

# MoneySavingExpert

## Response to Department for Education Consultation: Lifelong Loan Entitlement

MoneySavingExpert (MSE) welcomes the opportunity to respond to this consultation.

The Lifelong Loan Entitlement (LLE) represents a significant change to the way that student finance operates in England. However, while this is the case, the current consultation does not yet contain sufficient detail in the areas most closely aligned with MSE's expertise to allow us to form a firm view of the package of measures as a whole. In our response, we therefore comment on the details where we can add more value, as well as highlight the issues where further information is needed.

This response is, as such, structured in two parts:

1. Initial comments on these proposals.
2. Outstanding areas not included in this consultation.

We look forward to working with the Department as it further develops its proposals for the LLE, in particular in the areas in section 2 below.

### **1. Initial comments on these proposals.**

#### ***Government communications should be clearer about the full impact of these plans***

The full significance of the proposals could be communicated more explicitly, and should be. The Department for Education's communication strategy around the reforms so far has very much foregrounded the modular learning elements of the LLE, but we feel it has less explicitly outlined the impact on the wider higher education setting. We recommend that the proposed changes for undergraduate degree students are given equal prominence to proposals for modular learning and access to courses in later life.

#### ***The lifelong learning account portal needs to contain information about repayments***

We have been able to form initial thoughts on the information and guidance that should be displayed in a lifelong learning account, but would like to see detailed proposals before making a more informed assessment.

As currently drafted, the account does not show any information related to how much the learner may repay. Instead, it focuses on the total value of LLE available, how much is left and how much is used. It is vital that repayment figures are also included, as this is the information that affects monthly budgeting, rather than the overall 'debt' figure, which may never be paid off.

#### ***Any means-tested element of student loans should reflect the current family landscape***

In an ideal world, means-testing would not be used to determine the amount of loan that a student receives. However, we recognise that government policy is unlikely to move to scrapping this element of the process entirely. So, we recommend instead that a full fairness assessment of the system is carried out, to ensure that the many holes in it which can cause devastating problems for students are fixed.

This includes shaping it so that it is fit for the modern family landscape. An example of a common problem is that because means-testing is based on the income of the primary household in which the student lives outside of term-time, in the case of divorced parents, a student's loan could drop substantially if a parent's new partner moves in with them during the student's time at university. The new partner's income is taken into account and we have seen examples where the student goes from the full maintenance loan to the minimum. Effectively, the system is unfairly, and unreasonably, asking the new partner to make up the difference. When this doesn't happen, it can result in the student having to leave university because of it.

As a separate issue, in 2021, the Department for Education was receptive to our call for the parental contribution to be made much clearer to students and their parents, and the Students Loans Company (SLC) has introduced changes to the letters that students receive, as well as online. We welcome these moves and recommend that this step is built on through the LLE. From the outset, any parental contribution that is implicit in the design of the LLE should be made explicit to students and their parents, whether online or offline.

Ultimately, we recognise that means-testing does not form a detailed part of this proposal. A separate evaluation should therefore be conducted to identify a fair mechanism for performing means-testing. This should run in parallel with the development of the LLE, with the objective of finding a solution fit for the modern family landscape.

### ***All faiths must be accommodated***

It is vital that students' faiths do not prevent them from accessing student finance, and therefore higher education.

In 2016, the then-Government committed to introducing Sharia compliant student finance as part of its '*Success as a knowledge economy*' white paper. However, the impact assessment published alongside this consultation paper says that the current Government is now considering "if and how" such a student finance product could be delivered.

We strongly encourage the Government to retain the previous policy of introducing a Sharia compliant student finance product so that higher education is accessible to all. This would benefit both the individual and society.

## **2. Outstanding areas not included in this consultation.**

### ***More detail needs to be given on the repayment terms that will be attached to the LLE***

There is no detail in the consultation outlining how learners will be expected to repay their LLE. This is a vital element needed to understand, and so form a view on, how the LLE is expected to work in practice.

