

Chile's fascistic Kast government seizes student debtors' savings accounts with aid of Boric-era laws

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The mass seizure of bank accounts from over 1,500 Chilean workers with student loan debts has laid bare the class character of the capitalist state and exposed every party of the political establishment—from the fascistic right of José Antonio Kast to the “progressive” pseudo-left of Gabriel Boric—as instruments of financial capital.

What is unfolding is not a “collection controversy” or a “legal dispute.” It is a coordinated assault by the Chilean bourgeoisie, using the coercive machinery of the Treasury (TGR), to make working people pay for a system deliberately engineered to enrich a handful of banks.

The number of debtors under the State-Guaranteed Loan System (CAE) is staggering. As of December 2025, there were 1,280,904 CAE debtors in Chile. Of these, 693,710 are currently delinquent—more than half. Some 46.4 percent have already had their collateral foreclosed or their loans accelerated. The total outstanding CAE debt reached approximately 4 trillion Chilean pesos-CLP (US\$4.4 billion) in 2025, an eightfold increase from 2018.

The TGR, under the Kast government, has launched the most aggressive collection campaign in the history of the program. The TGR reported that collections reached a record CLP\$34 billion (US\$39 million) in the first four months of 2026—a 295 percent increase over the same period in 2025. This is not routine debt recovery. This is a campaign of mass expropriation directed against working people.

Crucially, nearly half of all CAE debtors (46.7 percent) belong to the bottom two income quintiles. More than half owe less than CLP\$7 million (US\$7,700). The government claims to be targeting those earning over CLP\$ 3.5 million (US\$3,900) monthly, not a princely sum by any stretch.

However, documented cases have emerged of unemployed workers, low-income professionals, and families whose entire salaries were drained from their accounts without warning. The TGR's own data on income comes from 2025 tax returns, meaning workers whose circumstances have since deteriorated are being pursued based on outdated information.

The legal situation has been deliberately muddied in the bourgeois press to obscure a simple fact: the courts are functioning as an instrument of class rule.

On June 11, 2026, two different chambers of the Valparaíso Court of Appeals issued apparently contradictory rulings on the same day. The Fifth Chamber unanimously rejected four appeals for an injunction against the Treasury, holding that once the state guarantee on a CAE loan has been triggered, the TGR has full legal authority to pursue collection using the coercive procedures of the Tax Code, including bank account seizures.

The Third Chamber, however, reached a different conclusion in a separate case (Rol 3809-2026), accepting a debtor's protection claim and holding that the Treasury could not pursue the debt through the specific tax-enforcement route used. The court found that forcing the debtor into the tax collection system rather than ordinary civil procedures violated

equality before the law. The vote was split, with Justice Rafael Corvalán dissenting.

The dominant judicial trend has been overwhelming: 1,453 out of 1,968 protection actions—nearly 74 percent—have been declared inadmissible. The Supreme Court has rejected more than 450 appeals. The Fifth Chamber's ruling, validating the TGR's seizure powers, represents the position the judiciary is consolidating. The Third Chamber's ruling is an outlier that will almost certainly be overturned or narrowed on appeal.

What is most revealing is the procedural mechanism being used. The courts are not ruling that the TGR's actions are legal on the merits. They are ruling that the *recurso de protección*—a constitutional remedy designed to protect fundamental rights—is “not the appropriate procedural vehicle” for challenging the seizures. In plain language the courts are telling debtors that the very mechanism created by the Constitution to protect citizens from arbitrary state action cannot be used against the state when it seizes their wages. This is class justice in its purest form.

To understand the present crisis, one must understand the CAE as what it has always been: a mechanism for transferring public wealth to private banks.

The CAE was created by Law 20.027 in 2005 under Socialist Party President Ricardo Lagos. As the *World Socialist Web Site* noted: “The blueprint of the system is steeped in cynicism. Private banks issue loans to students. The state guarantees up to 90 percent of the capital plus interest in the event of default and the student shoulders decades of repayment. The banks assume virtually no risk; the state absorbs the losses; and the student bears the debt.”

Between 2006 and 2015, banks issued approximately CLP\$3.44 trillion (US\$3.76 billion) in CAE loans. A handful of institutions—Scotiabank, Banco BCI, Banco Itaú, BancoEstado, CorpBanca—dominated the lending. Twenty private institutions captured 67 percent of all CAE resources. The US-based Laureate Education group alone, through its control of Andrés Bello University, Las Américas University, and AIEP, received nearly CLP\$600 billion (US\$650 million) in CAE-linked financing.

As the research group Fundación Sol recently documented, Chile's government originally promised the banks it would repurchase (buy back) 25 percent of CAE loans at an average rate of 5.8 percent with a 6 percent markup and ultimately went far further, repurchasing more than 60 percent of CAE loans with a 25 percent markup. The TGR is now the primary collector of what was originally private debt on which the banks have already profited handsomely.

The 2011–2012 reforms: How the student rebellion was betrayed

The student rebellion of 2011 was the largest mass mobilization in Chile since the end of the Pinochet dictatorship. Hundreds of thousands of secondary school and university students took to the streets demanding free, quality public education and an end to the for-profit model.

The response of the ruling class was twofold: repression, and co-option. President Sebastián Piñera (2010-2014) responded with mounted police charges, rubber bullets, tear gas and water cannon. But it also moved to absorb the movement's energy through legislative reform. The result was Law 20.634, enacted in October 2012, which introduced Article 18 bis into the CAE law.

