ABINGDON

Student finance for UK nationals and residents

Please note that these figures are based on information available in February 2020. The thresholds and re-payment levels change every 6 April. For up to date information please visit UK Gov's student finance pages.

In basic terms, there are two types of student finance you can apply for; the tuition fees and the maintenance loan.

Tuition fees

If you are a UK national or normally live in the UK, you are entitled to apply for a student loan to cover your tuition fees. Of course, you don't have to do this; for example, if someone like your parents or grandparents have offered to pay or if you are funding your tuition yourself. It doesn't matter if you don't know who will be paying for your fees at the time of applying. You have plenty of time to sort that out; in fact, you can apply for a student loan from any time after you submit your UCAS application up to nine months after you start your degree.

Students don't pay the university for tuition. In fact, tuition fees, which are typically £9,250 a year, are paid for you by the Student Loans Company. You won't see any money going in or out of your bank account.

Maintenance loan

You are also eligible for a loan to help cover your accommodation and living expenses. For most under 25s, the amount of loan you are entitled to is based on your 'household' income, i.e. how much your parents earn. The maximum loan (for 2019/20 starters) you could receive is £8,944 per year if you live away from home, £11,672 away from home in London and £7,529 if you live at home while studying at university (2019 starters). This loan is gradually reduced if your family's income is over £25,000 until at around £60,000 (or £69,000 if you're going to study in London) it is roughly halved. Your parents are expected to pay any shortfall although no-one actually tells you this. Basically, when you get the letter/email informing you how much maintenance loan you will get, you then need to work out how much money you'll need to live on each term, and if the loan doesn't cover that, you'll have to work out how you are going to find the rest. If you are lucky, your parents might make up the shortfall; otherwise you may need to find a part-time job to help cover your living costs, or plan to spend very carefully. So, it is important that, when deciding which universities to apply to, you research all the costs involved, including accommodation, bills for electricity, gas, water, internet, etc., transport, food and entertainment.

At the start of each term, the relevant proportion of your maintenance loan (approximately £3,000 a term if you're living away from home and outside London) is paid into your bank account and you have to manage your spending to make it last all term!

To find out more or to apply for a student finance go to the official government website: https://www.gov.uk/student-finance

Things you should know

How much you actually pay back

Over the duration of a three-year degree course, the combined tuition and maintenance can be over £50,000. However, you don't necessarily re-pay £50,000 and it is important to understand just how much you will have to pay back.

You should only have to start repaying in the April after you leave university.
Then, you only need to re-pay if your salary is £25,725 a year or more. If you earn less than this you don't have to re-pay, but as soon as your salary crosses this threshold, you will start paying.

You repay 9% of everything above £25,725 that you earn, so the more that you earn, the more you pay back each month. This is taken out of your salary automatically. If you are self-employed, you will have to reserve enough of your income to pay back the necessary amount through the tax system.

After 30 years, your loan is wiped, and you don't have to pay back any more, regardless of how much of the loan is left.

The loan is more like a tax

It is really important to understand this bit, but it can be a little complicated.
The amount you re-pay each month depends on what you earn, not on how much you owe or the interest. So, say you are earning £30,000, whether you owe £20,000 or £50,000 from your student loan, re-pay £385 a year. (£385 is 9% of £4,275, the difference between the £25,725 threshold amount you need to earn to start paying back and your £30,000 income.)
The more you earn, the more you will repay.

If you look at it like this, what you owe doesn't impact how much you pay back each year. Rather, you are basically paying a 9% increased rate of tax for 30 years. At the current rates, this would look like this:

Earnings/income	University graduates	Non-graduates
Up to £12,499	No tax	No tax
£12,500 - £25,724	20%	20%
£25,725* - £49,999	29%	20%
£50,000 - £149,999	49%	40%
£150,000 +	54%	45%

* threshold for repaying student loan

It is predicted that few – only the top 17% highest earning graduates – will repay all of their student loan.

Interest on your loan

Currently, the student loan interest is set based on the RPI rate of inflation. While you are studying, this is RPI plus 3%. From September 2019, it has been 5.4%. From the April after you leave university, the rate of interest changes and it depends on your earnings. If you earn under £25,725 it's RPI; if you earn over £46,305 it's RPI plus 3%. For anyone in between, it's worked out on a sliding scale. So, many graduates won't pay the 5.4% rate of interest often quoted in news headlines and some graduates won't pay any interest at all.

For more about student finance, visit Money Saving Expert - a website from Radio 4's Martin Lewis who provides a pretty detailed examination of student finance, what it means and how to budget.