Repayment Guidance

Repayment of Income Contingent Student Loans

Academic Year 21/22 – Version 3.0

Summary

This guidance applies to the repayment of student loans taken out by borrowers under the Income Contingent Repayment (ICR) scheme. The provisions for the repayment of ICR student loans are made by the Secretary of State together with the Welsh Ministers under the powers conferred by sections 22 and 42 of the Teaching and Higher Education Act 1998 (Chapter 30) and are set out in the Education (Student Loans) (Repayment) Regulations 2009 (2009/470) as amended by:

- the Education (Student Loans) (Repayment) (Amendment) Regulations 2010 (2010/661)
- the Education (Student Loans) (Repayment) (Amendment) Regulations 2011 (2011/784)
- the Education Act 2011
- the Education (Student Loans) (Repayment) (Amendment) Regulations 2012 (2012/836)
- the Education (Student Loans) (Repayment) (Amendment) (No. 2) Regulations 2012 (2012/1309)
- the Education (Student Loans) (Repayment) (Amendment) Regulations 2013 (2013/607)
- the Education (Student Loans) (Repayment) (Amendment) Regulations 2014 (2014/651)
- the Repayment of Student Loans and Postgraduate Master's Degree Loans (Amendment) Regulations 2017, (2017/831)
- The Education (Student Loans) (Repayment) (Amendment) Regulations 2019 (2019/189) and
- The Education (Student Loans) (Repayment) (Amendment) Regulation 2021 (2021/191).

The Regulations shown above are referred to as the Education (Student Loans) (Repayment) Regulations 2009 as amended or "the Regulations" in the body of this guidance, excluding Annex I and Annex J.

This guidance also provides details of the Welsh Partial Cancellation policy provisions for which are set out in the Cancellation of Student Loans for Living Costs Liability (Wales) Regulations 2021.

Additionally this guidance also covers the provisions for the repayment of ICR student loans as they are made by the Scottish Ministers in exercise of the power conferred upon them by sections 73(f), 73B, and 74(1) of the Education (Scotland) Act 1980, as found in Annex J. These provisions are set out in The Repayment of Student Loans (Scotland) 2000 (2000/110) as amended by:

- The Education (Student Loans) (Scotland) Regulations 2000 (2000/200)
- The Repayment of Student Loans (Scotland) Amendment Regulations 2001 (2001/227)
- The Student Loans (Information Requests, Maximum Threshold, Maximum Repayment Levels and Hardship Loans) (Scotland) Regulations 2005 (2005/314)
- The Education (Student Loans for Tuition Fees) (Repayment and Allowances) (Scotland) Amendment Regulations 2006 (2006/326)
- The Repayment of Student Loans (Scotland) Amendment Regulations 2007 (2007/159)
- The Employment and Support Allowance (Consequential Provisions) (No. 3) Regulations 2008 (2008/1879)
- The Repayment of Student Loans (Scotland) Amendment Regulations 2009 (2009/102)
- The Repayment of Student Loans (Scotland) Amendment Regulations 2012 (2012/22)
- The Welfare Reform (Consequential Amendments) (Scotland) (No. 3) Regulations 2013 (2013/142)
- The Education (Fees, Awards and Student Support) (Miscellaneous Amendments) (Scotland) Regulations 2013 (2013/80)
- The Education (Fees, Awards and Student Support) (Miscellaneous Amendments) (Scotland) Regulations 2016 (2016/82)

- The Education (Student Loans) (Miscellaneous Amendments) (Scotland) Regulations 2018 (2018/307)
- The Education (Fees and Student Support) (Miscellaneous Amendments) (EU Exit) (Scotland) Regulations 2019 (2019/070), and
- The Repayment of Student Loans (Scotland) Amendment Regulations 2021 (2021/008).

This guidance also details in Annex K the provisions as they relate to the repayment of ICR student loans in Northern Ireland. These provisions are set out in The Education (Student Loans)(Repayment) Regulations (Northern Ireland) 2009 (2009/128) by The Department for the Economy through the exercise of the powers conferred to them by Articles 3(2) to (5) and 8(4) of the Education (Student Support)(Northern Ireland) Order 1998. These provisions have been amended by:

- The Education (Student Loans) (Repayment) (Amendment) Regulations (Northern Ireland) 2012 (2012/136)
- The Education (Student Loans) (Repayment) (Amendment) Regulations (Northern Ireland) 2013 (2013/68)
- The Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No.2) Order 2013 (2013/1881)
- The Armed Forces and Reserve Forces Compensation Scheme (Consequential Provisions: Subordinate Legislation) (Northern Ireland) Order 2013 (2013/2021)
- The Education (Student Loans) (Repayment) (Amendment) Regulations (Northern Ireland) 2014 (2014/87)
- The Personal Independence Payment (Supplementary Provisions and Consequential Amendments) Regulations (Northern Ireland) 2016 (2016/228)
- The Education (Student Support) (No.2) (Amendment) and Education (Student Loan) (Repayment) (Amendment) Regulations (Northern Ireland) 2017 (2017/7)
- The Education (Student Support) (No.2), etc. (Amendment) Regulations (Northern Ireland) 2019 (2019/35), and
- The Education (Student Support, etc.) (Amendment) Regulations (Northern Ireland) 2021 (2021/050)

Disclaimer

This guidance is designed to assist with the interpretation of the Student Support Regulations as they stand at the time of publication. It does not cover every aspect of student support nor does it constitute legal advice or a definitive statement of the law.

Whilst every endeavour has been made to ensure the information contained is correct at the time of publication, no liability is accepted with regard to the contents and the Regulations remain the legal basis of the student support arrangements for the AY21/22. In the event of anomalies between this guidance and the Regulations, the Regulations prevail. Please note the Regulations are subject to amendment.

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Abbreviations

Abbreviation	Full Description	Abbreviation	Full Description
ALL	Advanced Learner Loan	ONS	Office for National Statistics
AY	Academic Year	OVFA	Overseas Income Assessment form
CPI	Consumer Price Index	PAYE	Pay As You Earn
CRN	Customer Reference Number	PCP	Partial Cancellation Policy
DfE	Department for Education (England)	PGCE	Postgraduate Certificate in Education
DfE NI	Department for the Economy (Northern Ireland)	PLI	Price Level Index
DL	Distance Learning	PMR	Prevailing Market Rate
EU	European Union	PT	Part Time
FE	Further Education	PTML	Part Time Maintenance Loan
FT	Full Time	RIBA	Royal Institute of British Architects
FTDL	Full Time Distance Learning	RPI	Retail Price Index
HE	Higher Education	RTI	Real Time information
HEP	Higher Education Provider	SA	Self Assessed

HMRC	Her Majesty's Revenue and Customs	SFW	Student Finance Wales
ICR	Income Contingent Repayment	SLC	Student Loans Company
IVA	Individual Voluntary Arrangement	SSN	Student Support Number
MFDS	More Frequent Data Sharing	SRDD	Statutory Repayment Due Date
MS	Mortgage Style Loan	TFL	Tuition Fee Loan
NCR	Non Compliance Rate	UK	United Kingdom
NIC	National Insurance Contribution		

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1 How ICR Loans are Repaid

The Teaching and Higher Education Act 1998 section 23 enables the Secretary of State to delegate the arrangements for the payment and repayment of student funding. SLC is appointed to exercise certain functions on behalf of the Secretary of state and can be interpreted as the "Authority" referred to in the Repayment Regulations.

ICR student loan repayments are calculated according to a borrower's income rather than the amount owed.

UK borrowers

Borrowers (of any nationality) who are in the UK tax system through either employment or self employment. For UK borrowers, SLC in conjunction with HMRC facilitate the repayment of IC student loans through the UK tax system. The student loans collections system was set up to match the existing tax system and minimise the additional burden on employers.

- Employed borrowers, when liable, and their income above the relevant repayment threshold, will repay their loans through PAYE deductions taken by their employer who in turn will repay HMRC. SLC receive PAYE repayment data from HMRC on a weekly basis. This allow for employer deductions to be updated to SLC systems on a 'pay period` basis.

- Self employed borrowers, when liable, and their income above the relevant repayment threshold, will make repayment to HMRC along with their income tax liability following completion of their tax return.

Whilst HMRC collect repayments from UK borrowers through the tax system and notify SLC of these repayments, SLC will not share loan account information with HMRC other than that a borrower has a loan, the applicable repayment threshold and when to start or stop deduction. No money passes from HMRC to SLC. Generally, the role of SLC is to administer the loan accounts, which involves processing and assessing loan applications, paying the initial principal, applying interest, processing overseas repayments and refunding overpayments, amongst other responsibilities. In the administration of student loan accounts, borrowers have a legal duty to provide accurate and up-to-date information to SLC and HMRC.

More Frequent Data Share (MFDS)

As part of HMRC's Transformation Programme, a RTI system was introduced in 2012 enabling employers to report tax and other deductions at the time the payments are made. In practice, employers now report student loan repayment information alongside tax and National Insurance Contributions on a payday by payday basis. Therefore HMRC now obtain more up-to-date, accurate data from employers rather than waiting until the end of the financial year to update their records.

As of tax year 19-20, SLC receive PAYE repayment data more frequently from HMRC which will allow for employer deductions to be updated to SLC systems on a ‘pay period` basis.

Overseas borrowers

Borrowers (of any nationality, who were eligible to take out a UK student loan) who are resident outside of the UK for 3 months or longer. Overseas borrowers are obliged to repay their loan directly to SLC.

2 Definitions

The guidance explains the repayment terms for student loans taken out under the ICR scheme. It should be noted that whilst this document refers to “plan type”, the Education (Student Loans)(Repayment) Regulations 2009 as amended do not mention plan types at all. ICR student loans are categorised as follows in this document:

- Plan 1 loans: ICR student loans for maintenance and tuition taken out by Northern Irish borrowers for undergraduate and postgraduate courses. See Annex K for detail on Northern Irish student loan repayments.

- Plan 1 loans (pre-2012 loans): ICR student loans for maintenance and tuition taken out for HE courses by English and Welsh borrowers who started a course in AY 11/12 or earlier (including in August 2012) and:

    - Completed or withdrew from the course before 1 September 2012,
    - Continued on the same course after 1 September 2012 (without a change to their mode of study), or
    - Transferred course on or after 1 September 2012 (without a change of mode of study).

- Plan 2 loans or Post-2012 loans: ICR student loans for maintenance and tuition taken out by English and Welsh borrowers for HE and FE Learning Aim/course that:

    - Started on or after 1 September 2012 (excluding Postgraduate Loans), or
    - Started before 1 September 2012 and transferred course with a change of mode of study on or after 1 September 2012. (In this case, any loans taken out after the borrower changes study mode are subject to Plan 2 repayment terms).

- Plan 3 or Postgraduate loans (PGL): ICR student loans for a contribution to costs taken out by Welsh borrowers for eligible Postgraduate Masters’ courses that started on or after 1 August 2017 and Doctoral courses started on or after 1 August 2018.

- Plan 4 loans: ICR student loans for maintenance and tuition taken out by Scottish borrowers for undergraduate and postgraduate courses. See Annex J for details on provisions for Scottish student loan repayments.

The above definitions apply to UK domiciled borrowers who studied in the UK and EU borrowers who studied in the UK.

Examples:

1) Borrower A starts a FT course on 1 September 2011 and transfers to a different FT course on 1 September 2012. Borrower A will remain under the Plan 1 loan repayment arrangements for the second course.

2) Borrower B starts a PT course on 1 September 2011 (grant only funding). They transfer to a FT course on 1 September 2012. As there has been a change of mode of study, Borrower B will come under the Plan 2 loan repayment arrangements for the second course.

3) Borrower C completes a FT degree course in June 2015 after starting the course in September 2012. Borrower C then starts a Postgraduate Master's course in September 2017. Borrower C will repay under Plan 2 arrangements for the first degree course and PGL repayment terms for the Master's course.

Note: The examples above relate exclusively to the provisions for England and Wales.

3 Statutory Repayment Due Date (England and Wales)

3.1 Plan 1 Loans

Under Regulation 15(2) of the Education (Student Loans)(Repayment) Regulations 2009 as amended, Plan 1 loans enter repayment status at the start of the tax year (6 April) following the date that the borrower withdraws from or completes the course. This date is known as the SRDD and is the date when the borrower becomes liable to start repaying their loan.

3.2 Plan 2 Loans

FT Students

Under Regulation 15(2), loans taken out by borrowers for FT or FTDL starting on or after 1 September 2012 will enter repayment status at the start of the tax year following the date that the borrower completes or withdraws from the course. However, note that no Plan 2 loan balances entered repayment status until 6 April 2016 (Regulation 15(2C)).

Examples:

1) Borrower A started a 2 year FT course in September 2012. They completed the course in June 2014. Borrower A's loan balance entered repayment status on 6 April 2016.

2) Borrower B started a 4 year FT course in September 2016. They completed the course in June 2020. Borrower B's loan balance enters repayment status on 6 April 2021.

3) Borrower C started a 3 year FT course in September 2019. Borrower C withdrew from the course in June 2020. Borrower C's loan balance enters repayment status on 6 April 2021.

Special rules apply to borrowers who are FT architecture students. For the purpose of payment of student support, Part 1 and Part 2 of RIBA courses are normally treated as a single continuous course, regardless of the start date of Part 1 of the course. However, the SRDD will be allocated as follows:

- Borrowers who started Part 1 before 1 September 2012 and go on to undertake Part 2 will normally have a single SRDD which falls at the start of the tax year following completion of or withdrawal from Part 2. (Part 1 will only be allocated a separate SRDD where the borrower does not declare an intention to go on to study Part 2, or takes a break in study between the parts which exceeds 3 years.)

- Borrowers who started Part 1 on or after 1 September 2012 and go on to undertake Part 2 will be allocated separate SRDDs for each Part. This ensures that borrowers are not charged the `in study` interest rate of RPI + 3% for Part 1 during the break between the parts (which can be up to 3 years) and during the study of Part 2. Instead, the borrower will be charged the rate of interest between RPI and RPI + 3% which depends on income during this period (see section on Plan 2 interest for further information).

Example:

Borrower A starts Part 1 of an architecture course in September 2013 and completes the course in June 2016. The borrower started Part 2 in September 2018, after having undertaken 2 years of work experience. Part 2 is a 2 year course which the borrower completes in June 2020.

Borrower A is treated as undertaking a single, continuous period of study for the purposes of payment of student support. However, Part 1 and 2 will each be allocated their own SRDD.

Loans taken in respect of Part 1 will have entered repayment status on 6 April 2017 and those taken in respect of Part 2 will enter repayment status on 6 April 2021.

PT Students

A borrower’s PT TFL will enter repayment status on whichever of the following dates occurs first:

- The start of the tax year following the borrower’s withdrawal from or completion of the course (Regulation 15(2A)(a)), or

- The start of the tax year after 4 years have elapsed since the first day of the first AY of the course (Regulation 15(2A)(b)).

Note that in either case no PT TFL taken out for a period of study which starts on 1 September 2012 or later will have entered statutory repayment status until 6 April 2016 (Regulation 15(2C)).

Where a borrower’s loans have entered repayment status and the borrower is still continuing on the same period of study (where the PT course lasts longer than 4 AYs), future tuition loan payments that are made for this period of study will enter repayment status immediately on the day they are paid.

Examples:

1) Borrower A started a 6 year PT course in September 2015. The borrower’s loan balance entered repayment status on 6 April 2020 (the start of the tax year after 4 years have elapsed since the first day of the first AY of the course). Any subsequent PT TFL payments for this course that are made after 6 April 2020 enter repayment status on the day that they are paid to the HEP.

2) Borrower B started a 6 year PT course in September 2018. The borrower withdrew from the course on 1 February 2020, by which point two TFL payments had been paid to the HEP. Borrower B’s loan entered repayment status on 6 April 2020.

3.3 Postgraduate Loans

Postgraduate Masters

Under Regulation 15(2ZA)(a) loans taken out by borrowers for a Postgraduate Masters’ course starting on or after 1 August 2017 will enter repayment status at the start of the tax year following the date the borrower completes or withdraws from the course.

No PGL Masters loan balances entered repayment status until 6 April 2019 (Regulation 15(2C)).

Examples:

1) Borrower A started a 1 year Master’s course in October 2018 and completed the course in June 2019. The borrower’s loan balance entered repayment status on 6 April 2020.

2) Borrower B started a 4 year Master's course in October 2017 and is due to complete the course in March 2021. The borrower's loan balance will enter repayment status on 6 April 2022.

3) Borrower C started a 4 year Master's course in September 2017. They withdrew from the course in May 2019. The borrower's loan balance entered repayment status on 6 April 2020.

Postgraduate Doctoral

Under Regulation 15(2ZA), loans taken out by borrowers for a Postgraduate Doctoral course starting on or after 1 August 2018 will enter repayment status on whichever of the following dates occurs first:

- The start of the tax year following the borrower's withdrawal from or completion of the course (Regulation 15(2ZA)(b)(i)) or

- The start of the tax year after 4 years have elapsed since the first day of the first AY of the course (Regulation 15(2ZA)(b)(ii)).

Note that no PGL Doctoral balances entered repayment status until 6 April 2019 (Regulation 15(2C)).

Examples:

1) Borrower A started a 4 year Doctoral course in October 2018. They will complete the course in June 2022 therefore their loan balance will enter repayment status on 6 April 2023.

2) Borrower B started a 6 year Doctoral course on 8 October 2018. Their loan balance enters repayment status on 6 April 2023 (the April following the 4th anniversary of their course start date).

