keeping the repayment threshold at its current level of

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<sup>1</sup> [Time Series for salaries by gender and different graduate types' from 'Graduate labour market statistics'. Permanent data table – Explore education statistics – GOV.UK](#)

£27,295 for the upcoming financial year will ensure that graduates continue to make a reasonable contribution to the cost of their education. It will also generate an expected £3.7bn of savings in public sector net borrowing over the period up to and including financial year 2024-25, helping to ensure the ongoing sustainability of the student loan system.

- 7.5 The terms and conditions for student loans that students must sign before any money is paid to them make clear that the conditions of the loan may change in line with the regulations that govern the loans.

What will it now do?

- 7.6 The repayment threshold for Plan 2 student loan borrowers will be maintained at its current level of £27,295 per year, as set in April 2021, until April 2023.
- 7.7 Plan 2 loans have variable interest rates. Interest is charged at a rate of RPI+3% until the SRDD is reached. After this point, the interest rate charged varies depending on the borrower's income. The lower interest threshold – below which borrowers are charged an interest rate of RPI+0% - is aligned with the repayment threshold (currently £27,295). Interest then increases on a sliding scale to RPI+3% for borrowers earning over the higher interest threshold (currently £49,130).
- 7.8 While the repayment threshold remains at its current level, the lower and upper interest thresholds will also stay at their current levels.
- 7.9 Student loan borrowers who are resident overseas are unable to repay their student loans through HMRC and so instead repay directly to the SLC through a repayment plan based on their expected income. The applicable repayment threshold for these borrowers varies according to where in the world they reside. There are seven applicable threshold bands (labelled A to G) into which borrowers are assigned based on their country of residence. Countries are divided into these bands annually by the Department for Education using World Bank Price Level Index data that compares their relative cost of living. The English repayment threshold is used as a baseline, sitting in Band E, and the other bands are calculated as a percentage of the English threshold. The same banding system is used to calculate the lower and higher interest thresholds for borrowers who are resident overseas.
- 7.10 This instrument includes provisions to keep the repayment threshold bands and lower and higher interest threshold bands for borrowers who are resident overseas at their current levels for financial year 2022-23, in line with the changes made to these thresholds for borrowers who are resident in the UK.

## **8. European Union Withdrawal and Future Relationship**

- 8.1 This instrument does not relate to withdrawal from the European Union / trigger the statement requirements under the European Union (Withdrawal) Act.

## **9. Consolidation**

- 9.1 The Department for Education does not consider that consolidation of the 2009 Regulations is necessary at this time but will keep the position under review.

## **10. Consultation outcome**

- 10.1 No formal public consultation was undertaken on this instrument. The Welsh Government were consulted in advance of the policy being announced via a Written Ministerial Statement on 28 January 2022.

## **11. Guidance**

- 11.1 SLC provides extensive guidance to borrowers on the operation of the student loan repayments system through its repayments website.<sup>2</sup> This includes: details of how student loan repayment works (including the current repayment thresholds and variable interest thresholds applicable to borrowers resident in the UK and borrowers resident overseas); the current interest rates applicable to student loans; an explanation of how borrowers can find out how much they owe and how they can make voluntary repayments; and details on how borrowers can update their personal details and contact SLC.
- 11.2 HMRC provides guidance to employers on matters relating to the collection of student loan repayments from employees.<sup>3</sup>

## **12. Impact**

- 12.1 There is no, or no significant, impact on business, charities or voluntary bodies.
- 12.2 There is no, or no significant, impact on the public sector.
- 12.3 An Impact Assessment has not been prepared for this instrument because of the low level of impact for individual businesses. The instrument will generate an expected £3.7bn of savings in public sector net borrowing over the period up to and including financial year 2024-25.

## **13. Regulating small business**

- 13.1 The legislation applies to activities that are undertaken by small businesses.
- 13.2 To minimise the impact of the requirements on small businesses (employing up to 50 people), the approach taken is to update the standard guidance provided by HMRC to all employers. This guidance will specify the repayment threshold for the Plan 2 student loans and which borrowers it will apply to.
- 13.3 The basis for the final decision on what action to take to assist small businesses is the low impact caused by this instrument, which is limited to a very minor aspect of routine payroll administration.

## **14. Monitoring & review**

- 14.1 The Department for Education, SLC and HMRC will continue to monitor the collection of student loan repayments as part of their ongoing work in this area.

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<sup>2</sup> Repayments website: <https://www.gov.uk/repaying-your-student-loan>

<sup>3</sup> HMRC guidance: [Student loan and postgraduate loan repayment guidance for employers - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/student-loan-and-postgraduate-loan-repayment-guidance-for-employers)

## **15. Contact**

- 15.1 Richard Pearson at the Department for Education (telephone: 07770492401 or email: richard.pearson@education.gov.uk) can be contacted with any queries regarding the instrument.
- 15.2 Samir Prakash, Deputy Director, Future Student Finance and Funding, at the Department for Education can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 Michelle Donelan, Minister of State for Higher and Further Education at the Department for Education can confirm that this Explanatory Memorandum meets the required standard.