

# Time For A Lecture On Loans

Topline report, prepared for:

The Money Advice Service



Prepared by:

Anthony Shephard, Amy Harrod & Andy Wright

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# Background



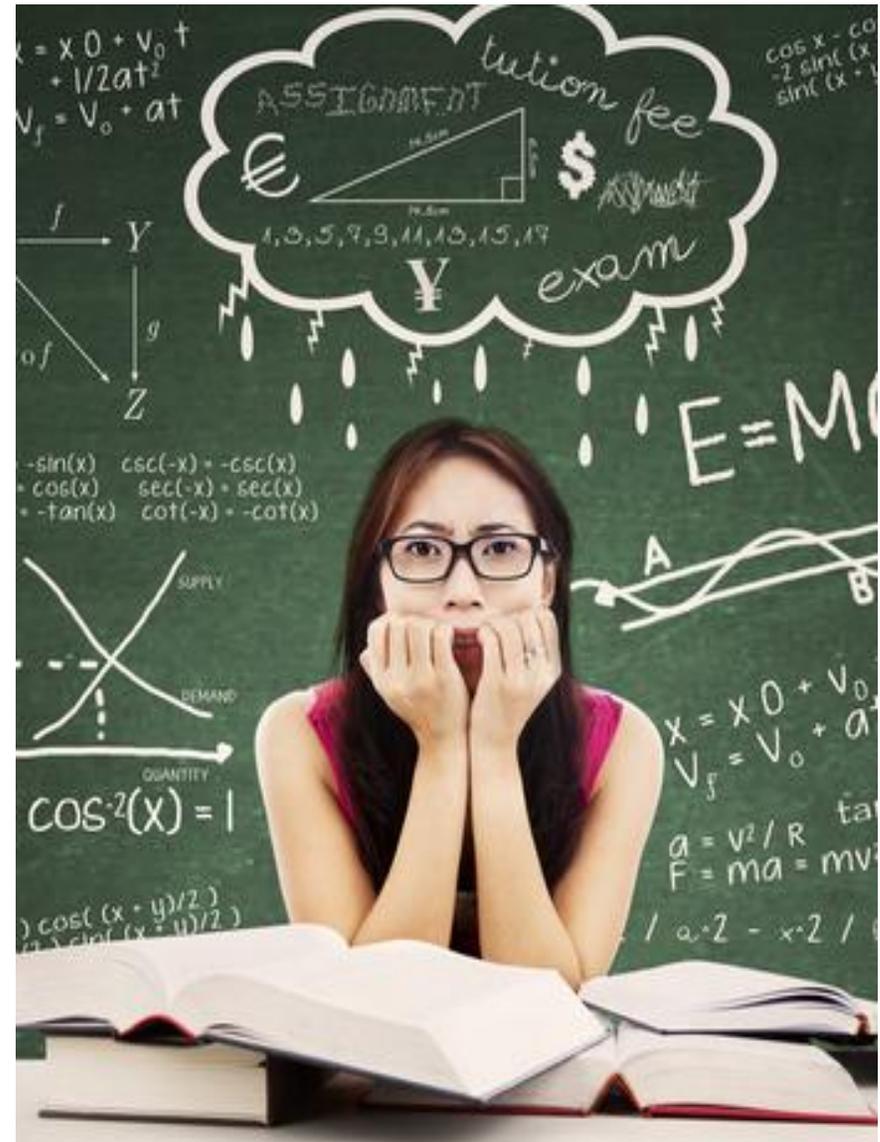
UK university tuition fees are frequently under the media spotlight following price hikes in recent years and more people than ever are taking out student loans

The main objective of this discussion was to gather insight on members attitude towards student loans and repayments

Other insight objectives included:

- Assessing attitudes towards the value of student loans
- Understanding how much members owe in student debt
- Understanding how they tackle repayment

A discussion, complemented by a poll was held on the Tell MA community:  
51 members took part in the discussion  
Leaving a total of 108 comments (many of these comments were to say the topic was not relevant to them)



# Screen grab of discussion



■ Time for a lecture on loans 3 weeks 1 hour ago

#9281



AmyH

Administrator



Posts: 338 Thank you received: 7

NOW ONLINE



When I was 18 and about to embark on leaving home for the bright lights of Liverpool and university life, I was only too happy to accept a nice big, student loan! Over ten years later and after several years in Australia, where I hoped the student loan debt collectors would have forgot I ever existed, I am still burdened with those pesky monthly repayments. At 18, I just snapped up the loan, without really considering the consequences.