3) Borrower C started a 4 year Doctoral course on 2 October 2019. They withdrew from the course on 10 January 2020 therefore their loan balance entered repayment status on 6 April 2020.

3.4 Change of mode of study and SRDD

The following rules apply where a borrower started a course before 1 September 2012 and converts from a FT course to a PT course or vice versa on or after 1 September 2012:

- Where a borrower started a FT course before 1 September 2012 and transferred to a PT course on or after 1 September 2012:

    - The loan taken for the FT course entered repayment status on 6 April of the tax year following the date of transfer to the PT course.

- The loan taken for the PT course entered repayment status at the start of the tax year after 4 years had elapsed since the first day of the first AY of the borrower's period of study.

Note that Plan 2 loans did not enter repayment status until 6 April at 2016 at the earliest.

- Where a borrower started a PT course before 1 September 2012 and transferred to a course on or after 1 September 2012:
    - No loan funding was available for PT courses that started prior to 1 September 2012.
    - The loan taken for the FT course enters repayment status at the start of the tax year following completion of or withdrawal from the course.

The following rules apply where a borrower starts a course on or after 1 September 2012 and converts from a FT course to a PT course or vice versa:

- Where a borrower starts a FT course and transfers to a PT course:
    - The borrower's SRDD is determined by the PT repayment rules and using the start date of the first AY of the PT course (Regulation 15(2B)(a)).
    - The loan will enter repayment at the start of the tax year after 4 years have elapsed since the first day of the first AY of the course or the start of the tax year after the borrower completes or withdraws from the course, whichever is the earlier.

- Where a borrower starts a PT course and transfers to a FT course prior to the PT SRDD:
    - The loan will enter repayment at the start of the tax year following the borrower's completion of, or withdrawal from, the FT course the borrower transferred to (Regulation 15(2B)(b)).

- Where a borrower starts a PT course and transfers to a FT course after the PT SRDD:
    - The loan will already be in repayment status and any further loan payments to the borrower will enter repayment status as soon as they are made (Regulation 15(2B)(C)).

To summarise:

Change of Circumstance	**SRDD**
FT to PT	Move to the PT SRDD
PT to FT before the PT SRDD	Move to the FT SRDD
PT to FT after the PT SRDD	Remain as the PT SRDD (as the borrower is already in repayment)

3.5 Multiple Changes of Mode of Study

Where a borrower changes mode of study more than once, the mode of study of their current course will determine their SRDD, unless the borrower has studied PT and has already passed the PT SRDD (see table above). In that case, all future loan payments will enter repayment status as soon as they are paid, even if the borrower subsequently changes mode to FT study.

Example:

Borrower A started a 4 year FT course in September 2016. They changed study mode to PT in their 2nd year of study and then change again to FT for the final year of study:

- AY 16/17 - FT
- AY 17/18 - PT
- AY 18/19 - PT
- AY 19/20 - PT
- AY 20/21 - PT
- AY 21/22 - FT

All of the borrower’s loans will enter repayment at the start of the tax year after 4 years have elapsed since the first day of the first AY of the course (in this case 6 April 2021) as the borrower transferred from the FT to a PT course. All the future loan payments will enter repayment status as soon as they are paid, even if, as in this example, the borrower switches mode again to FT.

3.6 PGCE option

Under Regulation 16(3), where a borrower has a Plan 1 or Plan 2 ICR loan for a postgraduate initial teacher training (ITT) course, and is also repaying MS loans, the borrower is not required to repay the ICR loan simultaneously. The borrower must notify SLC that they do not wish to repay the ICR loan. Note that if the borrower defers repayment of their MS loans or goes into arrears on their MS loan, they will be required to begin repaying the ICR loan balance (assuming their income is above the ICR repayment threshold).

4 Repayment Threshold (England and Wales)

A borrower will only make repayment if their income is above the repayment threshold relevant to their pay period. If their income falls below the relevant threshold then the borrower is not required to make repayments. There is no discretion in the Regulations to allow repayments to stop for financial hardship if the borrower is earning above the repayment threshold.

4.1 UK Borrowers – Plan 1 Loans

From April 2012 the statutory repayment threshold for Plan 1 loans increases by RPI at the start of every tax year (Regulation 29(7)(b)). Plan 1 borrowers repay 9% of income above this threshold (Regulation 44(1)).

Regulation 29(7)(b) provides that the RPI rate is taken as the percentage increase between the retail prices all items index published by the ONS for the two Marches immediately before the commencement of the previous tax year. This rate is held on the ONS website:

https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/december2020

The repayment threshold for Plan 1 loans in tax year 21-22 is:

- £19,895 per year
- £1,657.91 per calendar month
- £382.59 per week

Plan 1 borrowers repay 9% of income above the repayment threshold related to their pay period (Regulation 44(1)).

See Annex A for full details of historical UK Plan 1 repayment thresholds from tax year 12-13.

4.2 UK Borrowers – Plan 2 Loans

The statutory repayment threshold for Plan 2 loans is adjusted at the start of each tax year in line with the percentage difference in average earnings (Regulation 29(8)(b)).

The repayment threshold for Plan 2 loans in tax year 21-22 is:

- £27,295 per year
- £2,274.58 per calendar month
- £524.90 per week

Plan 2 borrowers repay 9% of income above the repayment threshold related to their pay period (Regulation 44(1)).

See Annex C for full details of historical UK Plan 2 repayment thresholds from tax year 16-17.

The definition of income or earnings that is used to calculate repayments is as follows:

- PAYE borrowers: the figure that employers use to calculate the weekly/monthly deductions from salary, i.e. earnings that attract employer (secondary) Class 1

National Insurance Contributions (NICs) (commonly known as `NICable income`) (Regulations 41 and 45(1)).

- SA borrowers who are required to complete an annual tax return: the gross annual income for tax purposes (Regulation 29(4)).

- Overseas borrowers: the borrower's total annual income for tax purposes in their country of residence (Regulation 75(4)). (Note that UK income will not be included in an overseas income assessment and it is for SLC to determine what the total income is for the purposes of calculating the repayment schedule.)

Note that these income definitions will also be used for the purpose of calculating interest rates. In order to facilitate interest calculation in the case of PAYE borrowers, HMRC will provide SLC with NICable income figures for these borrowers.

4.3 UK Borrowers – Postgraduate Loans

The repayment threshold for PGL in tax year 21-22 is:

- £21,000 per year (Regulation 29(8A))
- £1,750 per calendar month
- £403.84 per week

PGL borrowers repay 6% of income above the repayment threshold related to their pay period (Regulation 44(1)).

The repayment threshold for PGL will remain at £21,000 until further notice.

The definition of income that is used to calculate PGL repayments is as per policy for Plan 1 and Plan 2 loans:

- PAYE borrowers: the figure that employers use to calculate the weekly/monthly deductions from salary, i.e. earnings that attract employer (secondary) Class 1 National Insurance Contributions (NICs) (commonly known as `NICable income`) (Regulation 41).

- SA borrowers who are required to complete an annual tax return: the gross annual income for tax purposes (Regulation 29(4)).

- Overseas borrowers: the total annual income for tax purposes a borrower is likely to receive in their country of residence (Regulation 75(4)). Note that UK income will not be included in an overseas income assessment and it is for SLC to determine what the likely total income is for the purposes of calculating the repayment schedule).

Examples:

1) Borrower A has a PGL balance that is in repayment status. They do not have any other outstanding student loan balances. The borrower has an annual income of £30,000 and is paid monthly. Their monthly income is £2,500.

   The monthly PGL repayment threshold in tax year 21-22 is £1,750. Borrower A repays 6% of their income above this threshold therefore they repay £45 a month to their PGL.

4.4 Overseas borrowers – Plan 1 Loans

Part 5 of the Regulations sets out repayment terms for borrowers who are not resident in the UK for income tax purposes. “Residence” for the purposes of Part 5 has the same meaning as the `Taxes Acts` under Regulation 71.

Borrowers are required to notify SLC where their period of residence outside the UK exceeds 3 months (Regulation 72(1)). Where this is the case, the borrower is treated by SLC as an overseas borrower and must provide SLC with evidence of their income or how they are supporting themselves financially during the period abroad (Regulation 72(2)). Borrowers can do this by using the ‘update your employment details’ service available online at https://www.gov.uk/repaying-your-student-loan/update-your-employment-details or by completing the OVFA and returning it by post to SLC with evidence of their income or means of support.

The monthly repayment amount due is 9% of gross earnings over a threshold applicable to that particular country (Regulation 75(4)) and determined according to that country’s PLI. Regulation 76(3) provides that data from the World Bank is used to calculate PLI. To take into account differences in living costs, the repayment threshold in a foreign country will not nessessarily be the same as in the UK. Where this data is not available, the Authority may determine that the applicable threshold or fixed instalment for a borrower is to be that for a country other than the borrower’s present country of residence.

Overseas thresholds are calculated from the most recent externally published World Bank data. This data provides a measure of the differences in the general price levels of countries, and therefore represents a relative cost of living between countries and enables fair thresholds to be set.

See Annex B for full details of Plan 1 overseas repayment thresholds.

Under Regulation 76(1A), the overseas statutory repayment threshold are adjusted by RPI annually at the start of each tax year. The RPI rate is taken as the percentage increase between the retail prices all items index published by the ONS for the two Marches immediately before the commencement of the previous tax year.

Overseas borrowers who are in repayment status and whose annual overseas repayment schedule spans more than 1 tax year will therefore see their repayment amended twice each year:

- The monthly repayment amount due will be set at the start of the overseas repayment period (Regulation 75(1)) and thereafter amended annually when the overseas borrower completes a new overseas assessment form and the new overseas assessment period starts, and

- The monthly repayment amount due will also be amended on 6 April each year in order to take account of the annual amendment to the overseas repayment thresholds and any change to the repayment threshold applicable to the borrowers country of residence during their current overseas income assessment period.

Note that annual changes to currency exchange rates are not applied to overseas borrowers during their current overseas income assessment period.

Example:

> Borrower A has a Plan 1 loan balance and advises SLC in September 2021 that they are living in Austria and earning a salary of 50,000 Euros. Their salary is converted to UK pounds using the most recent annual average rate available from HMRC of £1 = 1.128925Euro (average rate from HMRC for the year to 31 December 2020), giving an annual income figure of £44,289.92. The annual repayment threshold applicable to Austria in September 2021 (Band E) is £19,895. Using this threshold, the repayment amount due is £2,195.54 per annum, payable at £182 per month (rounded down to the nearest £ as per Regulation 44(3)). However, from April 2022, Borrower A's repayment will be adjusted to take account of any change to the repayment threshold for Austria.

Fixed monthly instalments are due when a borrower is not in the UK Tax System and does not provide evidence of residence and/or income (Regulation 73(2)). These rates are available at Annex B.

SLC are instructed that the average annual exchange rate for the most recent calendar year available from HMRC will be used to convert income to sterling from foreign currencies. Note that this is not specified in Regulations. Visit HMRC's website at https://www.gov.uk/government/collections/exchange-rates-for-customs-and-vat

4.5 Overseas borrowers – Plan 2 Loans

Regulation 76(1) provides that the overseas statutory mandatory repayment thresholds are effective from 6 April 2016 for Plan 2 loans.

Under Regulation 76(1AA), the overseas statutory repayment thresholds are adjusted annually on 6 April each year in line with the percentage difference in average earnings.

See Annex D for full details of Plan 2 overseas repayment thresholds.

Fixed monthly instalment rates are applied when a borrower is not in the UK Tax System and does not provide evidence of residence and income (Regulation 73(2)). Fixed monthly instalment rates for Plan 2 loan balances (Regulation 76(1)) are listed at Annex D.

Where a borrower who is paying fixed monthly instalments has Plan 1 and Plan 2 loans that are both in repayment status, the Plan 1 fixed monthly instalment amount will apply. The amount repaid will be split across the Plan 1 and Plan 2 balances as per repayments that are based on income.

Example:

> A borrower who has Plan 1 and Plan 2 loans in repayment makes a fixed monthly repayment of £246. The repayment thresholds for tax year 21-22 are £19,895 (Plan 1) and £27,295 (Plan 2). 9% of income between the threshold is £666. A monthly amount of £55.50 (£666 / 12) is applied to the Plan 1 balance and the remainder of the fixed repayment (£246 - £55.50 = £190.50) is applied to the Plan 2 balance.

SLC are instructed that the average annual exchange rate for the most recent calendar year available from HMRC will be used to convert income to sterling from foreign currencies. Note that this is not specified in Regulations. Visit HMRC's website at https://www.gov.uk/government/collections/exchange-rates-for-customs-and-vat

4.6 Overseas borrowers – Postgraduate Loans

Regulation 76(1) provides that the overseas statutory mandatory repayment thresholds were effective from 6 April 2019 for PGL.

See Annex F for full details of PGL overseas repayment thresholds.

Fixed monthly instalment rates are applied when a borrower is not in the UK Tax System and does not provide evidence of residence and income (Regulation 73(2)(a)(b)). Fixed monthly instalment rates to be applied to PGL balances (Regulation 76(1) are listed at Annex F.

SLC are instructed that the average annual exchange rate for the most recent calendar year available from HMRC will be used to convert income to sterling from foreign currencies. Note that this is not specified in Regulations. Visit HMRC's website at https://www.gov.uk/government/collections/exchange-rates-for-customs-and-vat

4.7 UK and Overseas borrowers - Multi-Plan

Where a borrower is repaying loan balances under a combination of Plan 1, Plan 2 and/or Plan 4 then repayment instalments will be calculated on income above the lowest applicable repayment threshold.

Where a borrower has a PGL balance and also has a Plan 1, Plan 2, and/or Plan 4 loan balance in repayment status, repayments taken for the PGL balance will be calculated and deducted independently of any other repayment due. Therefore a borrower may be making a repayments to their PGL balance and to their Plan 1, Plan 2, and/or Plan 4 loan balance(s) simultaneously. This applies whether the borrower is making repayments based on income, or fixed repayments where income cannot be determined.

HMRC will advise employers of the correct repayment threshold(s) for each borrower depending on whether they have Plan 1, Plan 4, Plan 2 or PGL loans in repayment status or a combination thereof:

Loan types in repayment status	**Threshold(s) applied to borrower**			
	Plan 1	**Plan 2**	**Plan 4**	**PGL**
Plan 1 only	✓			
Plan 2 only		✓		
Plan 4 only			✓	
PGL only				✓
Plan 1 and Plan 2	✓			
Plan 1 and Plan 4	✓			
Plan 2 and Plan 4			✓	
Plan 1 and PGL	✓			✓
Plan 2 and PGL		✓		✓
Plan 4 and PGL			✓	✓
Plan 1, Plan 2 and Plan 4	✓			
Plan 1, Plan 2 and PGL	✓			✓
Plan 1, Plan 4 and PGL	✓			✓
Plan 2, Plan 4 and PGL			✓	✓
Plan 1, Plan 2, Plan 4 and PGL	✓			✓

Example:

1) Borrower A has a Plan 2 balance that is in repayment status. They also have a PGL balance that is in repayment status. Borrower B has an annual income of £30,000 and is paid monthly. Their monthly income is £2,500. As the borrower has both a Plan 2 and a PGL they will repay both concurrently.

   The monthly Plan 2 repayment threshold in tax year 21-22 is £2,274.58. Borrower A repays 9% of their income above this threshold therefore they repay £20 a month to their Plan 2 loan.

   The monthly PGL repayment threshold in tax year 21-22 is £1,750. Borrower A repays 6% of their income above this threshold therefore they repay £45 a month to their PGL.

   Borrower A repays a combined amount of £65 to their Plan 2 loan and PGL each month.

5 Repayment Allocation (Scheduled Repayments)

Where a borrower has a loan balance which is subject to only one set of repayment terms (Plan 1, Plan 2, Plan 4 or PGL), any loan repayments made are split across all outstanding loans. The repayment amount is split proportionally according to the outstanding balance of each Maintenance Loan or TFL. Note, however that where a borrower has loans that are in repayment status and also loans that are not in repayment status, repayments are allocated to the loans that are in repayment status only.

5.1 Repayment allocation – Date of Repayment

5.1.1 Date of Repayment – Employed borrowers

HMRC report student loan deductions taken by employers via PAYE that relate to tax year 19-20 or later to SLC on a weekly basis. This will include all pay period deductions reported during the previous week detailing the amount and date each deduction was made by an employer. SLC will allocate repayments to a borrower's loan account to reflect the date and amount advised by the employer via HMRC.

Example:

> Borrower A is paid on the 20th of each month. Based on their income Borrower A's employer makes a student loan deduction of £80 from their monthly salary and report this to HMRC. HMRC inform SLC how much was deducted from Borrower A's salary, including the date the deduction was taken, when they receive it from the employer each month. When SLC receive this notification the repayment is applied to Borrower A's student loan on the 20th of the month as advised by HMRC.

Note that repayments that relate to any tax year prior to tax year 19-20 will continue to be reported by HMRC and allocated to the borrowers loan account under the existing annual P14 process.

In year repayment adjustments
From tax year 19-20 onwards HMRC will report in-year repayment adjustments to SLC throughout the tax year. In-year adjustments can be made by either an employer or HMRC to correct an earlier error in reporting. Depending on the amendment being made an in-year adjustment can be a positive or negative value.

