UK student debt crisis intensifies

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Students in the UK face skyrocketing levels of debt. Many can now expect to owe more than £44,000 in tuition fee debt alone, excluding living expenses.

This is an increase of about £20,000 since tuition fees were trebled and interest charges introduced in 2012. Before, students could expect to leave university owing an average of £24,754. Now, the figure stands at £44,035, according to a study by the Institute of Fiscal Studies (IFS) and charity Sutton Trust. “The vast majority of this increase is the result of higher-fee loans to cover higher tuition fees,” the report concluded.

Graduates will be saddled with debt for decades. Most will not manage to repay their tuition fee loans until they are middle-aged. Those earning a typical graduate salary will still owe around £39,000 by the age of 40. By 50, they’ll still owe about £32,000.

“Under the old system, nearly half would have repaid their debt in full by the age of 40. Only a very small fraction—about 5%—will achieve that under the new system,” the IFS study stated.

This will mean squeezed budgets for families, who will have “to find £1,700—£2,500 a year more to service loans at a time when their children are still at school, and family and mortgage costs are at their most pressing,” said Conor Ryan, research director at Sutton Trust.

Graduates will repay a total of £66,897 on average for tuition, including interest charges and debt write-offs, the study estimates. This is £35,446 at today’s prices—an increase of £15,000 compared to the old system.

The report explained the effect on a typical teacher. They “would repay around £25,000 (in 2014 prices) in total under the old system, repaying in full by around age 40.” After the fee hike, they “will pay back around £42,000 (£17,000 more), but will still not have repaid in full by their early 50s, when they will have around £25,000 (in 2014 prices) written off.”

This is the result of the new fees system introduced by the Conservative/Liberal Democrat coalition government in 2010, which provoked mass student protests. The new system became active in 2012. The cap on tuition fees rose from £3,290 to £9,000. Students now pay an average of £8,400 per year for tuition, excluding accommodation and living expenses.

Formerly, student debt had a zero real-terms interest rate. Now, interest accrues from the first year of study at a rate of 3 per cent, which is above the rate of inflation. The coalition government also raised the repayment threshold to £21,000, paid at a rate of nine percent of salary above £15,000. They slightly extended the repayment period, too. Overall, this means almost half of graduates will have to repay more than they originally borrowed, according to the IFS.

Lower-earning graduates will pay back less overall under the new fees system because of the increased repayment threshold, the study found. This is small comfort to those struggling on low incomes despite having a degree. However, the lowest 10 percent of earners will still have to pay £3,879 on average for their education.

Even graduates in skilled jobs face increasingly difficult conditions. Astronomical tuition fees cannot be justified by highly-remunerative graduate jobs as graduate salaries are declining. Pay for professional jobs fell 11 percent in real terms between 2007 and 2012, according to official figures released this month. The financial benefit of a degree also fell by one-third since the financial crash of 2008, standing at only £6,717, adjusted for inflation.

Most graduates are predicted not to earn enough to repay their debt, the study found. Seventy-three per cent will default on their student debt, having it cancelled after 30 years. This is an increase from 32 percent under the old fee regime. The average debt write-off is estimated at £30,000.

Some have criticised the government because under the new system the state subsidy for tuition fees has actually increased. Commons committee chairman Adrian Bailey said universities face a "fiscal time bomb" because of unpaid student loans. Former universities minister adviser Nick Hillman claimed the government "got its maths wrong" when it trebled fees.

This is a smokescreen. Sky-high fees are central to the ruling class' strategy to privatise higher education.

In reality, any subsidy has been repaid through cuts to teaching grants. Last year, the government turned off the tap on teaching funding for universities in England, except for science and technology courses. Teaching budgets were cut from an average of £11,000 per student to just £460 per student in 2012. Universities were to recoup the costs by hiking tuition fees. The financial burden on students for teaching has risen 52 percent since then, according to the *Guardian* .

Higher Education Funding Council for England (HEFCE) announced further teaching budget cuts of 5.9 percent for the coming academic year. HEFCE admitted that teaching funding "is increasingly aimed at meeting the costs of teaching that cannot be covered by tuition fees alone."

The government is moving to sell off its student loans book, handing the purse-strings of the education system over to finance capital. (See: "British government planning privatisation of student loan debt").

Earlier this month, it emerged that private debt agencies are hounding graduates for unpaid loans, even though their debt had previously been written off. The *Independent* reported that graduates received letters from Erudio Student Loans, set up by Arrow Global, specialists in debt-recovery, who recently bought student debt from the government.

Industry experts warned the firm is infamous for "carpet bombing" debtors, threatening debtors with a black mark on their credit records.

Erudio aims to squeeze repayment from graduates who cannot afford to pay, some of whom took out loans as far back as 1998, when fees were first introduced by the previous Labour government.

There are reports that Erudio targets those who depend on social security benefits. "Erudio says my housing benefit, child tax credits and child benefit along with child maintenance are classed as income. If they do that I go over the threshold by £26 per month and then will be expected to pay £130 a month from my kids' money," one victim told the *Independent* .

From the start, the government reserved the right to retrospectively change the terms on student debt. There are calls for the repayment threshold to be lowered to £18,000 per year, increasing the financial burden on the lowest-paid.

The ruling class will not flinch from further fee hikes. After an interview with the universities minister, Cathy Newman of Channel 4 News said "As David Willetts was leaving the studio, I suggested it sounded like another tuition fees rise was on the way. 'Could be' was his response."

Danny Alexander, the Liberal Democrat treasury secretary, has declined to rule out rising fees after the next election. University bosses are demanding higher tuition charges, as their institutions face a financial squeeze.

Conservative Party advisers want to create criteria for students to qualify for government-backed student loans, including aptitude tests. This is an attempt to limit state education subsidies when the cap on student numbers is removed in 2015.

Speaking to the *Daily Mail*, Paul Kirby, David Cameron's former policy chief, who now works for accountants KPMG, called for universities to qualify for tuition loans only if their dropout rate is below 20 percent, disqualifying 20 out of 121 universities. He also urged a requirement that 60 percent of students should get a skilled job upon graduation, ruling out a third of universities. These measures target institutions typically attended by those from disadvantaged backgrounds.