Debt soars for students in England

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In the past two weeks, a letter authored by a British Civil Engineering graduate, Simon Crowther, and a petition launched by Alex True, a Durham Engineering student, received significant attention on social media for their criticisms of the Conservative government's tuition fee policy.

Crowther's letter drew attention to the crippling amounts of debt being accumulated by students on loans taken out to fund their studies and accommodation at university.

The letter, shared more than 17,000 times on Facebook, revealed how his student loan had grown to a total of £41,976 by the end of this March, after accruing interest of up to £180 a month. He described how he and his fellow students felt they had been "cheated by a government who encouraged many of us to undertake higher education, despite trebling the cost of attending university."

True's petition, launched a week later, echoed Crowther's concerns over ballooning interest payments. It also drew attention to the government's decision, in November of last year, to freeze the income threshold at which student loans must start being paid back—and start accruing interest—at £21,000.

The government had promised to raise the threshold with average earnings. True explained, "A retrospective change to an agreement made three years ago, when those taking out the loans were only 18, meant that my trust in the system was undermined massively. I was one of those people who deliberated a lot before going to university about the costs and the loans. It certainly wasn't in the small print."

At time of writing, the petition had received nearly 130,000 signatures, enough to trigger a debate in Parliament.

The huge and ready support for Crowther and True's criticisms is unsurprising. As the first groups of students begin to graduate under the new tuition fee system of £9,000 a year, the dire implications of the fee rises are beginning to make themselves felt.

While studying, students accrue interest on their loans at the Retail Price Index (RPI) rate of inflation plus 3 percent and this rate continues until the April after a student graduates. Under the old system, interest was only charged according to the rate of inflation. Under the new system, if RPI stays at its current rate of 1.6 percent, students like Crowther can expect to be charged interest of 4.6 percent, much higher than most mortgages and even many personal loans. For the next 30 years, graduates are charged on a sliding scale of the rate of RPI inflation once they are earning £21,000 up to RPI plus 3 percent if the student earns £41,000.

The government's retrospective freezing of the repayment threshold at £21,000 until 2021 means students must start paying interest on their loans long before they have any chance of paying them off. As a result, the average graduate will pay back an additional £3,000 more than they were expecting, with the burden falling more heavily on the poor. Those on incomes closer to the median (lower than the average) will have to pay an additional £6,000. Prior to enacting this measure, the government consulted students on the change and found 84 percent of respondents in opposition. They ignored their opinions and pressed ahead with the freeze anyway.

Responding to the students' criticisms, a spokesperson for the Department for Business, Innovation and Skills stated, "Our student funding system is fair and sustainable. It removes financial barriers for anyone hoping to study, and is backed by the taxpayer with outstanding debt written off after 30 years. … Graduates only pay back at 9 percent of earnings above £21,000 and enjoy a considerable wage premium of £9,500 per year over non-graduates."

These claims ignore the immense pressures resulting from thousands of pounds of debt hanging over individuals well into their 40s and 50s.

A study by the Sutton Trust educational charity in April found that English students were graduating with the highest levels of academic debt in the English-speaking world, at an average of £44,000. Students from the United States graduated with an average of just over £20,500, Canada £15,000, Australia £20,900, and New Zealand £23,300. For the poorest university students, hit by the recent abolition of the maintenance grant, average graduation debt was over £50,000.

Ultimately, according to a similar study conducted by the Sutton Trust and Institute for Fiscal Studies (IFS) in 2014, 45 percent of graduates will have to pay back more than they initially borrowed. The vast majority (nearly three quarters) will be unable to repay their loans in full and will remain in debt until 30 years after their graduation.

The effects of such crippling levels of individual debt on poorer students is made plain by a recent IFS report, which found that graduates from richer backgrounds earned more on average than graduates from poorer backgrounds with identical degrees. The income gap between the richest 20 percent of graduates and the remaining 80 percent was £8,000 a year for men and £5,300 a year for women.

In part, this is a reflection of the social advantages held by the rich in the form of networks of family connections, more widely available internships and the like. However, it also indicates the impact of debt on richer and poorer students, with those from disadvantaged backgrounds less able to wait for more lucrative employment opportunities and pressured to take the first jobs that come their way. The data used by the IFS was acquired throughout the years 1998-2011, before the tripling of tuition fees.

The government's guarantee that debt will be written off after 30 years, under conditions where public spending is being slashed to an unprecedented degree, simply amounts to a promise to make further assaults on workers and youth to fund a failing university policy. Under measures outlined in the recent White Paper on education, students from poorer backgrounds will be pushed out of top-tier education entirely.

The full implications of the government's tripling of tuition fees in 2010-12 are now clear. Concerns over debt have already caused a collapse in part-time university enrollment. As the scale of student loan repayments becomes known and the cost-of-living crisis bites more sharply, we can expect growing numbers of disadvantaged students to follow the same path and forego higher education altogether.

As the *World Socialist Web Site* wrote in 2011, following the vote on raising fees, "A high quality and comprehensive education will increasingly become the preserve of the wealthy elite, as the soaring costs of further and higher education will fast become prohibitive for the vast majority of working families."