In cases where an adjustment has been reported HMRC will send the in-year adjustment to SLC. The adjustment will be allocated to the borrower's account on the date as specified by HMRC (Regulation 17(ca)(ii)). The student loan deduction year to date figure will be amended from the date the adjustment was allocated to account for the adjustment.

Examples:

1) Borrower A is paid monthly and has student loan repayments deducted from their salary each month.

In November Borrower A’s employer reports an in-year positive adjustment. The date of adjustment is reported to HMRC as 20th November. On receipt of the adjustment from HMRC SLC apply the payment to Borrower A’s loan on the 20th November as reported by HMRC.

2) Borrower B is paid monthly and has student loan repayments deducted from their salary each month.

   In December Borrower B’s employer reports an in-year negative adjustment. The date of adjustment is reported to HMRC as 10th December. SLC allocate the negative adjustment to remove the erroneous amount from Borrower B’s loan with a transaction date of 10th December as reported by HMRC.

End of year adjustments
HMRC will send SLC an end of year summary for each employed borrower to confirm the total amount of repayments made within the tax year. Where there is a difference between the in year repayments previously reported to SLC and the total end of year repayment the difference will be applied to the borrower's account as an end of year adjustment. SLC will allocate the end of year adjustment on the last day of the tax year that the adjustment relates to.

Where a borrower has multiple employers then HMRC will send a separate end of year summary for each employer.

Note that an end of year adjustment value can be either positive or negative.

5.1.2 Date of Repayment – Self-assessed borrowers

SA borrowers repay their loan through completion of their SA tax return. Where HMRC notify SLC of an SA repayment it will be allocated to the borrowers account on 31 January following the tax year for which the SA repayment is in respect of (Regulation 17(b)).

5.2 Repayment allocation – Single plan

Where a borrower has a loan balance which is subject to only one set of repayment terms (Plan 1, Plan 2, Plan 4 or PGL), any loan repayments made are split across all outstanding loans. The repayment amount is split proportionally according to the outstanding balance of each Maintenance Loan or TFL. Note, however that where a borrower has loans that are in repayment status and also loans that are not in repayment status, repayments are allocated to the loans that are in repayment status only.

5.3 Repayment Allocation - Multi Plan

Where a borrower has loan balances under more than one plan type* repayment instalments will be allocated across loan balances in accordance with Regulation 18A and as set out below.

*Note: Multi-plan allocation is only applicable to Plan 1, Plan 2 and Plan 4 loans. PGL drawn down from England or Wales are repaid separately and are allocated to borrower accounts as a separate repayment.

5.3.1 Repayment allocation – Multi plan – Employed borrowers

Where the borrower is employed and makes repayments through PAYE deductions taken by their employer then allocation across plan types will be on a calendar month basis. This will be determined by calculating a maximum amount of repayment that can be allocated to the plan type with the lowest repayment threshold in each calendar month:

1. **Plan 1 and Plan 2**

Borrowers with a Plan 1 loan and a Plan 2 loan will have PAYE repayments allocated as follows:

(Plan 2 annual threshold/12 – Plan 1 annual threshold/12) x 9%, e.g. (£2,274.58 - £1,657.91) x 9% = £55 (rounded down)

Repayments up to that value (i.e. £55 in the example) will be allocated to Plan 1 each month and any remaining repayment will be allocated to Plan 2. If the monthly repayment amount is less than or equal to the maximum repayment that can be allocated to Plan 1, i.e. £55, then repayments will only be allocated to the Plan 1 loan balance.

Examples:

1) **Standard Monthly Repayments**
   Borrower A has dual Plan 1 and Plan 2 loans, both of which are in repayment. They have an annual income of £30,000 and are paid monthly via PAYE. Their monthly income is £2,500.

   The monthly Plan 1 repayment threshold is £1,657.91. Borrower A repays 9% of their monthly income above this threshold. This works out as a repayment of £75 per month.

   The maximum repayment that can be applied to Borrower A's Plan 1 loan in a calendar month is £55. Any additional repayment above this is applied to their Plan 2 loan.

Month	Repays	Plan 1	Plan 2
Month 1	£75	£55	£20
Month 2	£75	£55	£20
Month 3	£75	£55	£20
Month 4	£75	£55	£20
Month 5	£75	£55	£20
Month 6	£75	£55	£20
Month 7	£75	£55	£20

Month 8	£75	£55	£20
Month 9	£75	£55	£20
Month 10	£75	£55	£20
Month 11	£75	£55	£20
Month 12	£75	£55	£20
Total	**£900**	**£660**	**£240**

2) Monthly Repayments – Fluctuation In Income

Borrower B has dual Plan 1 and Plan 2 loans, both of which are in repayment. They are paid monthly via PAYE but don't have a fixed annual salary. Their monthly income fluctuates which means their monthly student loan repayments differ.

The monthly Plan 1 repayment threshold is £1,657.91. Borrower A repays 9% of their monthly income above this threshold.

The maximum repayment that can be applied to Borrower A's Plan 1 loan in a calendar month is £55. Any additional payment above this is applied to their Plan 2 loan.

In any month where Borrower A's repayment is £55 or less, repayments will not be allocated to Plan 2.

Month	Income	Repays	Plan 1	Plan 2
Month 1	£2,300	£57	£55	£2
Month 2	£2,100	£39	£39	£0
Month 3	£1,900	£21	£21	£0
Month 4	£2,300	£57	£55	£2
Month 5	£1,900	£21	£21	£0
Month 6	£2,300	£57	£55	£2
Month 7	£2,600	£84	£55	£29
Month 9	£2,600	£84	£55	£29
Month 10	£1,600	£0	£0	£0
Month 11	£2,300	£57	£55	£2
Month 12	£2,300	£57	£55	£2
Total	**£24,200**	**£534**	**£466**	**£68**

3) Weekly Repayments - Standard

Borrower C has dual Plan 1 and Plan 2 loans, both of which are in repayment. They have an annual income of £29,328 and are paid weekly via PAYE. Their weekly income is £564.

The weekly Plan 1 repayment threshold is £382.59. Borrower C repays 9% of their monthly income above the threshold. This works out as a repayment of £16 per week.

Weekly repayments are allocated to their Plan 1 loan up to a calendar month capped threshold of £55. Once £55 has been allocated to their Plan 1 loan within a calendar month any additional repayments for that month are allocated to their Plan 2 loan.

Month 1	**Repays**	**Plan 1**	**Plan 2**
Week 1	£16	£16	£0
Week 2	£16	£16	£0
Week 3	£16	£16	£0
Monthly Total	**£48**	**£48**	**£0**

Month 2	**Repays**	**Plan 1**	**Plan 2**
Week 4	£16	£16	£0
Week 5	£16	£16	£0
Week 6	£16	£16	£0
Week 7	£16	£7	£9
Week 8	£16	£0	£16
Monthly Total	**£80**	**£55**	**£25**

Month 3	**Repays**	**Plan 1**	**Plan 2**
Week 9	£16	£16	£0
Week 10	£16	£16	£0
Week 11	£16	£16	£0
Week 12	£16	£7	£9
Monthly Total	**£64**	**£55**	**£9**

2. Plan 1 and Plan 4

Borrowers with a Plan 1 loan and a Plan 4 loan will have PAYE repayments allocated as follows:

(Plan 4 annual threshold/12 – Plan 1 annual threshold/12) x 9%, e.g. (£2,083.33 - £1,657.91) x 9% = £38 (rounded down).

Repayments up to that value (i.e. £38 in the example) will be allocated to Plan 1 each month and any remaining repayment will be allocated to Plan 4. If the monthly repayment amount is less than or equal to the maximum repayment that can be allocated to Plan 1, i.e. £38, then repayments will only be allocated to the Plan 1 loan balance.

Examples:

1) Monthly Repayments – Plan 1 and Plan 4

Borrower D has Plan 1 and Plan 4 loans, both of which are in repayment. They have an annual salary of £30,000 and is paid monthly via PAYE. Their monthly salary is £2,500.

The lowest monthly repayment threshold is Plan 1 which is £1,657.91. Borrower D repays 9% of their monthly income above this which works out as a repayment of £75 per month.

The maximum repayment that can be applied to Borrower D's Plan 1 loan in a calendar month is £38. Any additional repayment above this is applied to their Plan 4 loan.

This means £38 is allocated to their Plan 1 loan and £37 is allocated to their Plan 4 loan.

Month	Repays	Plan 1	Plan 4
Month 1	£75	£38	£37
Month 2	£75	£38	£37
Month 3	£75	£38	£37
Month 4	£75	£38	£37
Month 5	£75	£38	£37
Month 6	£75	£38	£37
Month 7	£75	£38	£37
Month 8	£75	£38	£37
Month 9	£75	£38	£37
Month 10	£75	£38	£37
Month 11	£75	£38	£37
Month 12	£75	£38	£37
Total	**£900**	**£456**	**£444**

2) Weekly Repayments – Plan 1 and Plan 4

Borrower E has dual Plan 1 and Plan 4 loans both of which are in repayment. They are paid weekly via PAYE. Their weekly salary is £650.

The weekly Plan 1 income threshold is £382.59. Borrower E repays 9% of their weekly income above the threshold which works out as a repayment of £24 per week.

Weekly repayments are allocated to their Plan 1 loan up to a maximum repayment amount of £38 per calendar month. Once £38 has been allocated to the Plan 1 loan within a calendar month any additional repayments for that month are allocated to the Plan 4 loan.

Month 1	Repays	Plan 1	Plan 4
Week 1	£24	£24	£0
Week 2	£24	£14	£10
Week 3	£24	£0	£24
Week 4	£24	£0	£24
Monthly Total	**£96**	**£38**	**£58**

Month 2	Repays	Plan 1	Plan 4

Week 1	£24	£24	£0
Week 2	£24	£14	£10
Week 3	£24	£0	£24
Week 4	£24	£0	£24
Week 5	£24	£0	£24
Monthly Total	**£120**	**£38**	**£82**

3. Plan 2 and Plan 4

Borrowers with a Plan 2 loan and Plan 4 loan will have repayment of loans allocated as follows:

(Plan 2 annual threshold/12 – Plan 4 annual threshold/12) x 9%, e.g. (£2,274.58 - £2,083.33) x 9% = £17 (rounded down).

Repayments up to that value (i.e. £17 in the example) will be allocated to Plan 4 each month. Any remaining repayment will be allocated to Plan 2.

Examples:

1) Monthly Repayments – Plan 2 and Plan 4

Borrower F has Plan 2 and Plan 4 loans, both of which are in repayment. They have an annual salary of £30,000 and is paid monthly via PAYE. Their monthly salary is £2,500.

The lower monthly repayment threshold is Plan 4 which is £2,083.33. Borrower F repays 9% of their monthly income above this which works out as a repayment of £37 per month.

The first £17 of the monthly repayment is applied to the Plan 4 loan. The remaining £20 is allocated to the Plan 2 loan.

Month	Repays	Plan 4	Plan 2
Month 1	£37	£17	£20
Month 2	£37	£17	£20
Month 3	£37	£17	£20
Month 4	£37	£17	£20
Month 5	£37	£17	£20
Month 6	£37	£17	£20
Month 7	£37	£17	£20
Month 8	£37	£17	£20
Month 9	£37	£17	£20
Month 10	£37	£17	£20
Month 11	£37	£17	£20
Month 12	£37	£17	£20
Total	**£444**	**£204**	**£240**

2) Weekly Repayments – Plan 2 and Plan 4

Borrower G has dual Plan 4 and Plan 2 loans, both of which are in repayment. They are paid weekly via PAYE. Their weekly salary is £600.

The weekly Plan 4 income threshold is £480.76. Borrower G repays 9% of her weekly income above the threshold which works out as a repayment of £10 per week.

Weekly repayments are allocated to the Plan 4 loan up to a maximum repayment amount of £17 per calendar month. Once £17 has been allocated to the Plan 4 loan within a calendar month any additional repayments for that month are allocated to the Plan 2 loan.

Month 1	**Repays**	**Plan 4**	**Plan 2**
Week 1	£10	£10	£0
Week 2	£10	£7	£3
Week 3	£10	£0	£10
Week 4	£10	£0	£10
Monthly Total	**£40**	**£17**	**£23**

Month 2	**Repays**	**Plan 4**	**Plan 2**
Week 1	£10	£10	£0
Week 2	£10	£7	£3
Week 3	£10	£0	£10
Week 4	£10	£0	£10
Week 5	£10	£0	£10
Monthly Total	**£50**	**£17**	**£33**

4. Plan 1, Plan 2 and Plan 4

Borrowers with a Plan 1 loan, Plan 2 loan and a Plan 4 loan will have repayment of loans allocated as follows:

- The maximum repayment to be allocated to Plan 1 loans is (Plan 4 annual threshold/12 – Plan 1 annual threshold/12) x 9%, e.g. (£2,083.33 - £1,657.91) x 9% = £38 (rounded down).

  Repayments up to that value (i.e. £38 in the example) will be allocated to Plan 1 in each calendar month.

- The maximum repayment to be allocated to Plan 4 loans (Plan 2 annual threshold/12 – Plan 4 annual threshold/12) x 9%, e.g. (£2,274.58 - £2,083.33) x 9% = £17 (rounded down).

  The next amount of repayment up to that value (i.e. £17 in the example) will be allocated to Plan 4 in each calendar month.

- Any remaining repayment will be allocated to Plan 2.

Examples:

1) Monthly Repayments – Plan 1, Plan 2 and Plan 4

Borrower H has Plan 1, Plan 2 and Plan 4 loans, all of which are in repayment. They have an annual salary of £30,000 and are paid monthly via PAYE. Their monthly salary is £2,500.

The lowest monthly repayment threshold is Plan 1 which is £1,657.91. Borrower H repays 9% of their monthly income above this which works out as a repayment of £75 per month.

The maximum repayment that can be applied to Borrower H's Plan 1 loan in a calendar month is £38.

The next £17 of the monthly repayment is applied to the Plan 4 loan.

The remaining £20 is allocated to the Plan 2 loan.

Month	Repays	Plan 1	Plan 4	Plan 2
Month 1	£75	£38	£17	£20
Month 2	£75	£38	£17	£20
Month 3	£75	£38	£17	£20
Month 4	£75	£38	£17	£20
Month 5	£75	£38	£17	£20
Month 6	£75	£38	£17	£20
Month 7	£75	£38	£17	£20
Month 8	£75	£38	£17	£20
Month 9	£75	£38	£17	£20
Month 10	£75	£38	£17	£20
Month 11	£75	£38	£17	£20
Month 12	£75	£38	£17	£20
Total	**£900**	**£456**	**£204**	**£240**

2) Weekly Repayments – Plan 1, Plan 2 and Plan 4

Borrower I has Plan 1, Plan 4 and Plan 2 loans, all of which are in repayment. They are paid weekly via PAYE. Their weekly income is £650.

The weekly Plan 1 income threshold is £382.59. Borrower I repays 9% of their weekly income above the threshold which works out as a repayment of £24 per week.

Weekly repayments are allocated to the Plan 1 loan up to a maximum repayment amount of £38 per calendar month.

Once £38 has been allocated to the Plan 1 loan within a calendar month any additional repayments for that calendar month are allocated to the Plan 4 loan up to a maximum of £17.

Once £17 has been allocated to the Plan 4 loan within a calendar month any additional repayments for that calendar month are allocated to the Plan 2 loan.

Month 1	**Repays**	**Plan 1**	**Plan 4**	**Plan 2**
Week 1	£24	£24	£0	£0
Week 2	£24	£14	£10	£0
Week 3	£24	£0	£7	£17
Week 4	£24	£0	£0	£24
Monthly Total	**£96**	**£38**	**£17**	**£41**

Month 2	**Repays**	**Plan 1**	**Plan 4**	**Plan 2**
Week 1	£24	£24	£0	£0
Week 2	£24	£14	£10	£0
Week 3	£24	£0	£7	£17
Week 4	£24	£0	£0	£24
Week 5	£24	£0	£0	£24
Monthly Total	**£120**	**£38**	**£17**	**£65**

5.3.2 Repayment allocation –Multi Plan - SA borrowers

Where a borrower makes repayment through their SA tax return to HMRC then allocation across plan types will be on an annual basis as determined under Regulation 18A(1).

Allocation will be determined by calculating a maximum amount of repayment that can be allocated to a plan type in the TY:

1. **Plan 1 and Plan 2**

Borrowers with a Plan 1 loan and a Plan 2 loan will have repayment of loans allocated as follows:

(Plan 2 annual threshold – Plan 1 annual threshold) x 9%, e.g. (£27,295 - £19,895) x 9% = £666

Repayments up to that value (i.e. £666 in the example) will be allocated to Plan 1 and any remaining repayment will be allocated to Plan 2.

2. **Plan 1 and Plan 4**

Borrowers with a Plan 1 loan and a Plan 4 loan will have repayment of loans allocated as follows:

(Plan 4 annual threshold – Plan 1 annual threshold) x 9%, e.g. (£25,000 - £19,895) x 9% = £459

Repayments up to that value (i.e. £459 in the example) will be allocated to Plan 1 and any remaining repayment will be allocated to Plan 4.

3. Plan 2 and Plan 4

Borrowers with a Plan 2 loan and Plan 4 loan will have repayment of loans allocated as follows:

(Plan 2 annual threshold – Plan 4 annual threshold) x 9%, e.g. (£27,295 - £25,000) x 9% = £206

Repayments up to that value (i.e. £206 in the example) will be allocated to Plan 4. Any remaining repayment will be allocated to Plan 2.

