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Proposals to lower the Student Loan Repayment Threshold

I am aware there are considerable concerns about a proposed change to the threshold for the repayment of student loans, which would mean that graduates would pay hundreds of pounds more each year. This is among measures recommended by the Post-18 Education Review, also known as the Augar Review, in 2019, which also suggested cutting tuition fees from £9,250 to £7,500 and extending the repayment period from 30 to 40 years.

The Government proposals to drop the student loan repayment threshold will impact hardest and unfairly on women graduates and graduates who emerge on low incomes. These measures would effectively widen the gap, leaving wealthy graduates virtually unaffected. I believe this would be a very negative move and that any move to limit access to higher education is a very backward step.

Analysis from the Institute for Fiscal Studies (IFS) showed that any substantial changes to the loan system mean the richest graduates would pay less, with those on average earnings paying more. The IFS also says that lowering the income threshold at which loan repayments start would mean graduates could face an effective marginal tax rate of 50% on their salary and employer's National Insurance contributions when the new Health and Social Care Levy is brought in. This compares with an equivalent rate of 42% for non-graduates.

As you will know, it had been widely expected that an announcement on this issue would be forthcoming at the Spending Review in October. However, following the Spending Review, the Government advised it will set out further details of the higher education settlement alongside the response to the Augar Review, which it now says is set to be published in the coming weeks. I assure you I will follow this issue closely.

More generally, I remain committed to removing loans and abolishing higher education fees. I believe we need to rethink the value of higher education and its contribution to society, culture and the economy.

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