In line with our views on the current student loan system, we ask that the Government guarantees that the terms of repayment are fixed when the learner takes out their loan and that no negative changes can be introduced later. At the very least, it should be made clear at the outset which elements of the loan are fixed and which terms could be subject to change.

Crucially, the impact on current student loans is unclear. The Government should rule out any changes to existing loans, particularly any alterations to terms and conditions which would have a negative effect on students/graduates. If any changes are intended to be made, this must be set out as a priority.

***Clarity is needed about if or how the LLE will affect learners in Wales***

The consultation says that the proposals relate to English education policy only. However, the Welsh Government has previously said that while some elements of education policy are devolved in law, they are not devolved in practice. In particular, as the Welsh Government is not responsible for the mechanics of repayment through the income tax/PAYE system or for imposing duties on employers, it said that any changes to repayment terms brought in for English students *would* affect Welsh students.<sup>1</sup>

As such, we ask for clarity on whether the proposals included in the LLE will have any impact on Welsh students, either directly or indirectly.

***How the LLE will be communicated to learners still needs to be explained***

There is currently no detail on how the Government intends to communicate these significant changes to learners.

Particularly important elements of the communication strategy include:

- how the Government will explain the repayment system;
- the detail that will be included on repayment statements sent to learners.

We recommend that the current language of ‘debt’ used to discuss student finance repayments should be replaced by new ‘graduate contribution system’ terminology. As part of this change, repayment statements should focus on explaining repayments and a predicted total cost, and the ‘total debt’ figure should be only presented as ‘the maximum amount you could ever repay’.

This proposal was supported by Dr Augar in his independent panel report in 2019. Dr Augar agreed that the current statements reinforce misperception, and further noted the ‘helpful’ work of Martin Lewis and the Russell Group in testing a new statement to emphasise the real amount a student may repay.<sup>2</sup>

We encourage the Government to take note of our work at this early stage of the LLE development process, and build its recommendations in the new system, to ensure that learners are fully informed about the real financial impact that using their LLE may have in the future.

***More information is needed on how the value of maintenance loans will be determined***

The consultation asks for input on which learners should be eligible to receive a maintenance loan, but does not explain how the value of that loan will be determined. We have heard time and time again from students that the current amount of maintenance loans is insufficient to meet their costs while at university (though some of this issue is due to the longstanding poor communication of the parental contribution element – which has only very recently been improved).

In some cases, the maintenance loan just about covers the accommodation fees, and this can leave students struggling, even with part-time jobs, help from parents, university grants or maximum loans.

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<sup>1</sup> For more information, see: Welsh Government, [‘Written Statement: Student loan repayment threshold’](#), February 2022.

<sup>2</sup> MoneySavingExpert.com, [‘Martin: Student loan statements are dangerous and misleading – so check out our redesign’](#), February 2019.

Particularly in the current cost of living crisis, including price increases across the board for rent, food and utility bills, it is vital that the Government puts in place an effective, preferably independent, measure of the real daily cost of student living and factor this in when determining loan values. This must also be re-assessed at annual intervals to ensure the maintenance loan is keeping pace with the cost of living, so that studying does not become unaffordable for those without other sources of income.

## **About MoneySavingExpert.com**

[MoneySavingExpert.com](https://www.moneysavingexpert.com) is dedicated to cutting consumers' bills and fighting their corner. The free-to-use consumer finance help resource aims to show people how to save money on anything and everything, and campaigns for financial justice. It was set up in 2003 for just £100, and its free-to-use, ethical stance quickly made it the UK's biggest independent money website, according to internet ranking site Alexa.com, and the number one 'Business and Finance – Business Information' site, according to Hitwise. It has more than 8.4 million people opted-in to receive the weekly MSE's Money Tips email, and more than 12.4 million unique monthly site users who visit more than 21.8 million times a month, including the MSE Forum, which has more than two million registered users. In September 2012, it joined the [MoneySupermarket.com](https://www.moneysupermarket.com) Group PLC.

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