UK Chancellor Sunak demands billions more be clawed back in student loan repayments

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UK chancellor Rishi Sunak's spring statement contained sweeping attacks on working-class university graduates.

The annual earnings threshold after which student loans must begin to be repaid will be lowered from £27,295 to £25,000. Loans will now be written off only after 40 years rather than 30. The move to link interest on the loan to the RPI rate of inflation, rather than RPI + 3 percent, is in effect a giveaway to the highest-earning graduates.

The changes will hit working-class youth the hardest, with the Institute for Fiscal Studies (IFS) estimating that those with lower and middle earnings will have to pay around an extra £30,000 over the duration of the loan.

Previously the repayment threshold increased in line with average earnings. Now the government has frozen the threshold at £25,000 for the next five years, meaning—under conditions where inflation is set to reach record levels—that graduates will have to spend more and more of their income on paying back their loans.

The threshold is due to start increasing again from 2027-2028 school year, but it will be indexed to RPI, rather than average earnings, meaning that future graduates will pay back a larger share of their student loans if they do manage to make gains in their salaries.

Currently only 25 percent of graduates fully repay their loans. The combination of the lengthened repayment period and the lowered threshold will increase this figure to 70 percent, according to the IFS. By their calculations, Sunak's changes will save £6 billion in 2023 and £2.3 billion each year after that.

While capping the maximum interest rate at RPI, rather than RPI + 3 percent, reduces the amount to be paid, this has a very small impact for most graduates—dwarfed by the other changes. The ones who will benefit are the highest-earning graduates, only minimally impacted by lowering the income threshold and increasing the repayment term. According to the IFS, graduates at the top of the earnings scale stand to pay back as much as £20,000 less with the new reform.

Students who have enrolled at universities since 2012 (the last time the loan system was reformed) get the worst of both worlds. They are affected by the changes in repayment thresholds starting from 2023, but they will not see the benefit from the lower interest rates. The IFS estimates middle-earning graduates in this cohort will pay £20,000 more over the course of their loans as a result. Given the current rates of inflation, interest on tuition loans for students in this group is set to soar to 12 percent next September.

Martin Lewis, who heads financial advice website Money Saving Expert, said Sunak's "plans will see most university leavers pay far more for their degrees over their lifetime than they do now. It effectively completes the transformation of student 'loans', for most, into a working-life-long graduate tax.

"The decision to extend repayments to 40 years, combined with the other measures, will leave most who start university straight after school still repaying it into their 60s."

Sunak has taken the next step in the long-prepared marketisation of higher education—transforming higher education even more into a privilege reserved for the rich—beginning with Tony Blair's introduction and initial tripling of tuition fees and David Cameron's second tripling of the cost of university education to £9,000 a year. This was done under a systemwhich initially left the government picking up the tab for billions of pounds of unpaid loans. The *Financial Times* reports, "The government has estimated that 54 per cent of student loans will never be paid back, with the current value of unpaid debt at £161bn."

But the ruling elite never had any intention of covering this cost and have since been working to shift the burden more fully onto students.

A spur has been given by the government's drive to claw back the hundreds of billions spent by the government during the first two years of the pandemic, most of it as bailouts for big business. Sunak offered a measly one-off 5p per liter fuel duty reduction and a 1 percent reduction in the basic rate of income tax from 2024 as the only sops in his brutal spring statement. The money for funding these tax cuts comes almost exclusively from increasing the burden on poorer graduates with the new student loan reform.

The student loan announcements are also an effective cut to higher education, with yearly fees capped at £9,250 and no additional government money made available. The fully realized marketised system is intended to simultaneously cut down student numbers and the range of higher education provision on offer.

Since most university funding comes from student tuition fees, and with inflation surging and predicted to rise further, the cap will put many institutions in a precarious financial position, resulting in the ditching of "unprofitable" courses and more cuts to staff pay and conditions. The *Financial Times* cited Universities UK who "calculated that by the end of the 2024 academic year, inflation would reduce the value of the annual tuition fee to £6,600 based on 2012 prices, when the fees cap trebled to £9,000."

According to the Organisation for Economic Cooperation and Development's (OECD), the UK already has the lowest share of public funding in tertiary education among member countries at 25 percent, compared with an OECD average of around two-thirds. As the government proceeds with its plans, working-class youth will be forced out of a reduced number of courses and spaces, if they can afford to even consider going to university at all.

The education unions have no fundamental opposition to any of the measures outlined by Sunak.

National Union of Students (NUS) president Larissa Kennedy said the spring statement was a "disgrace" as "Students are paying hundreds of pounds extra in energy bills, relying on foodbanks thanks to soaring inflation, and being forced to choose between heating and eating." But this bluster belies the NUS's record.

No calls were made for a fightback against the government, or the slightest opposition raised against the entire student loans system—long accepted by the NUS and the education unions. These organisations offered only token resistance to Labour's introduction and tripling of tuition fees. They demobilised major protests against their further trebling to £9,000 a year and the slashing of grants like the Education Maintenance Allowance. Today they make no calls in support of the right to universal free higher education.

This is the case even as the attacks on students are intensifying, and those from working-class backgrounds are steadily deprived of access to higher education, and at a time when university staff are fighting against an unprecedented reduction of their pensions and evisceration of their pay, terms and conditions. The NUS and University and College Union (UCU) have organised no systematic campaign against the marketisation of higher education which underlies the attacks faced by higher education students and workers alike.

The International Youth and Students for Social Equality (IYSSE) demands an end to tuition fees, to be achieved by defeating the government-driven marketisation and privatisation of the entire education system. This fight is necessarily bound up with the unified struggle of workers and student youth for socialism and the provision of high-quality education for all as a social right.