4. Plan 1, Plan 2 and Plan 4

Borrowers with a Plan 1 loan, Plan 2 loan and a Plan 4 loan will have repayment of loans allocated as follows:

- (Plan 4 annual threshold – Plan 1 annual threshold) x 9%, e.g. (£25,000 - £19,895) x 9% = £459

  Repayments up to that value (i.e. £459 in the example) will be allocated to Plan 1.

- (Plan 2 annual threshold – Plan 4 annual threshold) x 9%, e.g. (£27,295 - £25,000) x 9% = £206

  The next amount of repayments up to that value (i.e. £206 in the example) will be allocated to Plan 4.

- Any remaining repayment will be allocated to Plan 2.

Example:

1) SA Repayments – Plan 1, Plan 2 and Plan 4
Borrower A has Plan 1, Plan 2 and Plan 4 loans, all of which are in repayment. tHEY has an annual income of £30,000.

The lowest annual repayment threshold is Plan 1 which is £19,895. Borrower A repays 9% of their income above this which works out as a repayment of £909.

The maximum repayment that can be applied to the Plan 1 loan in the TY is £459.

The next £206 of the repayment is applied to the Plan 4 loan.

The remaining of £244 is allocated to the Plan 2 loan.

Annual Repayment	Plan 1	Plan 4	Plan 2
£909	£459	£206	£244

5.4 Repayment Allocation – Postgraduate Loan with Plan 1, Plan 2 and/or Plan 4

Where a borrower has a PGL balance and also has a Plan 1, Plan 2 and/or a Plan 4 loan balance in repayment status, repayments taken for the PGL balance will be calculated and deducted independently of any other repayment due. Therefore a borrower may be making repayments to their PGL balance and to their Plan 1, Plan 2 and/or Plan 4 loan balance simultaneously. This applies whether the borrower is making repayments based on income, or fixed repayments where income cannot be determined.

Example:

1) Borrower A has a Plan 2 loan and a PGL that are both in repayment. They have an annual income of £31,000 and are paid monthly via PAYE. Borrower A's monthly income is £2,583.

   As they earn above the repayment threshold for both Plan 2 and PGL, they make repayments to both loans concurrently.

   The monthly Plan 2 repayment threshold is £2,274.58. Borrower A repays 9% of their monthly income above this threshold. This works out as a repayment of £27 per month.

   The monthly PGL repayment threshold is £1,750. Borrower A repays 6% of their monthly income above this threshold. This works out as a repayment of £49 per month.

Month	Repays	Plan 2	PGL
Month 1	£76	£27	£49
Month 2	£76	£27	£49
Month 3	£76	£27	£49
Month 4	£76	£27	£49
Month 5	£76	£27	£49
Month 6	£76	£27	£49
Month 7	£76	£27	£49
Month 8	£76	£27	£49
Month 9	£76	£27	£49
Month 10	£76	£27	£49
Month 11	£76	£27	£49
Month 12	£76	£27	£49
Total	**£912**	**£324**	**£588**

5.5 Repayment Allocation with a Credit Balance

Where a borrower has loans across two plan types and one of those loans has been over repaid then the credit balance on the over repaid loan may be used to reduce the debit balance on the second loan. The combinations of loans that can be considered for credit balance reallocation are:

- Plan 1 and Plan 2
- Plan 1 and PGL
- Plan 1 and Plan 4
- Plan 2 and PGL
- Plan 2 and Plan 4
- Plan 4 and PGL

In cases where a borrower has loans under more than two plan types, and any of the loans have been over-repaid, SLC will **not** use the credit balance to reduce the balance of any of the remaining loans. The credit balance must be refunded to the borrower.

If the credit balance is greater than £10 then SLC must give notice to the borrower of the intention to treat the credit balance as a direct repayment to their second loan balance. If the borrower does not notify SLC that they wish the credit balance to be refunded within 60 days then it will be allocated to the second loan balance.

Examples:

1) Borrower A has a Plan 2 loan in debit and a Plan 1 loan in credit. The credit balance on Borrower A’s Plan 1 loan is £11. SLC write to the borrower to inform them of the credit balance on their Plan 1 loan. After 60 days Borrower A hasn’t contacted SLC to request a refund of the credit balance. The credit balance is treated as a direct repayment and allocated the Plan 2 loan.

2) Borrower B has a Plan 1 loan, a Plan 2 loan and a Plan 4 loan. There is a credit balance of £250 on their Plan 1 loan. As Borrower B has loans under more than two plan types SLC write to inform the borrower of the credit balance but will not treat the credit balance as a direct repayment toward any of the other loan balances.

6 Voluntary Repayments

A borrower may make voluntary repayments to their loan balance at any time without charge or penalty, either before or after the loan balance has entered repayment status.

Where a borrower has loan balances under more than one plan type they can choose which plan type they wish to allocate their voluntary repayment to. If the borrower does not specify the loan that a voluntary repayment should be allocated to, the following default order of voluntary repayment allocation will be followed:

1. Outstanding arrears

2. PGL loans in repayment status
3. Plan 2 loans in repayment status
4. Plan 1 loans and/or Plan 4 loans in repayment status
5. PGL loans in payment status
6. Plan 2 loans in payment status
7. Plan 1 loans and/or Plan 4 loans in payment status

The hierarchy ensures that the allocation of voluntary repayments is to loans in repayment status first with priority given to loans with a higher rate of interest.

As the interest rate applicable to Plan 1 and Plan 4 loans is the same, where a borrower has Plan 1 and Plan 4 loans that are both in the same status (either both loans in repayment or both loans in payment) then the voluntary repayment will be allocated across both plan types – the repayment will be allocated on a proportional basis dependant on each loan balance.

Where a borrower has Plan 1 and Plan 4 loans in different statuses then allocation priority will be given to the loan in repayment.

Examples:

1) Borrower A has a Plan 1 loan and a Plan 2 loan, both of which are in repayment. They make a voluntary repayment of £500 and specifies that the repayment should be allocated to their Plan 1 loan. The full repayment is allocated to the Plan 1 loan.

2) Borrower B has a Plan 1 loan and a Plan 2 loan, both of which are in repayment. They make a voluntary repayment of £500 but do not specify which plan the repayment should be allocated to. Because the borrower has not specified the plan type to allocate the repayment to it is allocated to the Plan 2 loan as per the voluntary repayment allocation rules.

3) Borrower C has a Plan 1 loan that is in repayment status and Plan 2 loan that is in payment status. They make a voluntary repayment of £100 but do not specify which plan the repayment should be allocated to. The repayment is allocated to the Plan 1 loan because priority is given to the loan in repayment.

4) Borrower D has a Plan 1 loan and a Plan 4 loan, both of which are in repayment. They make a voluntary repayment of £1,000 but do not specify which plan the repayment should be allocated to. As both loans are in the same status the voluntary repayment is allocated proportionally across both plan types.

Borrower D’s repayment is allocated as follows:

Total Balance	Plan 1 Balance	Repayment Allocated to Plan 1	Plan 4 Balance	Repayment Allocated to Plan 4
£10,000	£7,000	£700	£3,000	£300

6.1 Repayment by a third party

Any third party such as a parent, relative or employer can make a voluntary direct repayment to SLC on behalf of a borrower. They can do so over the phone, online or by cheque. The CRN or SSN will be required in each case to ensure the repayment is made against the correct account. SLC will not be able to provide a third party with account specific information, such as a balance, due to data protection legislation. If a third party wanted account specific information, they would need to demonstrate they hold Power of Attorney or the borrower would need to contact SLC and set up `Consent to Share`.

6.2 Refunds of Voluntary Repayments

Borrowers should note that voluntary repayments to SLC do not take the place of or reduce any scheduled repayments due through the tax system. Therefore, regardless of any extra voluntary repayments made, employees will still have deductions taken from their salary and SA borrowers will still repay based on their income for the year. SLC are instructed by the Department that voluntary repayments are not to be refunded unless the borrower has repaid the loan in full and has a credit balance. However, exceptionally, third party payments could be refunded if the payment is not wanted by the borrower and made without their knowledge, but the refund could only be made to the card which made the payment.

Note that SLC is not a regulated financial advisor and that voluntary repayments must be the decision of the borrower.

7 Repaying by Direct Debit

Regulation 18 allows PAYE repayers to switch their repayment method to Direct Debit if SLC are satisfied that the borrower is within 23 months of repaying their full outstanding balance. The Direct Debit scheme is optional and borrowers are not under an obligation to switch to Direct Debit repayments.

It is within SLC discretion to determine when to contact borrowers within the 23 month period to invite them onto the scheme.

When the Direct Debit is set up, SLC acting under Regulation 18(2) will notify HMRC that deductions from the borrower’s income are to stop. This is known as a `Stop Notification`. In the event that a borrower has both a deduction from their salary and makes a Direct Debit payment through the Direct Debit scheme, the borrower may request a refund of the salary deduction.

The Direct Debit option is not available to borrowers who have a combination of Plan 1, Plan 2 and/or Plan 4 loans in repayment status. Because the repayment of multi plan loans is a combined deduction from the borrowers income then deductions cannot be stopped if one of the loans is not within 23 months of being repaid in full. Therefore the Direct Debit option for the loan that is due to be repaid within 23 months may result in the borrower paying by

Direct debit to SLC and via PAYE/SA, and therefore paying more each month than they would otherwise repay.

Note, as PGL is repaid concurrently with any existing Plan 1, Plan 2 and/or Plan 4 loans, a borrower with a PGL and either Plan 1, Plan 2 or Plan 4 loan will be eligible for the Direct Debit scheme for either their PGL or other student loan when appropriate.

Where a borrower elects to cancel or alter the direct debit without the permission of SLC, SLC will instruct HMRC to recommence repayment collection through the tax system (Regulation 18(5)). Similarly, a borrower will not be eligible for the Direct Debit scheme where they have previously been on the scheme and stopped making payments without the permission of SLC (Regulation 18(1)(c)). When the loan balance has been repaid in full through the Direct Debit scheme SLC will cancel the direct debit.

8 Write Off (England and Wales)

All of a borrower's loan balances are written off if:

- The borrower dies (Regulation 19(3)(a)) or
- The borrower receives a disability-related benefit and because of the disability is permanently unfit for work (Regulation 19(3)(b)).

SLC requires evidence in either case:

- Where a borrower dies, SLC will require sight of either the original death certificate or a certified copy in order for the loans to be written off
- Where a borrower received a disability-related benefit and is permanently unfit for work the borrower will need to provide evidence that they are receiving a disability-related benefit (as defined in Regulation 9(1)) and provide confirmation from a qualified medical professional stating that they are permanently unfit for work. Note where the evidence is not sufficiently clear that the borrower is permanently unfit for work, SLC will reject the request

Where a borrower is in arrears or in breach of any obligation to repay a loan balance, the loan will not be written off (Regulation 19(1)). `Arrears` are considered to include any breach of the borrower's obligation to repay the following:

- Any repayments of student loan due for an overseas period of residence
- Any repayments of ICR student loan due to be repaid by Direct Debit (where the borrower is considered to be less than 2 years from paying the loan balance in full)
- Any MS loan (generally payable to borrowers who started their course prior to 1998)

8.1 Plan 1 Loans

Plan 1 loan balances will be written off in the following circumstances:

- Outstanding balances of loans taken out before AY 06/07 (and further loans taken in AY 06/07 or later where the borrower is continuing on the same course of study) are written off on the date that the borrower reaches the age of 65 (Regulation 19(3)(d)).
- Outstanding balances of loans taken out in AY 06/07 or later (either where the course started in AY 06/07 or later, or where the course started before AY 06/07 but the borrower took a loan for that course for the first time in AY 06/07 or later) are written off on the 25th anniversary of the date on which the loans enter repayment status (Regulation 19(3)(c)).

8.2 Plan 2 Loans

Plan 2 loans will be written off on the 30th anniversary of the date that the loans enter repayment status (Regulation 19(3)(e)). Note that 6 April 2016 was the earliest date that Plan 2 loan balances entered repayment status.

Write-off for ALL: Where borrowers have completed an Access to HE Diploma and subsequently completed a designated HE course, the loan balance of the Access to HE Diploma will be cancelled. This will help borrowers who enter HE via the Access to HE route.

8.3 Postgraduate Loans

PGL balances will be written off on the 30th anniversary of the date that the loans enter repayment status (Regulation 19(3)(g)). Note that 6 April 2019 is the earliest data that PGL balances entered repayment status.

9 Interest

Interest will accrue on all loan balances from the date that the loan is paid to the borrower or the HEP until the loan balance is repaid in full (Regulations 21A and 21). This means that, for all borrowers, interest on their loan accrues whilst they are studying.

SLC has a duty to publish the interest rate in accordance with Regulation 21(5) and 21A(7), this information is available at https://www.gov.uk/repaying-your-student-loan. Borrowers are notified of any change of interest in their annual statements.

9.1 RPI and interests

The RPI used in interest calculation is the percentage increase between the retail prices all items index published by the ONS for the two Marches immediately before 1 September each year.

9.2 Applying Interest - General

Interest is calculated on the principal outstanding daily and is applied retrospectively to the principal monthly.

If a borrower repays their loan in the UK through PAYE, SLC will receive details of repayments from HMRC on a pay period basis throughout the tax year. SLC will calculate and apply interest to a PAYE borrowers account after the end of each month to reflect the revised balance following repayments made during that month.

If a borrower repays their loan in the UK through SA, SLC will receive details of repayments from HMRC annually after the end of each tax year. SLC does not apply interest to a SA borrowers account until it receives this repayment information from HMRC.

9.3 Plan 1 Interest Rate

Interest on Plan 1 student loans is calculated daily and added to the loan balance monthly (Regulation 21(3)).

Under Regulation 21(1) all Plan 1 loans are charged interest at the RPI rate (or the Bank Base Rate plus 1% (“the low interest cap”), if this is lower than the RPI rate, as per Regulation 21(2)).

This rate is applied regardless of whether the borrower is in study, has left the course and has not yet entered repayment, or has entered repayment status.

The low interest cap is not currently in operation therefore the Plan 1 interest rate is set as RPI. The current interest rate effective from 3 March 2022 is 1.5%.

Until 3 March 2022 the low interest cap was in operation therefore the Plan 1 interest rate(s) applicable in AY21/22 prior to 3 March 2022 were:

Effective Date	Interest rate
1 September 2021 – 12 January 2022	1.1%
13 January 2022 – 2 March 2022	1.25%

Note the changes in interest rate, as confirmed by DfE, are in line with a series of increases to the Bank Base Rate as announced by the Bank of England.

9.4 Plan 2 Interest – UK Borrowers

Interest rates are applied to Plan 2 loan balances as follows:

Borrower status	Applicable Interest Rate	Regulation
FT students in study (and until 6 April after leaving study)	RPI +3%	21A(2)(a)(i)
PT students in study (and until whichever of the following dates occurs first: 6 April after leaving study or 6 April after 4 years have elapsed	RPI +3%	21A(2)(a)(iii)

since the first day of the first AY of the course)		
From 6 April after leaving the course until April 2016 (where the student withdraws from / completes the course prior to 6 April 2015)	RPI only until April 2016	21A(3)(b)
Loans in repayment status (rate applied from 6 April 2016 at the earliest, until the loan balance is paid in full).	Income £27,295 or less – RPI only	21A(2)(b)(i)
	Income above £27,295 to £49,130 – Interest applied on a scale from RPI to RPI +3%	21A(2)(b)(ii)
	Income above £49,130 – RPI +3%	21A(2)(b)(iii)
Withdrawn from / completed course and lost touch with SLC (NCR)	RPI +3%	21A(4)

Examples:

1) Borrower A started a 4 year FT course in September 2015 and completed the course in June 2019. Their loan balance entered repayment status on 6 April 2020. Interest is charged at RPI +3% until 5 April 2020. From 6 April 2019 interest is charged at a rate which depends on the borrower's income.

2) Borrower B started a PT course in September 2016 and will complete the course in June 2022. Borrower B's loan enters repayment status on 6 April 2021 (the start of the tax year after 4 years have elapsed since the first day of the first AY of the course). Interest will be charged at RPI +3% until 5 April 2021. From 6 April 2021, interest will be charged at a rate which depends on the borrower's income.

3) Borrower C started a 3 year FT course in September 2015. They withdrew from the course in June 2018. Their loan entered repayment status on 6 April 2020. Interest is charged at RPI +3% until 5 April 2020. From 6 April 2020 interest is charged at a rate which depends on C's income.

4) Borrower D started a 3 year FT course in September 2015 and completes the course in June 2018. Their loan entered repayment on 6 April 2019. Interest is charged at RPI +3% until 5 April 2019. Prior to April 2019, SLC contacts Borrower D requesting details of their employment status because they cannot be located in the UK tax system, however the borrower does not respond. From 6 April 2019 interest will be applied at RPI +3%, until such time as the borrower's employment status is identified by HMRC or the borrower contacts SLC to confirm their status.

Prevailing Market Rate (PMR)

The Teaching and Higher Education Act 1998 provides that interest rates on student loans cannot exceed interest rates that are prevailing on the market. For the purposes of student loans PMR is calculated as an average of the Bank of England effective interest rate data for new and existing loans which is monitored monthly by DfE.

Where PMR measures below the maximum interest rate for Plan 2 loans for three consecutive calendar months the maximum interest rate applicable to Plan 2 loans will be temporarily reduced to reflect the PMR. This will recompense borrowers for a period in which PMR has been below the maximum Plan 2 interest rate.