So if you have paid for any further education, been to university, or have children who might / are going...

- *Did you take out a student loan when you went to university? Why/ why not?*
- *Have you taken out any other type of loan or credit to fund education? Why/ why not?*
- *If you have paid off your student loan, how long did it take you?*
- *If you have not paid it off, do you know how much more you have to pay off?*

# Insights

# UK university tuition fees are frequently under the media spotlight, following price hikes in recent years



## Student borrowing fuels rise in unsecured debt

PwC report says 4% jump in unsecured lending in 2013 can be attributed to response to sharp rise in tuition fees limit



The rise in student borrowing masks an underlying 1% fall in unsecured lending, according to the PwC report. Photograph: Barry Cronin/PA

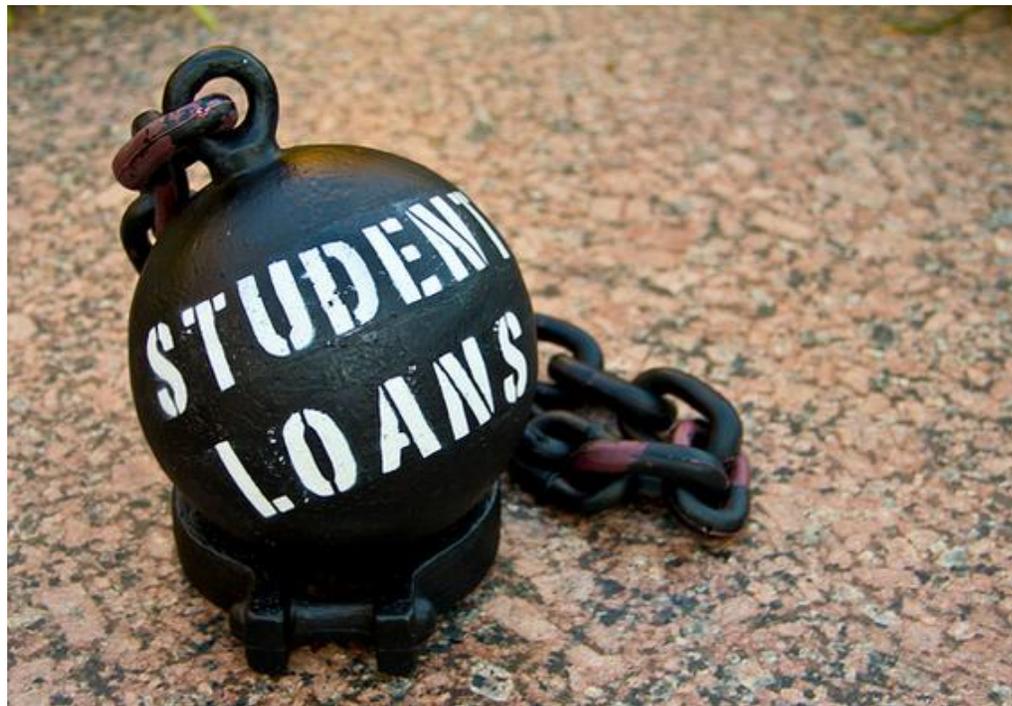
A borrowing binge by students is responsible for the sharp rise in unsecured consumer borrowing this year, according to a report from the accountancy firm PwC.

The new student tuition fees, which almost trebled to a maximum £9,000 last September, caused a 4% jump in unsecured lending to £21.6bn in 2013. But in a report, Precious Plastic 2013, PwC said the rise disguised an underlying 1% fall in unsecured lending, led by a slide in popularity for traditional forms of credit such as personal loans, overdrafts and credit cards. "The overall increase of 4% in unsecured debt does not tell the full story. Following significant changes to the way higher education is funded, almost all of this year's £8.5bn increase in