Article 18 bis explicitly granted the TGR authority to carry out judicial and extrajudicial collection of CAE debts held by the State, using "coercive, ordinary or executive collection procedures." It authorized the TGR to negotiate payment agreements, forgive penalties and interest under approved criteria, and even sell or assign delinquent state-held CAE credits to third parties.

This was the reform that the student movement was offered in exchange for demobilization: a reduction in the CAE interest rate to 2 percent, coupled with a dramatic strengthening of the state's collection apparatus. The pseudo-left student leaders who would later form the Broad Front—Gabriel Boric, Giorgio Jackson, and others—accepted this framework. They channeled the movement into parliamentary negotiation rather than revolutionary confrontation. The legal architecture that is now being used to seize workers' wages was built, in significant part, by the very reform that was sold to students as a "victory."

If the 2012 reforms laid the groundwork, it was Gabriel Boric's government that supplied the weapons now being deployed. Law 21.713, the so-called "Tax Compliance Law" or "anti-evasion law," was published on October 24, 2024, under Boric's administration. Boric himself hailed it as "an act of justice for Chile," declaring that "the state now has better tools to combat tax avoidance and evasion by the wealthy."

The reality is precisely the opposite. The law modified Article 170 of the Tax Code, expanding the types of assets the Treasury could target during collection proceedings. The amended provision allows embargoes to reach not only wages but also money, credits, and other monetary claims belonging to the debtor. It streamlined the TGR's authority to issue writs of execution and seizure, allowing for a more rapid, less judicially supervised process.

Boric's recent social media intervention—denouncing the "untimely emptying" of debtors' accounts and asking "where are the priorities?"—is the height of political cynicism. He promised universal CAE debt forgiveness during his 2021 presidential campaign, but failed to deliver. Instead, his government strengthened the very collection mechanisms now being used against the people who voted for him. The pseudo-left armed the state, and the fascistic right is now pulling the trigger.

The Communist Party of Chile was an integral component of Boric's Approve Dignity government from 2022 to 2026, holding ministries and providing the parliamentary votes that sustained the administration through every crisis. Its current posturing as a defender of CAE debtors through the "Protected Wages" bill, co-sponsored with the Broad Front, Socialists and Christian Democrats, is a precise illustration of this function.

The bill does not challenge the legality of the CAE debt, the legitimacy of the TGR's collection apparatus, or the banks' right to profit from student loans. It merely proposes to amend the Labor Code to clarify that the existing exemption of wages up to approximately CLP 2.3 million (US\$2,550) from seizure remains in force even after those wages are deposited into a bank account—closing a loophole the TGR has exploited by arguing that deposited funds lose their character as wages.

Having helped build that architecture in government, now offers debtors a bill that would leave the banks untouched, the debt intact, and the capitalist state's power to collect unchallenged—while creating a

parliamentary spectacle designed to convince the victims that something is being done on their behalf.

La Izquierda Diaria, the publication of the Morenoite organization the Socialist Workers Party (PTR) calls for "universal debt forgiveness without compensation to the banks," a "national strike," and funding education through "taxes on large fortunes."

While these demands sound radical, *La Izquierda Diaria's* perspective is fundamentally reformist. It appeals to the capitalist state to forgive debts and tax the rich, as if the state were a neutral arbiter that could be persuaded to act against the interests of the banks. It channels the working class back to the Broad Front, the Communist Party, and their trade union and student appendages the CUT, the Teachers' Union, and CONFECH by calling on these organizations to lead a national strike.

The International Committee of the Fourth International (ICFI) approaches this crisis from a fundamentally different standpoint. We do not appeal to the state to be "fairer" or more "proportional" in its collection practices. We do not propose reforms to make the CAE system more humane. We fight for its abolition through the revolutionary overthrow of the entire system that produced it.

The CAE is not an aberration or a policy mistake. It is a logical expression of capitalism in its imperialist stage. The banks that profited from student debt are the same banks that dominate the Chilean economy. The state that guarantees their profits and then hunts down debtors is the same state that protects the Luksic, Matte, Angelini, Piñera, and Paulmann families—oligarchic clans whose combined wealth exceeds tens of billions of dollars.

The working class must advance its own independent program:

Immediate and unconditional cancellation of all CAE debt, the Solidarity Fund, and all educational debts, without any compensation to the banks. The banks have already been paid many times over through state guarantees, interest and repurchase premiums. They are owed nothing.

Expropriation of the banks and the entire credit system. The financial institutions that engineered the CAE as a profit-making enterprise must be brought under public ownership and democratic workers' control. The resources currently channeled into debt servitude and bank profits must be redirected to social needs.

Nationalization of Chile's natural resources—copper, lithium, and other mineral wealth—under workers' control, to provide the material basis for a genuinely free, universal, high-quality public education system at all levels, alongside universal healthcare, housing and dignified employment.

The building of a mass revolutionary party, the Chilean section of the Fourth International, to lead the working class in the conquest of political power. The capitalist state cannot be reformed; it must be dismantled and replaced with a workers' state based on democratically organized councils of workers, students and the poor.

The student movement cannot afford a third cycle of illusions in the pseudo-left, after 2011 and 2019. The debtors now seeing their wages seized, their accounts emptied and their families thrown into crisis must draw the necessary conclusions. The fight against the CAE is a fight against capitalism. It can only be won through the international unity of the working class, under the banner of the Fourth International, for the United Socialist States of the Americas and the world socialist revolution.

The ICFI calls on workers, students, and youth in Chile and internationally to study our program, to break decisively with all forms of pseudo-left and nationalist politics, and to join the fight for the revolutionary transformation of society.



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