Whenever a change to the maximum Plan 2 interest rate is required DfE and the Welsh Government will introduce a temporary provision to Regulation 21A of the Education (Student Loans) (Repayment) Regulations 2009 (as amended). This will set the revised maximum interest rate for a specified period following which the maximum interest rate will automatically revert back to RPI+3% (unless further amending regulations are laid to implement a subsequent reduced maximum interest rate).

Plan 2 Variable Interest

The calculation of interest where loans are in repayment status and income is between the lower and upper interest threshold is outlined in Regulation 21A(10):

3 x (I - L) / (H – L) where –

I is the borrower's income in pounds as calculated for interest purposes for that tax year (the borrowers interest income)

L is the lower interest threshold

H is the higher interest threshold

For UK borrowers the lower interest threshold is £27,295 Regulation 21A(12)(a)) and the higher interest threshold is £49,130 (Regulation 21A(13(A)). A UK borrower's income for interest purposes is calculated in accordance with Regulation 21A(11).

Where required, the interest rate will be rounded to two decimal places.

Examples of variable interest rate calculation:

1) A borrower whose loan is in repayment status in tax year 21-22 and who is employed in the UK has total NICable income for that tax year confirmed by HMRC as £32,000. Interest to be applied for that tax year is RPI plus the following:

   3 x ((32000 – 27,295) / (49,130 – 27,295)) = 3 x (4,705 / 21,835) = 0.64%

   The rate of interest applied to the borrower's loan balances is RPI +0.64%

2) A borrower whose loan is in repayment status in tax year 21-22 and who is self employed in the UK has total income for that tax year confirmed by HMRC as £29,000. Interest to be applied for this tax year is RPI plus the following:

   3 x ((29000 – 27,295) / (49,130 – 27,295)) = 3 x (1,705 / 21,835) = 0.23%

   The rate of interest applied to the borrower’s loan balance is RPI +0.23%

Interest will be calculated and applied based on the borrower’s income for the tax year. Where the borrower has been resident in the UK for the full tax year, an interest rate will be calculated based on total interest income for that tax year.

Example:

> Borrower A in the UK earns £25,000 in the first 6 months of tax year 21-22 (a £50,000 annual salary). They are then unemployed for 2 months. For the final 4 months of the tax year they earn £15,000 (a £60,000 annual salary). Their total income for the tax year (£40,000) is used to calculate the variable interest rate, which is RPI + 1.74%.

Where a borrower has Plan 1 and Plan 2 loan balances, interest will be calculated and applied to each loan balance according to the interest calculation rules applicable to each plan type.

9.5 Plan 2 Interest - Overseas Borrowers

The interest calculation rules detailed above for UK borrowers will also be used for overseas borrowers under Regulation 21A(2)(c) and (d). However, the lower and upper thresholds used for interest calculation will depend on the PLI of the country that the borrower is living in when they are in repayment status and in accordance with the tables in Regulation 21A(12)(b) and 13(b) (see below). The thresholds will be applied from the first day of the overseas repayment period as processed by SLC. (Note that the first day of the overseas assessment period is not necessarily the actual date that the borrower left in the UK).

Band	Price Level Index	Lower Interest Threshold (tax year 21-22)	Higher Interest Threshold (tax year 21-22)
A	0<30	£5,460	£9,830
B	30<40	£10,920	£19,655
C	50<70	£16,380	£29,480
D	70<90	£21,840	£39,305
E	90<110	£27,295	£49,130
F	110<130	£32,755	£58,960
G	130+	£38,215	£68,785

The PLI for the UK will be set at 100 and will be calculated using World Bank data (Regulation 21A(14)).

Note that where an overseas borrower does not inform SLC of the date that they left the UK, the date used by SLC will be the date of receipt of the overseas assessment application form.

Example:

> Borrower A started a 3 year FT course in September 2017 and completed the course in June 2020. Their loan entered repayment status on 6 April 2021. Prior to April 2021, they notify SLC that they are now living in a Band C country and provide evidence that their income is above £29,480, which is above the higher interest threshold for a Band C country. From the first day of the overseas assessment period as processed by SLC, interest is applied at RPI +3%, as Borrower A's income exceeds the upper interest income threshold.

9.6 Plan 2 borrowers who have spent part of the tax year in the UK and part abroad

Where a Plan 2 borrower has an overseas assessment in place but also spent part of the tax year in the UK, interest will be calculated separately for the period within and without the UK, according to the separate interest income thresholds that apply to the UK and the other country of residence. The following rules will apply to the calculation of income:

- Calculate interest for the overseas assessment period according to the overseas income level advised by the borrower

- Calculate interest for the period spent in the UK (whole months and part months) according to the income confirmed by HMRC for that tax year

- Apply interest for any months which are not spent in the UK and which are not covered by an overseas assessment period at RPI only (unless the borrower has not supplied SLC with information required to establish if repayments are due, in which case interest will be applied at the non-compliance interest rate of RPI +3%*.

*Where an overseas borrower has not provided the information required by SLC (Regulations 72 and 23(4)) to perform an overseas income assessment, interest will be charged at the highest rate of RPI +3%, the non-compliance interest rate, under Regulation 21A(4). If the borrower subsequently provides the requirement information and an overseas assessment period is put in place, the non-compliance interest rate will remain chargeable for the period that the borrower did not provide the required information. Regulation 21A(4) provides that this applies even where the overseas assessment period start date is backdated to clear repayment arrears that have accumulated on the account because the borrower did not make the default repayment.

Examples:

1) Borrower A's loans are in repayment. They contact SLC on 10 June 2021 to advise that they moved to a Band C country on 20 May 2021, and that their income there

will be equivalent to £35,000. Their overseas assessment is effective from 1 July 2021. Interest in tax year 21-22 is applied at:

- RPI only for the period spent in the UK in tax year 21-22 (April and May 2021). HMRC confirms an annual income of less than £27,295 (the UK lower interest income threshold) for that period.
- RPI only for June 2021 (the borrower was not in the UK in June 2021, and June is not covered by an overseas assessment.)
- RPI +3% for the overseas assessment period (July 2021 to March 2022 inclusive) (£35,000 exceeds the upper interest income threshold for interest calculation for Band C countries)

2) Borrower B's loans enter repayment status on 6 April 2021. They contact SLC on 15 September 2021 to advise that they moved to a Band C country on 1 September 2021. However they do not complete an overseas assessment form, and the default schedule starts approximately 8 weeks later, in this case on 1 November. If the borrower pays the default fixed monthly repayment of £120.60 for Band C countries, the borrower's account will not fall into arrears.

   Interest is applied at:

   - RPI only for the period spent in the UK (April 2021 to August 2021 inclusive) as HMRC confirms an annual income of less than £27,295 (the UK lower interest threshold for that period.)
   - RPI only for the period after leaving the UK until the start of the application of NCR interest.
   - RPI +3% (the non-compliance rate) from the UK leaving date or 42 days after the borrower notifies SLC, whichever is the latest. In this case it is applied from 42 days after 15 September 2021. This rate is applied because the borrower has not provided the data required by SLC to complete the overseas income assessment.

Alternatively, the borrower does not pay the default fixed monthly repayment and the account falls into arrears. The borrower returns the overseas assessment form on 10 January 2022. The overseas assessment start date will be backdated to 1 November 2021 to clear the fixed repayment arrears and the scheduled overseas assessment will replace the default assessment form 1 November 2021 for the repayment purposes but not for interest purposes – the NCR rate is still charged.

3) Borrower C's loans entered repayment status on 6 April 2021. They leave the UK on 1 September 2021 but do not inform SLC until January 2022. They confirm that they have moved to a Band C country and have an income above the upper interest threshold. The overseas assessment period commences from 1 February 2022. Interest will be charged at the rate of RPI +3% for the period of the tax year covered

by this overseas assessment. After the end of tax year 20-21, HMRC confirms a NICable income figure of £15,000 for the period of the tax year spent in the UK (April 2020 to August 2020 inclusive). Interest is applied to Borrower C's account at a rate of RPI only for the months of the tax year spent in the UK. Interest is also applied at a rate of RPI only for the months of September 2021 to January 2022 inclusive.

9.7 Plan 2 - Applying interest when a settlement figure is requested

Where a borrower has Plan 2 loans and requests a settlement figure, the following rules apply:

- Loans in payment status: Interest is applied at the in-study rate of RPI+3% up to and including the settlement date

- First year of loans being in repayment status: RPI only is applied during the current tax year until the settlement date. Where a borrower is SA, the \`first year\` of loans being in repayment status is extended to until when we receive the first repayment file from HMRC. Interest applied will not be adjusted once HMRC confirm current tax year income

- Loans that were in repayment status in previous tax year:

    1) Where the borrower is subject to an overseas assessment during the current tax year, the variable interest rate derived from the borrower's advised overseas income will apply to those months covered by the overseas assessment period (Regulation 21A(2A)(b))

    2) Where the borrower has not complied with an information request from SLC during the current tax year, the non-compliance interest rate of RPI +3% will be applied (Regulation 21A(2A)(c))

    3) Where the borrower was in the UK during all or part of the previous tax year, the variable interest rate to be applied to any months of the current tax year that the borrower spends in the UK will be determined using the borrower's end of year income from the previous tax year. (Regulation 21(2A)(a)).

       Note that:

        - Where HMRC has advised previous tax year UK income then this income will be used to determine the variable interest rate for the current tax year.

        - Where HMRC has not yet advised previous tax year UK income, the borrower can advise SLC of their UK income for the previous tax year. This income will be used to determine the interest rate to be applied during the previous tax year and the current tax year up to the settlement date. Note that where the borrower provides income for the purposes of calculating a settlement quotation SLC will use repayments received in the previous year to validate the income provided by the borrower. Where SLC are unable to validate the income provided then the borrower will have to provide evidence of income in order for a settlement quotation to be provided.

In both of the above scenarios, if the borrower settles their loan balance in full then SLC will not adjust interest on receipt of a subsequent update of their previous tax year income from HMRC.

Note: When a borrower has settled their loan balance SLC will not adjust interest once confirmation of their current year income (the income for the tax year in which the loan balance was settled) is confirmed by HMRC.

In the circumstances where the borrower has settled their loan balance and their UK income in the current tax year is lower than it was in the previous tax year, the borrower can request an adjustment to their interest based on their income in the current tax year. This adjustment will only be carried out on request from the borrower at the end of the tax year (Regulation 21A(2B)).

4) Where the borrower was not in the UK during the previous tax year, and is in the UK during the current tax year, RPI only will be applied to current tax year months spent in the UK, as the borrower does not have a previous tax year interest rate to apply to the current tax year.

Example:

1) Borrower A has a Plan 2 loan that enters repayment in April 2021.

   In October 2021 they request a settlement figure from SLC. As they are in the first year of repayment interest is calculated at RPI from 6 April 2021 up to the date of settlement quotation. Borrower A pays their loan off in full.

   After the end of tax year 21-22 SLC receive confirmation of Borrower A’s income for that year. Although HMRC confirm that their income is above the lower interest rate threshold SLC do not recalculate interest at the applicable VIR as the loan balance has been settled in full.

2) Borrower B has a Plan 2 loan that is in repayment.

   In December 2021 Borrower B requests a settlement quotation from SLC. They have been in the UK for the whole of the previous tax year, which was tax year 20-21. HMRC have confirmed Borrower B’s income for tax year 20-21 which SLC have used to determine an interest rate of RPI+2%. This interest rate is applied for the current tax year up to and including the date of settlement. Borrower B settles their loan in full.

HMRC subsequently provide updated tax year 20-21 income. SLC do not recalculate interest as Borrower B has already settled their loan.

After the end of tax year 21-22 SLC receive confirmation that Borrower B's income was lower in tax year 21-22 than the tax year 20-21 income used to calculate their settlement quotation. As Borrower B has already settled their loan SLC do not recalculate interest.

Borrower B contacts SLC to request an interest adjustment using current tax year income.

3) Borrower C has a Plan 2 loan that is in repayment.

   In May 2021 Borrower C requests a settlement quotation from SLC. HMRC have not yet confirmed their income for tax year 20-21. Borrower C advises SLC of their annual income for that year which is used to determine the interest rate to be RPI+1%. This is used to calculate interest on their loan for tax year 20-21 and the period in tax year 21-22 up to the date of the settlement quotation.

   HMRC subsequently confirm Borrower C's income for tax year 20-21. As Borrower C has settled their loan SLC do not recalculate interest even if the income confirmed by HMRC differs from the income provided by Borrower C.

   After the end of tax year 21-22 SLC receive confirmation of Borrower C's income for that year which is higher than the previous year. As Borrower C has already settled their loan SLC do not recalculate interest.

4) Borrower D's loan balance enters repayment in April 2020. From April 2020 to October 2020 inclusive Borrower D is in the UK. From November 2020 until October 2021 Borrower D is subject to an overseas assessment. An interest rate of RPI +2.5% is charged for the overseas period, based on their advised overseas income. The borrower returns to the UK in October 2021. On 15 January 2022 they contact SLC to settle the loan balance. HMRC has confirmed a UK income for tax year 20-21 which is used to determine the an interest rate of RPI+1% to be applied to months spent in the UK during the current tax year (November 2021 – January 2022).

9.8 Plan 2 - Applying interest when settling by PAYE repayment deducted by employer

For repayments received that relate to tax year 19-20 or later, where a borrower has Plan 2 loans and settles their Plan 2 loan balance via PAYE deductions, the following rules apply:

- First year of loans being in repayment status: RPI only is applied during the current tax year until the settlement date. Interest applied will not be adjusted once HMRC confirm current tax year income

- Loans that were in repayment status in previous tax year:

1) Where the borrower has been subject to an overseas assessment during the current tax year, the variable interest rate derived from the borrower's advised overseas income will apply to those months covered by the overseas assessment period (Regulation 21A(2A)(b)).

2) Where the borrower has not complied with an information request from SLC during the current tax year, the non-compliance interest rate of RPI + 3% will be applied for the period of non-compliance (Regulation 21A(2A)(c)).

3) Where the borrower was in the UK during all or part of the previous tax year, the variable interest rate to be applied to any months of the current tax year that the borrower spends in the UK will be determined using the borrower's end of year income from the previous tax year (Regulation 21(2D). Note that:

    - Where HMRC has advised previous tax year UK income then this income will be used to determine the variable interest rate for the current tax year. Note that where a borrower has multiple employments, and HMRC has not yet advised previous tax year UK income for all of these employments, then SLC will determine the variable interest using the borrower's known previous year income at the time of calculating the settlement..

    - Where HMRC has not advised previous tax year UK income, RPI only will be applied for the previous tax year and the current tax year up to the settlement date.

In both of the above scenarios SLC will not adjust interest on receipt of a subsequent update of their previous tax year income from HMRC.

Note: When a borrower has settled their loan balance SLC will not adjust interest once confirmation of their current year income (the income for the tax year in which the loan balance was settled) is confirmed by HMRC.

In the circumstances where the borrower has settled their loan balance and their UK income in the current tax year is lower than it was in the previous tax year, the borrower can request an adjustment to their interest based on their income in the current tax year. This adjustment will only be carried out on request from the borrower at the end of the tax year (Regulation 21A(2E)).

4) Where the borrower was not in the UK during the previous tax year, and is in the UK during the current tax year, RPI only will be applied to current tax year months spent in the UK, as the borrower does not have a previous tax year interest rate to apply to the current tax year.

Example:

Borrower A has a Plan 2 loan and is paid monthly via PAYE.

When Borrower A's repayment is reported in November it results in a credit balance on their Plan 2 loan.

HMRC have advised SLC of Borrower A's UK income for the previous tax year which is used to determine the applicable VIR that should be applied to their loan in the current tax year. Interest for the settlement period from April to November is calculated at the applicable VIR rate and applied to Borrower A's loan resulting in a debit balance. SLC do not send a stop to HMRC.

In December a further repayment is reported to SLC that results in a credit balance. As the interest on Borrower A's loan has now been calculated at the correct VIR SLC send a stop notification to HMRC.

SLC do not recalculate interest when confirmation of their current tax year income is received from HMRC.

9.9 Plan 2 - Applying interest when a Direct Debit option is taken

Where a borrower has Plan 2 loans and has opted to repay the remainder of their loan balance by Direct Debit, interest will continue to be applied to the loan balance at the same rate as was applied before the Direct Debit commenced (Regulation 21A(2A)). The borrower will be advised that where their income has fallen during the current tax year they may provide evidence of income after the end of the current tax year in order for interest to be applied to the account based on actual income rather than previous tax year income. A readjustment of current tax year interest will only be carried out on the request of the borrower (Regulation 21A (2B)(a)(ii).

9.10 Plan 2 - Applying interest when a PGCE option is taken

Where a borrower has mortgage style loans (from courses starting pre 1998) and ICR loans for a postgraduate teacher training course, they are offered a PGCE option. This means that they may opt to defer repayment of the ICR loans while repaying the mortgage style loans. Where the ICR loans are plan 2 loans, and the borrower has opted to pay their mortgage style loans first, SLC will not receive income information from HMRC. In this scenario, RPI only will be applied to the Plan 2 loans Regulation 21A(2)(a)2ZA.

9.11 Postgraduate Loans Interest Rate

Interest will begin to accrue on PGL balances from the date that the loan is paid to the borrower (Regulation 21B(2)). Interest will be applied to PGL loan balances at a rate of RPI + 3% (Regulation 21B(1)). This rate will apply whether the loan balance is in payment or repayment status and will be calculated daily and applied to the total balance outstanding monthly throughout the life of the loan (Regulation 21B(3)).