## Many Tell MA members expressed concern over student debt, particularly for their children



***I am really concerned about the amount of debt my daughter could get into. As a family who never get into any kind of debt, I would not even want an interest free loan. I just want to know what is mine is mine completely, so the idea of any amount of debt for my daughter whether it be £500 or £5,000 is a worry. I also think that starting young people off in life with huge debts just leads them to believe a life with debt is the norm.***  
(Female, 35-44)



***I do think things are harder these days in terms of the amount students have to borrow. Something needs to change to give people a decent chance at an education without the fear of being in debt.***  
(Male, 35-44)

***It must be very difficult for many students who may be still paying off student debts years after finishing their education. The burden of debt must be enormous.***  
(Female, 55-64)

***I do worry about the future and my kids taking student loans out because I want them to get a good education but do not want them saddled with debt.***  
(Male, 25-34)

***I feel sorry for students who have this debt just for trying for a better education.***  
(Female, 45-54)

## Some parents are preparing financially for their children's further education – setting up trust funds



*Even if fees were introduced for nursing, I'd still like her to go if it's what she wants. **I already have a savings plan for her to help her out** as under the current system she'd get very little grant element due to my income.*  
(Female, 25-34)

*The only way I can really prepare for my sons going to uni, if they chose to do so, is what I have been doing which is **they have trust funds so that will help as they will have a bit of money behind them.***  
(Female, 25-34)

*She has a **child trust fund** which I have been paying in to since she was about 5.*  
(Female, 25-34)



## Though there was an understanding of there being no alternatives should you want to attend university



*My son has taken out a student loan, as have almost all of his friends. **There really isn't any alternative** as the money he gets in from student finance doesn't even cover his accommodation. **I hate him starting his adult life in debt but for us there was no alternative.***

*(Female, 55-64)*

*I did take out a student loan when I went to University in 2006 as **I would not have been able to go otherwise** and I could not pay the fees and living costs without the loans.*

*(Female, 25-34)*

***It was the only way I could afford the accommodation** and the cost of textbooks along with other living costs.*

*(Female, 25-34)*

***I had to take out a student loan for the fees,** even though I stayed at home and went to the local university to avoid accommodation and living expenses.*

*(Female, 25-34)*

*Yes, I took out a loan, because **I couldn't afford to pay £3,000 a year** plus accommodation and living costs.*

*(Female, 25-34)*



# Most who went to university believed getting into debt was worth it



Due to prospects, life experience and friendship circles

Was it appropriate? I think so. **I ended up with a 2:1** and studied hard for it.  
(Female, 35-44)

The cost of university is very high but for some professions it is necessary. I can see **some courses are hugely beneficial and open doors for students** so are worth every penny.  
(Female, 35-44)

I don't think my daughter sees the loan that much of a burden but realises all her **travel and experiences whilst studying would not have been possible without the loan.**  
(Male, 44-55)

I now owe a lot more than I borrowed! **I don't regret it though I had a great time** and met some really nice friends whilst I was there.  
(Female, 25-34)



## Many were yet to hit the salary threshold for making loan repayments



*I have never reached the income threshold for paying it back and as such **don't give it much thought**, except when the annual statement comes in.  
(Female, 25-34)*

***I haven't started paying it off** but it will be out of my monthly wages when I earn enough to pay it off.  
(Female, 25-34)*



*I've not paid any of my loan yet as **I have not reached the fairly high threshold you need before you have to start paying it back**. Nothing would give me greater pleasure than earning enough so that I have to pay it off!  
(Male, 35-44)*

## The expectation was that repayments would be made for years to come



*I owe the complete loan still plus interest that builds up all the time, so about £18,000 I think. Possibly more! Could be closer to £20,000.  
(Female, 25-34)*

*I graduated 13 years ago and I still haven't paid the £6000 loan off. This is because I only worked full time for two years and then went part time, plus three maternity leaves during which time I wasn't paying it off. I think **it will take about another 5 years to pay it off and I will be forty. At the time of taking out the loan I would never have believed it would take that long to pay it off.**  
(Female, 25-34)*



*I'm still paying for my student loan and **I have a feeling I will still be paying for it in 10 years time** based on the amount I currently pay against how much is being deducted. I think the last statement I got through, £17,000 was still outstanding. I'm paying roughly £1,000 towards it and about £500 is being deducted for interest. Its not much so **it doesn't feel like that much of a burden.**  
(Male, 25-34)*

