



Llywodraeth Cymru
Welsh Government

WRITTEN STATEMENT BY THE WELSH GOVERNMENT

TITLE **Student loan interest rates**

DATE **09 November 2023**

BY **Jeremy Miles MS, Minister for Education and Welsh Language**

The Welsh Government must ensure that interest rates on student loans do not exceed the prevailing market rate.

We have acted several times in the past two years to cap the interest rate on student loans to protect Welsh borrowers. Additional rate caps may be required if the prevailing market rate continues to be below student loan interest rates.

To further protect Welsh students from continuing high interest rates, we have established a legislative system to automatically apply an interest rate cap whenever the interest rates on student loans would otherwise exceed the prevailing market rate. Welsh borrowers with Plan 2 (undergraduate) or Plan 3 (postgraduate) student loans will see an interest rate cap being applied and adjusted monthly when student loan interest rates are high.

This system will ensure the application of an interest rate cap is both transparent and responsive to changing rates and will safeguard Welsh borrowers from repaying more on their student loans in the future.

Changes to interest rates do not affect monthly student loan repayments, which are charged as a fixed proportion of income. Loan repayments are income contingent. Students repay their loan only if they earn above a threshold, and remaining debts are written off after thirty years.

Living costs should never be a barrier to studying at university, which is why the Welsh Government provides a generous student support package, including grants for living costs. Welsh students have less to repay on average than their English peers. The Welsh Government also provides a debt write-off of up to £1,500 for each borrower entering repayment, a scheme unique in the UK.