Prevailing Market Rate (PMR)

The Teaching and Higher Education Act 1998 provides that interest rates on student loans cannot exceed interest rates that are prevailing on the market. For the purposes of student loans, PMR is calculated as an average of the Bank of England effective interest rate data for new and existing loans which is monitored monthly by DfE.

Where PMR measures below the interest rate for PGL for three consecutive calendar months the maximum interest rate applicable to PGL will be temporarily reduced to reflect the PMR. This will recompense borrowers for a period in which PMR has been below the maximum PGL interest rate.

Whenever a change to the maximum PGL interest rate is required DfE and the Welsh Government will introduce a temporary provision to Regulation 21B of the Education (Student Loans) (Repayment) Regulations 2009 (as amended). This will set the revised maximum interest rate for a specified period following which the maximum interest rate will automatically revert back to RPI+3% (unless further amending regulations are laid to implement a subsequent reduced maximum interest rate).

See Annex I for detail of maximum PGL interest rates in AY 21/22.

10 Charges for non-compliance (England and Wales)

SLC may request information from a borrower which is necessary in order to establish how much they should be repaying (Regulations 23 and 72). A request for information can be issued either by post or electronically as required (Regulation 8(1)). Where borrowers do not respond or fail to comply with a request for information, SLC has the discretion under Regulation 24 to apply financial penalties. Borrowers are reminded that where they either change their home address or name, they must notify SLC of the changes within 6 weeks of the change (Regulation 22(a) and (b)). Similarly borrowers must notify SLC of any period of residence abroad that exceeds 3 months (Regulation 72(1)).

Where a Plan 2 borrower does not respond to requests from SLC to provide information required to administer their account, an interest rate of RPI +3% will be applied to the borrower’s account (Regulation 21A(2)(d) and 21A(4)). This rate is referred to as the non-compliance interest rate.

In this instance the borrower will be notified by SLC that this rate will be applied should they fail to provide information required to administer their account. However, discretion may be used where a borrower can provide evidence of extenuating circumstances as to why they could not contact SLC with the required information (for example serious illness).

Where a Plan 2 borrower is in the UK the following rules will apply:

- Where SLC is required to issue a notice to a borrower at their home address requesting confirmation of employment details, the borrower has 42 days from the date of the notice to return the required information to SLC. If the borrower’s loans are not yet in repayment status, the `in study` interest rate of RPI +3% will be charged. If the borrower is in repayment status, the variable interest rate will be applied to the 42 day period, non-compliance interest will commence after the end of the 42 day period.

- If HMRC confirm a backdated match (a date in the past from which the match is active). The non-compliance interest will be replaced with the variable interest rate based on income for the backdated match period. If HMRC does not provide a backdated match date, SLC will use the match file transmission date. SLC discretion may be applied where the borrower disputes the effective date of the match as advised by HMRC.

Where a Plan 2 borrower is overseas the following rules will apply:

- The non-compliance interest rate will be applied from the UK leaving date, or 42 days after the borrower notifies SLC, whichever is later, where the borrower does not provide the details required by SLC to administer the account. The NCR rate may be charged until the start of the next scheduled overseas assessment period.

Examples:

1) Borrower A advises SLC on 15 September 2021 that they left the UK on 1 August 2021. They do not provide the required income information. The NCR rate will be applied starting from 42 days after 15 September 2021.

2) Borrower B advises SLC on 15 September 2021 that they will leave the UK on 10 December 2021. They do not provide the required income information. The NCR rate will be applied starting from 10 December 2021 (as this is more than 42 days after the date the borrower notified SLC).

- Where a borrower is overseas and advises SLC that they plan to return to the UK, but they do not provide UK income information and continue to make their overseas repayment, the non-compliance rate will not be charged during the remainder of the current overseas assessment period.

11 Refunds (England and Wales)

Where, a borrower has over repaid their loan then the borrower will be eligible for a refund. There may be occasions where SLC require financial evidence before releasing a refund however when SLC is satisfied that the borrower has over repaid their loan, they must notify and refund the borrower any amount not required to repay the loan in full with interest (Regulation 20(1)).

The interest on a credit balance is calculated in accordance with Regulation 20(1A) and will accrue from the date of the over-repayment until the earlier of:

- 60 days from the date SLC issues a notification to the borrower advising that they are due a credit balance refund, or
- The date on which SLC makes the refund to the borrower

after which point interest will cease to accrue (Regulation 20(1A).

Where SLC issues a notification to the borrower informing them they are due a credit balance refund this must state the length of time for which interest will accrue on the credit balance (Regulation 20(1B)).

The interest rate applied to the credit balance depends on the borrower's loan Plan type – see below for further information.

11.1 Credit balance interest rate – Plan 1 Loans

Interest on a Plan 1 credit balance will accrue at the rate of RPI (or the Bank Base Rate plus 1% if this rate is less than RPI).

11.2 Credit balance interest rate – Plan 2 Loans

Interest on a Plan 2 credit will accrue at the rate of RPI only (Regulation 20(1A)(c)).

11.3 Credit balance interest interest – Postgraduate Loans

Interest on a PGL credit balance will accrue at the rate of RPI+3% (Regulation 20(1A)(d)).

11.4 Credit balance – notifying the borrower

SLC will notify a borrower, who has a credit balance in excess of £10 (Regulation 20A(2)) that they are due a refund. If the borrower has another loan of a different plan type then the notification will also advise that the credit balance will be credited to the other loan balance should the borrower not request the refund within 60 days of the date that the notice was issued.

Where the borrower has other loan(s) of the same plan type that are in debit and have reached SRDD, the credit balance can be applied to the debit balance without notice or offer of a refund to the borrower. Note that where the borrower has other loan(s) of the same plan type that have not yet reached SRDD then the borrower will be notified that they are due a refund.

11.5 Refunds for self assessed borrowers

Where a SA borrower makes an overpayment of their student loan through their tax payment to HMRC, SLC must refund the overpayment to HMRC (Regulation 20(2)). The date the overpayment will be considered to have been received by SLC is the 31 January following the tax year (Regulation 17(b)).

Refunds returned to HMRC for SA borrowers will not accrue interest under Regulation 20(3) and will be deemed to have been received back by HMRC on the same date that SLC received the overpayment (Regulation 20(4)).

Where the credit balance is due to a repayment by SA, after SLC have returned the overpayment to HMRC, HMRC will then provide the borrower with a revised SA bill taking into account the refund due.

11.6 Refund where earning are below the repayment threshold

Borrowers may have deductions taken when they earn below the applicable annual repayment threshold. This can happen where a borrower's pay exceeds the applicable repayment threshold during any given pay period. For example, if the borrower worked extra hours or

received a bonus which took their income above the threshold for that week or month they would have a deductions taken however over the course of a financial year they may not earn above the annual repayment threshold.

Where a borrower's total earnings in the tax year are below the applicable annual repayment threshold they are entitled to apply to SLC for a refund of the deductions taken (Regulation 20(4)). This does not happen automatically, the borrower must request a refund from SLC, showing their annual income was below the repayment threshold.

Example:

> Borrower A has a Plan 2 loan that is in repayment and they are paid monthly via PAYE. Their monthly income is £2,000.
>
> The monthly Plan 2 income threshold is £2,274.58. Because Borrower A's income is below the repayment threshold no repayments are taken from their salary.
>
> In December they receive a one-off bonus payment meaning their income for that month only is £2,800. As this is above the monthly repayment threshold a student loan repayment of £47 is taken from their salary.
>
> At the end of the tax year HMRC confirm that Borrower A's total income for the year has been £22,800. As their confirmed annual income is below the Plan 2 annual repayment threshold Borrower A can request that SLC refund the £47 repayment.

Month	Income	Repayment
April	£2,000	£0
May	£2,000	£0
June	£2,000	£0
July	£2,000	£0
August	£2,000	£0
September	£2,000	£0
October	£2,000	£0

November	£2,000	£0
December	£2,800	£47
January	£2,000	£0
February	£2,000	£0
March	£2,000	£0
Total	£22,800	£47

12 Repayment by SA borrowers

Part 3 of the Regulations details the provisions for the repayment of loans for those borrowers who are required to submit a SA tax return. Provisions of the Taxes Management Act 1970 dealing with payment of income tax through SA are extended to cover repayment of student loans, and loan repayments through SA are treated like income tax (Regulation 28).

12.1 Amount of repayments

Under Regulation 29(3) SA borrowers will repay 9% of their total annual income over the repayment threshold, including any unearned income exceeding £2,000 (Regulation 29(4)). There are certain exclusions and reliefs applied to the calculation of the borrower's income which are outlined in full in Regulation 29(4).

12.2 Tax deductibility

For self-employment, generally an expense can be deducted from trading profits if incurred wholly and exclusively for the purpose of the trade. The repayment of a student loan would not satisfy this test as the expense is personal and will normally predate the commencement of the business. Student loans therefore are not tax deductible, this is consistent with the fact that amounts loaned or granted to borrows are not taxed when paid directly to them or universities on their behalf.

12.3 Repayment

Self-employed borrowers will repay their loan through completion of their SA tax return. The loan repayments will be due as part of the SA for tax (Regulation 35(1)). The payment will be due on or before 31 January in tax year following the end of the relevant tax year (Regulation 35(3)).

12.1 Provision of information and penalties

Student loans are treated in the same way as income tax under the Regulations. Therefore SA borrowers may be liable to surcharges, interest and penalties as would apply to income tax, if for example the return is missing, late, incomplete or if the borrower makes late or incomplete repayments (Regulations 36, 39 and 40). Borrowers should note that HMRC can request further information, accounts and documents as may be necessary in the same way as they can in relation to income tax (Regulation 30).

13 Repayment by borrowers who are employed

Part 4 of the Regulations outlines the rules for borrowers who are employees and how they repay their student loans through their employers via deductions from their salary. Regulation 42 provides that repayments made by a borrower who is an employee are collected and accounted for by their employer in the same way as income tax is deducted from the borrower's earnings. Under Regulation 41, `earnings` has the same meaning as it does for National Insurance Contributions for `NICable` income purposes.

13.1 Real time information

Employers report their PAYE deductions bill (which may include student loan deductions) to HMRC on a pay period basis if they are a RTI employer. Note that the frequency of pay period, for which student loan deductions may be liable, is determined by the employer.

As of tax year 19-20 HMRC report PAYE student loan deductions to SLC on a weekly basis including all pay period deductions reported during the previous week and detailing the amount and date each deduction was made by the employer. SLC will allocate repayments to the borrower's loan to reflect the date and amount advised by the employer via HMRC. Interest will be calculated to reflect the month end position.

13.2 Commencement of employment

Where a borrower begins employment they are required to provide information in the form of either a P45 form or by completing a `starter checklist` (which has now replaced the P46 form). This provides the employer with the information required to be able to deduct the correct amount from the borrower's pay. When providing this information the borrower is under an obligation to state if they have liability to repay a student loan (Regulation 43 and 43A).

MFDS files reported by HMRC indicate the plan type the employer has used to calculate the student loan deduction. In cases where the plan type reported is incorrect SLC will notify HMRC that the employer is calculating student loan deductions for the wrong plan type. HMRC will then advise the employer of the correct plan type repayment threshold to use.
Note that SLC will still apply the repayment as reported via HMRC to the borrower's loan.
Where the error has resulted in the borrower's in-year repayment amounts being higher than they should have been then they are entitled to request a refund of the difference from SLC.

13.3 Amount of repayments

Borrowers who have Plan 1 or Plan 2 loans will make repayment at a rate of 9% of their earnings which exceeds the applicable repayment threshold depending on their loan plan type (Regulation 44(1)). Borrowers who have a PGL will make repayment at a rate of 6% of their earnings above the PGL repayment threshold (Regulation 44(1)). Earnings for the purposes of student loan repayment are calculated in the same manner as (secondary) Class

1 National Insurance Contributions thereby allowing employers to calculate repayments on the same sum (Regulation 45(1)).

Student loan deductions will show on a borrower's pay slip and P60 at the end of the tax year.

Borrowers will have to make student loan repayments, for any plan type, if their income is over the repayment threshold in a given earnings period (Regulation 44(1) and (2)). For example if a borrower's pay goes above the weekly or monthly repayment threshold due to overtime or bonus payments, the borrower will have a student loan deduction taken. Income fluctuations will therefore automatically be reflected in the student loan deduction. If over the tax year the borrower has not earned above the annual repayment threshold, they can apply to SLC for a refund.

Employers have a legal duty to correctly notify HMRC of borrower student loan repayments. Where they fail to do so, they may be subject to financial penalties and fines (Regulation 59 and 68). Where an employer adopts practices to avoid or reduce the amount of student loan repayments, HMRC ignore there practices and recover repayments from the employer as if the practice were not followed (Regulation 45(2)).

13.4 Succession or death of employer

In the event that an employer dies or the business is transferred to another person, the personal representative or successor will be liable, in general, to do anything which the original employer was liable to do under the Regulations (Regulation 64 and 65).

It is important for borrowers to retain documentary evidence of deductions, for example pay slips or P60s, in order that SLC can honour any student loan repayments that are in dispute in such a scenario.

13.5 Cessation of employment

Where a borrower leaves employment, the employer must state in the employee's P45 form that the employee is a borrower (Regulation 67). This is provided that the employer has received a notice stating that the employee is liable to make repayments (Regulation 67(a)) and has not subsequently received a notice requiring the employee not to make deductions (Regulation 67(c)).

13.6 Deductions from an employee where they are not a borrower

There may be instances where an employee has student loan deductions from their salary but they have never taken out an ICR loan. For example, an employee who incorrectly indicates they have a liability to repay an ICR loan when they commence employment with their employer will have deductions taken. In this scenario the individual would need to contact SLC to investigate. Where SLC is satisfied that the individual never had an ICR loan, SLC will contact HMRC requesting they instruct the employer to stop taking deductions and reimburse those that were taken. In the interim period the employer is under a duty to continue deducting repayments until directed otherwise by HMRC.

There may also be a scenario in which an employee is having deductions taken, but the employee is not a student loan borrower and has not realised what the deduction was for. When SLC discovers the error, SLC should contact HMRC and the individual and confirm that the individual is not a borrower. Once satisfied that the individual is not a borrower, a refund should be given.

14 Insolvency

Part 6 of the Regulations details the provisions concerning the insolvency of borrowers.

14.1 Bankruptcy

Regulation 80(2)(a) provides that student loans which are received or to which a borrower is entitled after their bankruptcy, do not form part of their estate for the purposes of that bankruptcy.

Any debt which a student loan borrower owes SLC or loan purchaser does not at any time form part of the debts of that borrower for the purposes of the bankruptcy, if the bankruptcy starts on or after 1 September 2004 (Regulation 80(2)(b)). Therefore as ICR loans are excluded from bankruptcy proceedings after this date, the borrower is still liable to repay any outstanding loan balance.

14.2 Individual voluntary arrangements

Similarly Regulations 80(2)(c) and (d) have the effect of excluding student loans from an IVA from 6 April 2010. An IVA enables a debtor to avoid bankruptcy by coming to an agreement with creditors to pay off a percentage of their debt over a given period. However an IVA would not negate a borrower’s obligation to repay their student loan.

As student loans are drawn from public funds, the Department is of the view that borrowers should not reduce their liability to repay by entering into an IVA. This ensures public funds are protected and maintains consistency with the provisions on bankruptcy. Borrowers are not disadvantaged as repayments are made on an income contingent basis and they will not repay until earning above the repayment threshold.

15 Credit Rating

An ICR student loan will not impact on a borrower’s credit rating. SLC do not share student loan data with credit reference agencies, so they will not impact on a borrower’s credit score (either positively or negatively).

16 Welsh Partial Cancellation Policy

The Welsh Partial Cancellation Policy (PCP) was introduced in AY 10/11. The Cancellation of Student Loans for Living Costs Liability (Wales) Regulations 2017 (Regulation 5(a)) allows a borrower who has received a Maintenance Loan from SFW in AY 10/11 or later, to have up to £1,500 (Regulation 6) written off their loan balance once they make their first loan repayment either on a voluntary or compulsory basis (Regulation 3). Please note that only FT Maintenance Loans taken out in the qualifying AYs from 10/11 to 21/22 (currently) are eligible. The write off is available to Wales domiciled new and continuing students (both new and old system) only.

The cancellation is not available to:

- Non Wales Domiciled students, including EU students studying in Wales
- PT students, including PTML students
- Postgraduate Masters students
- Postgraduate Doctoral students
- Any student with outstanding charges or penalties and / or is in breach of any obligation contained in the loan agreement at the repayment date

The cancellation will be made from the first loan that they received and borrowers are only allowed one partial cancellation (Regulation 5(b)(iii)).

17 Annexes

17.1 Annex A – UK Repayment Thresholds for Plan 1 Loans

Plan 1 thresholds for borrowers in the UK are as follows:

Tax Year	Uplift on previous year (March RPI)	Annual Threshold	Monthly Threshold	Weekly Threshold
Pre 12-13	-	£15,000	£1,250.00	£288.46
12-13	5.3%	£15,795	£1,316.25	£303.75
13-14	3.6%	£16,365	£1,363.75	£314.71
14-15	3.3%	£16,910	£1,409.16	£325.19
15-16	2.5%	£17,335	£1,444.58	£333.36
16-17	0.9%	£17,495	£1,457.91	£336.44
17-18	1.6%	£17,775	£1,481.25	£341.82
18-19	3.1%	£18,330	£1,527.50	£352.50
19-20	3.2%	£18,935	£1,577.91	£364.13
20-21	2.4%	£19,390	£1,615.83	£372.88
21-22	2.6%	£19,895	£1,657.91	£382.59

Note that annual repayment thresholds are always increased by the percentage uplift and rounded up to the nearest £5.