# Most viewed the loan repayment system as fair



*In the case of students they often have to **pay their interest free loans off in manageable amounts**, once they have acquired a reasonably well paid job only and I think this is reasonable in principle.  
(Female, 25-34)*

*Yes £9000 is very steep but if it is interest free and only paid off in manageable amounts after an individual earns a certain amount then **I don't think the system is flawed**.  
(Female 25-34)*

***I know that it was manageable** for me to pay it off once I was earning a decent wage.  
(Female, 35-44)*



# Though many would welcome a return to the “good old days” of student grants



*Fortunately I went at a time when the LEA gave grants otherwise I doubt I could have afforded it.  
(Female, 35-44)*

*I'll leave the reforming of the loans system to someone more intelligent than I am but I would probably **go back to the old grant system.**  
(Female, 25-34)*

*I attended when fees were much cheaper and I didn't have accommodation costs. **I feel really sorry for the students that will occur around £30000 of debt.** I think it will take virtually their whole working life to pay it off.  
(Female, 25-34)*

*Given the fact that **attending University has changed so much, I wouldn't consider taking it up at all now.**  
(Male, 45-54)*



*I think the loan at the time was a good amount and is repayable. **This was at the time when we got grants as well, I didn't borrow as much as students need to today**  
(Male, 35-44)*

*I went to University in the good old days of Student Grants, or I would never have gone at all.  
(Male, 55-64)*

# Summary

# Food for thought



- **For many, the prospect of their children going to university and getting themselves into debt at the start of their adult life was a real concern**
- **There was a general feeling of concern and pity for those attending university today and felt they would be burdened with too much debt**
- **Most Tell MA members felt that the value of student loans were too high. They would like to see more support from other sources and many look back fondly to the days of student grants**
- **Those that had student loans seem to accept them as a ‘necessary evil’ – the positives (friends / life experience / better prospects) outweighed the negatives (debt)**
- **There were no explicit comments relating to paying off student loans any quicker or making over payments**

# Case Studies

## Case study 1: Some regret at borrowing more than necessary



**I was the first year of tuition fees at a £1000, so I had to take out a student loan for the fees even though I stayed at home and went to the local university to avoid accommodation and living expenses. Over the three year degree course my fees were just over £3,000 but I borrowed £6,000. I was encouraged to take more by my parents as the interest rates were much cheaper than a bank loan and I used the rest of the money to pay for a holiday and buy a car. I graduated 13 years and I still haven't paid the £6,000 loan off. I still owe about £2000, this is because I only worked full time for two years and then went part time plus three maternity leaves during which time I wasn't paying it off. I think it will take about another 5 years to pay it off and I will be forty. At the time of taking out the loan I would never have believed it would take that long to pay it off.**

**This is of course when fees were much cheaper and I didn't have accommodation costs. I pay my loan through the Student Loan Company each month and it is taken straight out of my wages. At the time of taking out the loan, borrowing extra seemed like a good idea but in hind sight I wish I borrowed just the £3000 to cover the tuition fees. I should have saved up for a holiday and a car, because although I only pay back about £50 a month as I work part time, that £50 a month would come in handy to help pay the bills some months.**

## Case study 2: Happy with loan, but unaware of interest rates



**I did take out a Student loan when I went to university. I didn't have enough funds to pay for it out of my own pocket so I took one out. I'm still paying for my student loan and I have a feeling I will still be paying for it in 10 years time based on the amount I currently pay against how much is being deducted off it. I think the last statement I got through £17,000 was still outstanding. I'm paying roughly £1000 towards it and about £500 is being deducted for interest. I'm still just paying for it on monthly basis, it's not much so it doesn't feel like that much of a burden. I think the student loan is justified, paying the money back at the rate of inflation is not something I was aware of until a short while ago. I wouldn't do anything differently other than making myself aware I will have to pay the interest rates on it.**

# Keep in touch...

3<sup>rd</sup> Floor, 56 Princess Street  
Manchester  
UK  
M1 6HS

P +44 (0) 161 235 5270

W [www.mustard-research.com](http://www.mustard-research.com)

E [anthony.shephard@mustard-research.com](mailto:anthony.shephard@mustard-research.com)

T @MustardResearch