

British government planning privatisation of student loan debt

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A secret internal government report has revealed the plans of the Conservative-Liberal Democrat coalition to sell student loan debt to private investors. An estimated £40 billion of debt is being targeted, composed of loans to students between 1998 and 2012, according to the document seen by the *Guardian*.

The report, produced by Rothschild Investment Bank, is an expression of the ruthless manner in which ruling circles are proceeding to extract maximum profits from every area of social and economic life. The proposal is part of a broader programme of privatisations and spending cuts announced in the government's recent spending review, which included a further £11.5 billion reduction in the welfare budget to cut the UK's massive budget deficit.

An increase in interest rates on student loans would be a precondition to make the investments more attractive to private financiers, the document argued. Alternatively a so-called "synthetic hedge" could be considered, which would involve government subsidies to ensure the profits of potential investors. Currently the interest on student loans stands at the base lending rate set by the Bank of England at 0.5 percent, plus 1 percent, giving an overall interest rate of 1.5 percent. Such rates of return for investors are deemed unacceptably low.

The measures will potentially affect 3.6 million students and former students, who have taken out loans to pay for their higher education since 1998. Interest payments on their debts, which average over £40,000 for those who started their studies in 2012, could more than double. In addition, the government is considering tightening the repayment regulations to reassure investors of high returns by lowering the earnings threshold for when repayments commence from £21,000 per year to just £18,000 per year.

The move is the latest in a sustained drive to fully privatise higher education. The coalition agreed in 2010 to allow tuition fees to treble to £9,000 per year at the same time as cutting state funding to universities. It has granted licenses to private universities to open their doors, while collaborating with management across all higher education institutions to attack the pay and working conditions of academic staff and other workers in colleges and universities.

This strategy is fully shared by the opposition Labour Party. It was the government of Tony Blair which introduced tuition fees and replaced student grants with loans in 1998. A few years later, fees were increased to £3,000, and discussions began on further increases before the Brown government lost power in 2010. Under Labour, student debt levels rose sharply.

Labour has now abandoned its token show of opposition in its call for fees to be set at "only" £6,000 annually, after a report from the Institute for Public Policy Research declared that such a move would necessitate spending cuts of £1.67 billion in other areas.

It is clear that plans for the sale of the debt have been discussed for some time. The document was commissioned by the government in 2011 and made available at the end of that year. That not a single political figure has spoken out about such preparations since is testimony to the fact that they enjoy overwhelming support within the political elite.

Driving up indebtedness among students by privatising loans will hit the poorest above all. It will ensure that the British higher education system, already considered one of the most unequal and expensive in the world, will increase the speed at which it is becoming the preserve of a privileged elite.

The latest measure came just two weeks after a report in the *Times* uncovered plans to slash the £4 billion

budget used to provide support to some of the most disadvantaged students.

The aim of the new proposals is to create a lucrative source of investment for a parasitic layer of financiers who have already received billions of pounds in bailout funds after the onset of the 2008 economic crisis.

A multi-billion-pound market is to be created where huge profits can be turned whilst students will be forced into debt for their entire working lives, along the lines of the current situation in the United States. There, student loan securities have become a highly sought-after purchase on Wall Street, with speculators making fat profits at the expense of large numbers of students who will never be able to pay back their loans.

In Britain, current projections suggest that fully 40 percent of all student loans will have to be written off due to inability to pay. This is in spite of ever more aggressive efforts by the authorities to recover costs, as shown recently with news that the Student Loans Company, the body which manages the loan book, had hired private detectives to track down students from abroad who had left Britain without paying back loans.

All of the attacks launched on students have been supported by the National Union of Students (NUS), the official representative body for students, which is dominated by the Labour Party. Responding to the plans to privatise loans, NUS president Liam Burns complained about how unresponsive the government had been during negotiations and that “despite pushing them to establish in law that conditions on student loans could not be altered retrospectively the government refused and instead gave weak assurances that they had no plans to do so”.

The “weak assurances” were enough for the NUS to uncritically accept the claims of the government that their reforms to education and other areas of public services would ensure fairness and burden-sharing. In 2010, when mass student protests broke out in London against plans to cut funding support for students at colleges and against plans to increase tuition fees, the NUS leadership defended the brutality meted out by the police and denounced the “violence” of some demonstrators.

When the NUS called on students to mobilise once again in London last November to protest against the government’s education policies, only a few thousand turned out. The action was aimed at forcing the

coalition to agree to new negotiations to allow the NUS to play its part in the attacks being prepared against students.

This year’s NUS conference refused to call for the reinstatement of free education claiming “it will prop up privilege”. Nor did it demand implementation of the Education Maintenance Allowance used to support 16- to 19-year-olds and scrapped by the government last year.



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