17.2 Annex B – Overseas Repayment Threshold for Plan 1 Loans

Plan 1 thresholds for overseas borrowers are as follows:

Tax Year	Uplift on Previous year (March RPI)	Repayment Band and Price Level Index						
		A 0<30	B 30<50	C 50<70	D 70<90	E 90<110	F 110<130	G 130+
Pre 12-13	-	£3,000	£6,000	£9,000	£12,000	£15,000	£18,000	£21,000
12-13	5.3%	£3,160	£6,320	£9,480	£12,640	£15,795	£18,955	£22,115
13-14	3.6%	£3,275	£6,550	£9,825	£13,100	£16,365	£19,640	£22,915
14-15	3.3%	£3,385	£6,770	£10,150	£13,533	£16,910	£20,290	£23,675
15-16	2.5%	£3,470	£6,940	£10,405	£13,875	£17,335	£20,800	£24,270
16-17	0.9%	£3,505	£7,005	£10,500	£14,000	£17,495	£20,990	£24,490
17-18	1.6%	£3,565	£7,120	£10,670	£14,224	£17,775	£21,330	£24,885
18-19	3.1%	£3,680	£7,345	£11,005	£14,670	£18,330	£21,995	£25,660
19-20	3.3%	£3,790	£7,575	£11,365	£15,150	£18,935	£22,725	£26,510
20-21	2.4%	£3,880	£7,755	£11,635	£15,510	£19,390	£23,270	£27,145
21-22	2.6%	£3,980	£7,960	£11,940	£15,920	£19,895	£23,875	£27,855

Note that annual repayment threshold are always increased by the percentage uplift and rounded up to the nearest £5.

Other Bands are calculated as a percentage of the Band E figure (20/40/60/80/120/140%, where Band E is 100%) and rounded to the nearest whole £5. For example:

Band A: 19,895 x (20/100) = £3,979, rounded to £3,980
Band C: 19,895 x (60/100) = 11,937, rounded to £11,940

The Plan 1 fixed monthly instalment rates for overseas borrowers are as follows:

Band	Fixed Monthly Instalment
A	£49.20
B	£98.40
C	£147.60
D	£196.80
E	£246.00
F	£295.20
G	£344.40

17.3 Annex C – UK Repayment Threshold for Plan 2 Loans

Plan 2 threshold for borrowers in the UK are as follows:

Tax Year	Annual threshold	Monthly threshold	Weekly threshold
16-17	£21,000	£1,750.00	£403.84
17-18	£21,000	£1,750.00	£403.84
18-19	£25,000	£2,083.33	£480.76
19-20	£25,725	£2,143.75	£494.71
20-21	£26,575	£2,214.58	£511.05
21-22	£27,295	£2,274.58	£524.90

17.4 Annex D – Overseas repayment threshold for Plan 2 loans

Plan 2 threshold for overseas borrowers are as follows:

Tax Year	Repayment Band and Price Level Index						
	A 0<30	B 30<50	C 50<70	D 70<90	E 90<110	F 110<130	G 130+
16-17	£4,200	£8,400	£12,600	£16,800	£21,000	£25,200	£29,400
17-18	£4,200	£8,400	£12,600	£16,800	£21,000	£25,200	£29,400
18-19	£5,000	£10,000	£15,000	£20,000	£25,000	£30,000	£35,000
19-20	£5,145	£10,290	£15,435	£20,580	£25,725	£30,870	£36,015
20-21	£5,315	£10,630	£15,945	£21,260	£26,575	£31,890	£37,205

21-22	£5,460	£10,920	£16,380	£21,840	£27,295	£32,755	£38,215

The Plan 2 fixed monthly instalment rates for overseas borrowers are as follows:

Band	Fixed Monthly Instalment
A	£40.20
B	£80.40
C	£120.60
D	£160.80
E	£201.00
F	£241.20
G	£281.40

17.5 Annex E – UK repayment threshold for Postgraduate Loans

PGL thresholds for borrowers in the UK are as follows:

Tax Year	Annual threshold	Monthly threshold	Weekly threshold
19-20	£21,000	£1,750	£403.84
20-21	£21,000	£1,750.00	£403.84
21-22	£21,000	£1,750.00	£403.84

17.6 Annex F – Overseas repayment threshold for Postgraduate Loans

PGL thresholds for overseas borrowers are as follows:

Tax Year	Repayment Band and Price Level Index						
	A 0<30	B 30<50	C 50<70	D 70<90	E 90<110	F 110<130	G 130+
19-20	£4,200	£8,400	£12,600	£16,800	£21,000	£25,200	£29,400
20-21	£4,200	£8,400	£12,600	£16,800	£21,000	£25,200	£29,400
21-22	£4,200	£8,400	£12,600	£16,800	£21,000	£25,200	£29,400

The PGL fixed monthly instalment rates for overseas borrowers are as follows:

Band	Fixed Monthly Instalment
A	£40.20
B	£80.40
C	£120.60
D	£160.80
E	£201.00
F	£241.20
G	£281.40

17.7 Annex G – UK repayment threshold for Plan 4 Loans

Plan 4 threshold for borrowers in the UK are as follows:

Tax Year	Annual threshold	Monthly threshold	Weekly threshold
21-22	£25,000	£2,083.33	£480.76

17.8 Annex H – Overseas repayment threshold for Plan 4 Loans

Plan 4 threshold for overseas borrowers are as follows:

Tax Year	Repayment Band and Price Level Index						
	A 0<30	B 30<50	C 50<70	D 70<90	E 90<110	F 110<130	G 130+
21-22	£5,000	£10,000	£15,000	£20,000	£25,000	£30,000	£35,000

The Plan 4 fixed monthly instalment rates for overseas borrowers are as follows:

Band	Fixed Monthly Instalment
A	£40.20
B	£80.40
C	£120.60
D	£160.80
E	£201.00
F	£241.20
G	£281.40

17.9 Annex I – Maximum interest rate for Plan 2 and PGL

The rate of RPI applicable to student loans from 1 September 2021 until 31 August 2022 is 1.5%. Therefore, in AY 21/22, the maximum interest rate for Plan 2 and PGL is 4.5% (RPI+3%).

Note that a cap to reduce the maximum interest rate for Plan 2 and PGL due to PMR has been in operation during AY 21/22. The current maximum interest rate effective from 1 January 2022 is 4.4%. This is expected to revert to RPI+3% effective from 1 March 2022.

See below table for all applicable maximum interest rates and effective periods in AY 21/22:

Effective Period	Maximum Interest Rate
1 September 2021 - 30 September 2021	4.2%
1 October 2021 – 31 December 2021	4.1%
1 January 2022 – 28 February 2022	4.4%
1 March 2022 -	4.5%

17.10 Annex J – Scottish ICR Student Loan Repayment provisions

This Annex will refer to the Regulations as they are found in the Repayment of Student Loans (Scotland) Regulations 2000 (2000/110). For this Annex in the guidance, these provisions will be referred to as the Regulations.

This annex deals with the repayment of student loans by Scotland domiciled borrowers who started HE courses in August 1998 or later.

Borrowers who began their courses before then, and certain borrowers who began their courses after then (for example gap-year students), remain subject to the previous system of mortgage style loans for maintenance under the Education (Student Loans) Act 1990 (1990 Chapter 6) (Regulation 4).

Below is a description on various distinctions and provisions as they differ from the above English and Welsh guidance. It must be noted that Sections 1 "How ICR Loans are repaid" and 2 "Definitions," as found in the main body of the guidance above, are also applicable to Scotland.

17.10.1 Statutory Repayment Due Date (SRDD)

The date in which a borrower's student loans enter repayment status is known as the SRDD.

Under Regulation 7, Scotland's Plan 4 loans in relation to FT undergraduate education enter repayment status at the start of the tax year (6 April) following the date that the borrower withdraws from or completes the course.

17.10.2 Repayment Threshold

On reaching SRDD, a borrower will only make repayments if their income is above the repayment threshold (Regulation 13). The repayment threshold is measured using both earned and unearned income (Regulation 13A(4)). There is no discretion in the relevant Regulations to allow repayments to stop for financial hardship if the borrower is earning above the repayment threshold. When the borrower's income falls below the repayment threshold, obligatory repayments will stop.

The repayment threshold for Plan 4 loans in tax year 21-22 is:

- £25,000 per year
- £2,083.33 per calendar month
- £480.76 per week

The repayment threshold for Plan 4 loans increases by RPI at the start of every tax year (Regulation 2).

Regulation 2 provides that the RPI rate is taken as the percentage increase between the retail prices all items index published by the ONS for the two Marches immediately before the commencement of the previous tax year. This rate is held on the ONS website: https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/december2020

Plan 4 borrowers will repay 9% of their income above the repayment threshold (Regulation 13A(4)).

See Annex G for further details of Plan 4 repayment thresholds.

17.10.3 Overseas borrowers – Plan 4 Loans

Scottish Ministers establish, in Part III of the Regulations, the need for borrowers to notify SLC of any period of residence outside the UK which exceeds 3 months. The Regulations further state that this notification must be made within 6 weeks following the 3 month period of absence (Regulation 11).

Borrowers outside of the UK Tax System must provide SLC with evidence of their income or the means of supporting themselves financially during their residence abroad. Borrowers can do this by using the 'update your employment details' service available online at https://www.gov.uk/repaying-your-student-loan/update-your-employment-details or by completing the OVFA and returning it by post to SLC with evidence of their income or means of support.

The monthly repayment amount due is 9% of gross earnings over the threshold applicable to that particular country. This is determined according to that country's PLI (Regulation 13B(4)).

See Annex H for full details of Plan 4 overseas repayment thresholds.

SLC then use the average annual exchange rate for the most recent calendar year to convert income into sterling from foreign currencies. Note that this is not specified in Regulations. Visit HMRC's website at https://www.gov.uk/government/collections/exchange-rates-for-customs-and-vat

Any changes to the exchange rates throughout the 12 months from the date the assessment of income is carried out are not applied to overseas borrowers during their current overseas income assessment period.

The overseas mandatory repayment repayment thresholds are updated by RPI annually on 6 April each year. The RPI rate is taken as the percentage increase between the retail prices all items index published by the ONS for the two Marches immediately before the commencement of the previous tax year.

Overseas borrowers who are in repayment status and whose annual overseas repayment schedule spans more than one tax year will therefore see their repayment amended twice each year:

- The monthly repayment amount due will be set at the start of the overseas repayment period and thereafter amended annually when the overseas borrower completes a new overseas assessment form and the new overseas assessment period starts and

- The monthly repayment amount due will also be amended as of April each year in order to take account of the annual amendment to the overseas repayment thresholds and any change of PLI which results in a change to the banding of the borrowers during their current overseas income assessment period.

Where the borrower does not comply with SLC's request for further information under Paragraph (1) within 28 days SLC may levy a penalty on the borrower (Regulation 11C). Further details are set out in Section 8 of this Annex.

Fixed monthly instalments are due when a borrower is not in the UK Tax System and does not provide evidence of residence and/or income (Regulation 13B). These rates are available for reference in Annex H.

Example:

> Borrower A has a Plan 4 loan balance and advises SLC in August 2021 that they are living in Colombia and earning a salary of 55,248,926.36 Colombian Pesos. Their salary is converted to UK pounds using the most recent annual average rate available from HMRC of £1 = 4728.159167Colombian Pesos (average rate from HMRC for the year to 31 December 2020), giving an annual income figure of £11,685.08. The annual repayment threshold applicable to Colombia in September 2020 (Band B) is £10,000. Using this threshold, the repayment amount due is £115.65per annum, payable at £12.63 per month. Should this borrower fail to provide SLC evidence of their residence or income they would be instead expected to pay £964.80 per annum, payable at a fixed monthly instalment of £80.40.

17.10.4 Voluntary Repayments

Borrowers may make voluntary repayment to their loan balance at any time, either before or after the loan balance has entered repayment status (Regulation 7(1)). Such a repayment would be made directly to SLC. No charges are applied for making voluntary repayments.

The borrower may choose to allocate a voluntary repayment to a particular loan balance. However, if the borrower has arrears on a balance, any voluntary repayment made will be allocated to the arrears first (Regulation 6).

Where a borrower does not specify which loan balance a voluntary repayment should be allocated to, the following default order of voluntary repayment allocation will be followed in accordance with Regulation 6:

1. Outstanding arrears, penalties, charges, or costs resulting from the penalisation of the borrower failing to follow their contractual obligations

2. Outstanding interest payments
3. The principal, which will be reduced or satisfied from the date of receipt
4. Any loans which have not yet reached SRDD

This hierarchy of repayment allocation ensures the borrower will make repayments against the loan with the higher rate of interest first.

Example:

> A borrower has Plan 4 loans that are in repayment status and a fine for failing to update SLC on a change of address. The borrower makes a voluntary repayment of £100 but does not specify which balance the repayment should be allocated to. The repayment will be allocated to payment of the penalty as per the order of allocation shown above.

Please see Section 6 of the principle body of the Guidance for applicable rules with regards to repayments by a third party and refunds of voluntary repayments.

17.10.5 Repaying by Direct Debit

The rules found in Section 7 of the principle body of the guidance mirrors Scotland's approach. Please refer to Section 7 of this guidance for full details of this provision.

17.10.6 Write off

Regulation 8(4) describes four events that may qualify the borrower for a write off of their loan. All of a borrower's loan balances are written off if:

- The borrower dies
- The borrower receives a disability-related benefit (as defined in Regulation 2) and because of the disability is permanently unfit for work
- in the case of a post-2007 student loan, the 30th anniversary of the date on which the borrower became liable to repay the student loan or
- in the case of a student loan which is not a post-2007 student loan, the earlier of the 30th anniversary of the date on which the borrower became liable to repay the student loan or when the borrower reaches the age of 65

SLC requires evidence should the following events occur:

- Where a borrower dies, SLC will require sight of either the original death certificate or a certified copy in order for their loans to be written off
- Where a borrower received a disability-related benefit and is permanently unfit for work the borrower will need to provide evidence that they are receiving a disability-related benefit and provide confirmation from a qualified medical professional stating that they are permanently unfit for work. Note where the evidence is not sufficiently clear that the borrower is permanently unfit for work, SLC may reject the request.

Where a borrower is in arrears or in breach of any obligation to repay a loan balance, the loan will not be written off (Regulation 8(1)). 'Arrears' are considered to include any breach of the borrower's obligation to repay the following:

- Any repayments of student loan due for an overseas period of residence
- Any repayments of ICR student loan due to be repaid by Direct Debit (for instance, where the borrower is considered to be less than 2 years from paying the loan balance in full) or
- Any mortgage style loan (generally payable to borrowers who started their course prior to 1998)

17.10.7 Interest

The Education (Student Loans) (Scotland) Regulations 2007 (as amended) set out the applicable interest rate for Plan 4 loans.

Interest on Plan 4 student loans is calculated daily and added to the loan balance monthly. (Regulation 14(3)).

Under Regulation 14(1) all Plan 4 loans are charged interest at the RPI rate (or the Bank of England Base Rate plus 1% ("the low interest cap"), if this is lower than the RPI rate, as per Regulation 14(2)).

The low interest cap is not currently in operation therefore the Plan 1 interest rate is set as RPI. The current interest rate effective from 3 March 2022 is 1.5%.

Until 3 March 2022 the low interest cap was in operation therefore the Plan 4 interest rate(s) applicable in AY21/22 prior to 3 March 2022 were:

Effective Date	Interest rate
1 September 2021 – 12 January 2022	1.1%
13 January 2022 – 2 March 2022	1.25%

Note the changes in interest rate are in line with a series of increases to the Bank Base Rate as announced by the Bank of England.

17.10.8 Charges for non-compliance

Scottish Ministers have the right, accorded by Regulation 11B, to issue an 'Information Notice' mandating that the borrower provide relevant information and its documentary evidence. The borrower must comply with this notice within 28 days of its receipt in person or by post (Regulation 11B(4), Regulation 11F). Failure to supply the information requested may result in a 'Penalty Notice' being issued (Regulation 11C(4)).

Similarly, a borrower must, within 6 weeks of the event, inform SLC and provide them with particulars if the borrower changes their name or address (Regulation 11A). Failure to comply with Regulation 11A or 11B(4) can result in a fine of £50 (Regulation 11C(1) and (2)).

Should the borrower fail in repaying a penalty, a further fine of £100 may be imposed. Subsequently, this fine may be added to the borrower's loan account should they exceed 28 days between the Penalty Notice and payment (Regulation 11C(5)). Any reasonable expenses or costs incurred by the Scottish Ministers in the process of serving the aforementioned notices may be charged to the borrower and added to their student loan account (Regulation 11D(1)).

Continued non-compliance after an Information Notice, a penalty or both may result in the full loan balance being deemed due for repayment in full and immediately (Regulation 11G).

Discretion may be applied by SLC where the borrower can provide evidence of extenuating circumstances as to why they could not contact SLC with the required information within the timescales listed above (for example, serious illness).

17.10.9 Refunds

On the occasion that the Scottish Ministers receive a repayment by way of a deduction when the student loan account has been paid in full or results in the student loan being paid in full, they are obligated to refund to the borrower any amount (in excess of £10) that is not required as payment (Regulation 9).

Interest is accrued on the over-repayment at the rate of RPI (or the Bank of England base rate plus 1%, if the lesser amount) from the date of over-repayment to the earlier of:

- 60 days from the date SLC issues a notification to the borrower advising that they are due a credit balance refund, or
- The date on which SLC makes the refund to the borrower

After which point interest will cease to accumulate on the refund balance.

17.10.10 Self-Assessed Borrowers

Please see Section 12 of the Guidance for rules governing SA borrowers. For borrowers residing overseas, please refer to Section 3 of this Annex.

17.10.11 Employed Borrowers

Please see Section 13 of the Guidance for rules governing employed borrowers. For borrowers residing overseas, please refer to Section 3 of this Annex.

17.10.12 Insolvency

Please refer to Section 14 of the Guidance for full details regarding insolvency.

17.11 Annex K – Northern Irish ICR Student Loan Repayment provisions

Annex H refers to the Regulations as they are found in The Education (Student Loans) (Repayment) Regulations (Northern Ireland) 2009 (2009/128). For this section of the Guidance, these provisions will be referred to as "the Regulations." References to "the Department" are in relation to DfE NI.

This Annex deals with the repayment of student loans by Northern Ireland domiciled borrowers who started HE courses in August 1998 or later. Borrowers who began their courses before then, and certain borrowers who began their courses after then (for example gap-year students), remain subject to the previous system of mortgage style loans for maintenance under the Education (Student Loans) Act 1990 (1990 Chapter 6) (Regulation 4).

Below this annex elaborated on various distinctions and provisions as they differ from the rest of the guidance, it is noteworthy that Sections 1, "How ICR Loans are repaid," and 2, "Definitions," as found above in the main body of the guidance, are applicable to Northern Ireland.

17.11.1 Statutory Repayment Due Date (SRDD)

The date in which a borrower's student loans enter repayment status is known as the SRDD.

Under Regulation 11(2), Northern Ireland's Plan 1 loans for FT undergraduate education enter repayment status at the start of the tax year (6 April) following the date that the borrower withdraws from or completes the designated course.

Regulation 11(2A) states that student loans borrowed in relation to DL or PT courses, then the loan enters repayment status at either the earlier of:

- the start of the tax year (6 April) following the date that the borrower withdraws from or completes the designated course, or
- the start of the tax year (6 April) following 4 years after the course start date. This is regardless of whether the borrower is still continuing on the same course.

17.11.2 Changes to mode of study and SRDD

Where a borrower starts a FT course and transfers to a PT course, all loans taken out by the borrower (including payments made when the student was FT) should enter repayment in accordance with the repayment rules for PT SRDD (Regulation 11(2B)(a)).

Where a borrower starts a PT course and transfers to a FT course before the PT SRDD, all of the loans taken (including payments made when the borrower was registered as PT) should enter repayment at the start of the tax year following the borrower’s completion of or withdrawal from the course they transferred to (Regulation 11(2B)(b)).

Where a borrower starts a PT course and transfers to a FT course after the PT SRDD, all FT loan payments will enter repayment status as soon as they are made (as would any PT payments made to the borrower after the SRDD if the borrower had continued studying PT) (Regulation 11(2B)(c)).

To summarise:

Change of Circumstance	**SRDD**
FT to PT	Move to the PT SRDD
PT to FT before the PT SRDD	Move to the FT SRDD
PT to FT after the PT SRDD	Remain as the PT SRDD (as the borrower is already in repayment)

For borrowers who change their mode of study more than once, the course they transfer to will determine their SRDD, unless the borrower has studied PT and has already passed the PT SRDD (as per table above). In that case, all future loan payments will enter repayment status as soon as they are paid, even if the borrower subsequently changes mode to FT study.

Should a borrower change their mode of study between a designated course and a designated DL course then Regulation 2D stipulates that:

- When the borrower switches from a designated course to a designated DL course then all loans taken out by the borrower should enter repayment status in accordance with the repayment rules for PT SRDD as found in Regulation 2A (Regulation 2D(a))
- When the borrower switches from a designated DL course to a designated course, then all loans taken out by the borrower should begin repayment on the 6 April following completion or withdrawal from the course (Regulation 2, Regulation 2D(b))
- Should the borrower change their mode of study after the commencement of SRDD any loans taken out will immediately enter repayment status, regardless of the change (Regulation 2D(c))

17.11.3 Repayment Threshold

On reaching SRDD, a borrower will only make repayment if their income is above the repayment threshold (Regulation 23). The repayment threshold is measured using both earned and unearned income, the latter only if over £2,000 (Regulation 24(3)). There is discretion to alter the SRDD in exceptional cases, as examined by DfE NI (Regulation 21). When the borrower’s income falls below the repayment threshold, obligatory repayments will stop.

The repayment threshold for Plan 1 loans in tax year 21-22 is:

- £19,895 per year
- £1,657.91 per calendar month
- £382.59 per week

The repayment threshold for Plan 1 loans increases by RPI at the start of every tax year (Regulation 24(6)).

Regulation 24(6) provides that the RPI rate is taken as the percentage increase between the retail prices all items index published by the ONS for the two Marches immediately before the commencement of the previous tax year. This rate is held on the ONS website:

https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/december2020

Plan 1 borrowers will repay 9% of their income above the repayment threshold (Regulation 24(2)).

See Annex A for more details of Plan 1 repayment thresholds for tax year 20-21.

17.11.4 Overseas borrowers – Plan 1 Loans

It is established in Part 5 of the Regulations the need for borrowers to notify SLC, operating on behalf of DfE NI, of any period of residence outside the UK which exceeds 3 months. The Regulations further state that such notification must be made within 6 weeks following the 3 months of residence abroad (Regulation 17).

Borrowers outside of the UK Tax System must provide SLC with evidence of their income or the means of supporting themselves financially during their period abroad (Regulation 67 (2)). Borrowers can do this by using the 'update your employment details' service available online at https://www.gov.uk/repaying-your-student-loan/update-your-employment-details or by completing the OVFA and returning it by post to SLC with evidence of their income or means of support.

The monthly repayment amount due is 9% of gross earnings over a threshold applicable to that particular country and determined according to that country's PLI (Regulations 71(1) and 71(3)).

SLC are instructed by that the average annual exchange rate for the most recent calendar year available from HMRC will be used to convert income to sterling from foreign currencies. Note that this is not specified in Regulations. Visit the government's website at https://www.gov.uk/government/publications/exchange-rates-for-customs-and-vat-yearly

Note that annual changes to currency exchange rates are not applied to overseas borrowers during their current overseas income assessment period.

The overseas mandatory repayment repayment thresholds are updated by RPI annually on 6 April each year (Regulation 71(1A)). The RPI rate is taken as the percentage increase between the retail prices all items index published by the ONS for the two Marches immediately before the commencement of the previous tax year.

Overseas borrowers who are in repayment status and whose annual overseas repayment schedule spans more than one tax year will therefore see their repayment amended twice each year:

- The monthly repayment amount due will be set at the start of the overseas repayment period and thereafter amended annually when the overseas borrower completes a new overseas assessment form and the new overseas assessment period starts, and

- The monthly repayment amount due will also be amended as of April each year in order to take account of the annual amendment to the overseas repayment thresholds and any change of PLI which results in a change to the banding of the borrowers during their current overseas income assessment period.

The first monthly instalment must be paid on a date determined by the Department as being a date not more than 2 months later than SRDD and subsequent instalments must be paid on the same date in each subsequent month for up to twelve months (Regulation 70(2)).

Where the borrower does not comply with SLC's request for further information then it is the prerogative of SLC to levy a penalty on the borrower (Regulation 68(2)). Further details are set out in Section 9 of this Annex. The Department may require the borrower to repay immediately such part of a student loan as will reduce the amount outstanding to the amount which the Department considers would have been outstanding if the borrower had given the notice or provided the information required.

Fixed monthly instalments are due when a borrower is not in the UK Tax System and does not provide evidence of residence and income (Regulation 68(1)). These rates are available for reference in Annex B. These fixed monthly instalments must be paid monthly by the borrower no later than the date specified in the notice of non-compliance, as specified in Regulation 68 (Regulation 69).

Example:

> A borrower has a Plan 1 loan balance and advises SLC in July 2021 that they are living in Myanmar and earning a salary of 20,000,000 Kyat. Their salary is converted to UK pounds using the most recent annual average rate available from HMRC of £1 = 1782.799167 Kyat (average rate from HMRC for the tax year to 31 December 2020), giving an annual income of £11,218.31. The annual repayment threshold applicable to Myanmar in September 2021 (Band B) is £7,960. Using this threshold, the repayment amount due is £293.24 per annum, payable at £24.43 per month. Should this borrower fail to provide SLC evidence of their residence or income they would be instead expected to pay £1,180.80 per annum, payable at a fixed monthly instalment of £98.40.

17.11.5 Voluntary Repayments

Borrowers may make voluntary repayment to their loan balance at any time, either before or after the loan balance has entered repayment status (Regulation 11(1)). Such a repayment would be made directly to SLC. No charges are applied for making voluntary repayments.

If the borrower has arrears on a balance, any voluntary repayment made will be allocated to the arrears first. Arrears, penalties, and other charges are not added to the principal, but rather kept separate (Regulation 10(1)).

Where a borrower does not specify which loan balance a voluntary repayment should be allocated to, the following default order of voluntary repayment allocation will be followed in accordance with Regulation 10:

1. Outstanding arrears, penalties, charges, or costs resulting from the penalisation of the borrower failing to follow their contractual obligations (Regulation 10(2)(a))
2. Outstanding arrears, penalties, charges, or costs resulting from the penalisation of the overseas borrower failing to follow their contractual obligations (Regulation 10(2)(b))
3. Outstanding interest payments (Regulation 10(2)(c))
4. The principal, which will be reduced or satisfied from the date of receipt (Regulation 10(2)(d))
5. Any loans which have not yet reached SRDD.

This hierarchy of repayment allocation ensures the borrower will make repayments against the loan with the higher rate of interest first.

Example:

> A borrower has Plan 1 loans that are in repayment status and a fine for failing to update SLC on a change of address. The borrower then makes a voluntary repayment of £100 but does not specify which balance the repayment should be allocated to. The repayment will be allocated to payment of the penalty as per the order of allocation shown above.

Please see Section 6 of the principle body of the Guidance for applicable rules with regards to repayments by a third party and refunds of voluntary repayments.

17.11.6 Repaying by Direct Debit

A borrower becomes eligible for repayment by direct debit if they firstly give notice to the Department (Regulation 1(a)). The Department then examine the borrower and will disqualify anyone who is, or has been previously without authorisation, in arrears (Regulation 1(c)) . The Department must be satisfied that the borrower is likely to repay all of the outstanding balance of the student loan within 23 months of the notice (Regulation 1(b)).

Where an amount is paid by the borrower directly to the Department, or by direct debit under Regulation 13, the repayment is considered to have been received on the date on which the amount is, in fact, received (Regulation 12(a)). Bank transfer, as authorised by the borrower, must be received no later than 30 days following the Department's note of their approval of direct debit as a method of payment (Regulation 13(4)).

The borrower must complete and return to the Department in the format required by the Department "from time to time" a standing instruction to the borrower's bank authorising monthly lump sum payments to the Department in such sum as is required to ensure payment of the outstanding balance within the next 23 months (Regulation 13(3)).

This arrangement may be suspended by the borrower at any time, after agreement with the Department, and payments through HMRC commenced (Regulation 13(6)).

17.11.7 Write Off

Regulation 14(3) describes four events that may qualify the borrower for a write off of their loan. All of a borrower's loan balances are written off if:

- The borrower dies
- The borrower receives a disability-related benefit (as defined in Regulation 6) and because of the disability is permanently unfit for work
- in the case of a post-2006 student loan, the 25th anniversary of the date on which the borrower became liable to repay the student loan, or
- in the case of a student loan which is not a post-2006 student loan, the borrower reaches the age of 65

SLC requires evidence in the following events:

- Where a borrower dies, SLC will require sight of either the original death certificate or a certified copy in order for the loans to be written off, or
- Where a borrower received a disability-related benefit and is permanently unfit for work the borrower will need to provide evidence that they are receiving a disability-related benefit and provide confirmation from a qualified medical professional stating that they are permanently unfit for work. Note where the evidence is not sufficiently clear that the borrower is permanently unfit for work, SLC may reject the request.

Where a borrower is in arrears or in breach of any obligation to repay a loan balance, the loan will not be written off (Regulation 14(1)). 'Arrears' are considered to include any breach of the borrower's obligation to repay the following:

- Any repayments of student loan due for an overseas period of residence
- Any repayments of ICR student loan due to be repaid by Direct Debit (where the borrower is considered to be less than 2 years from paying the loan balance in full), and

- Any mortgage style loan (generally payable to borrowers who started their course prior to 1998)

17.11.8 Interest

Regulation 16 of the Regulations are reflected in substance by Section 9 of this guidance in relation to the interest calculation of Plan 1 loans.

17.11.9 Charges for non-compliance

The Department have the right, accorded by Regulation 18, to issue an ‘Information Notice’ mandating that the borrower provide relevant information and its documentary evidence. The borrower must comply with this notice within 28 days of its receipt (Regulation 18(4)). Failure to resolve an Information Notice may result in the issuance of a ‘Penalty Notice’ (Regulation 19(5)). Similarly, a borrower must, within 6 weeks of the event inform SLC of the change and provide them with particulars if the borrower changes their name or address (Regulation 17). Failure to comply with Regulation 17 or 18(4), as discussed above, can result in a fines of £50, respectively (Regulation 19(1-2)).

Should the borrower fail in repaying a penalty, a further fine of £100 may be imposed. Subsequently, this fine may be added to the borrower’s loan account should they exceed 28 days between the Penalty Notice and payment (Regulation 19(3)). Any reasonable expenses or costs incurred by the Department in the process of serving the aforementioned notices may be charged to the borrower and added to their student loan account (Regulation 20). The Department also has the right to add the above penalties and fines into the principal (Regulation 19(7)).

Continued non-compliance after an Information notice, a penalty or both may result in foreclosure resulting in the Department requiring the borrower to repay their student loan in full and immediately (Regulation 22).

17.11.10 Refunds

On the occasion that the Scottish Ministers receive a repayment by way of a deduction when the student loan account has been paid in full or results in the student loan being paid in full, they are obligated to refund to the borrower any amount (in excess of £5) that is not required as payment (Regulation 15).

Over-repayments resulting from repayment by way of HMRC dedications or directly from the borrower carry interest (Regulation 15(1)). This interest is accrued on the over-repayment at the rate of RPI (or the Band of England base rate of 1%, if the lesser amount) from the date of over-repayment to the earlier of:

- 60 days from the date SLC issues a notification to the borrower advising that they are due a credit balance refund, or
- The date on which SLC makes the refund to the borrower

After which point interest will cease to accumulate on the refund balance.

Over-repayments received from SA tax returns will not carry interest (Regulation 15(2)).

Where the Department has received a repayment by way of deduction from the borrower's earnings for a tax year those earnings do not exceed the repayment threshold the Department must refund the amount deducted if the borrower applies for a refund (Regulation 15(4)).

17.11.11 Self-Assessed Borrowers

Please see Section 12 of the principle body of the Guidance for rules governing SA borrowers residing in the UK.

17.11.12 Employed Borrowers

Please see Section 13 of the principle body of the Guidance for rules governing employed borrowers residing in the UK.

17.11.13 Insolvency

Please refer to Section 14 of the principle body of the Guidance for full details regarding insolvency.

17.11.14 Real Time Information

Employers report their PAYE deductions bill (which may include student loan deductions) to HMRC on a pay period basis if they are a RTI employer. Note that the frequency of pay period, for which student loan deductions may be liable, is determined by the employer.

As of tax year 19-20 HMRC report student loan deductions to SLC on a weekly basis including all pay period deductions reported during the previous week and detailing the amount and date each deduction was made by the employer. SLC will allocate repayments to the borrower's loan to reflect the date and amount advised by the employer via HMRC. Interest will be calculated to reflect the month end position.

17.12 Annex L – Organisation contact details

Student Loans Company
100 Bothwell Street
Glasgow
Scotland
G2 7JD

https://www.gov.uk/repaying-your-student-loan

17.13 Annex M – Update Log

Date	Updates
09/11/2020	Initial rollover - Annual thresholds and rates updated - Updated academic year and tax year references
15/02/2021	Updated with policy changes for introduction on new Scottish repayment thresholds (Plan 4)
10/03/2021	Updated: - Scottish repayment threshold changes - Repayment Operational Simplication changes (correspondence modernisation) - Corrected guidance for VIR calculation in PAYE settlement scenario
22/03/2021	Added pay period thresholds to Scottish and NI guidance sections
12/01/2022	Updated section 9.3 (Plan 1 interest rate) and section 16.3.7 (Plan 4 interest rate) with updated interest rates effective from 13 January 2022 due to change to BoE base rate Update section 9.4 (Plan 2 interest) and 9.11 (PGL interest) with detail on PMR. Also added new Annex I to detail applicable max rates for Plan 2 and PGL in the AY.
31/03/2022	Updated section 9.3 (Plan 1 interest rate) and section 16.3.7 (Plan 4 interest rate) with updated interest rates effective from 3 March 2022 due to change to BoE base rate