

## **Explanatory Memorandum to the Cancellation of Student Loans for Living Costs Liability (Wales) Regulations 2018**

This Explanatory Memorandum has been prepared by the Higher Education Division and is laid before the National Assembly for Wales in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

### **Cabinet Secretary's Declaration**

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of the Cancellation of Student Loans for Living Costs Liability (Wales) Regulations 2018.

I am satisfied the benefits justify the likely costs.

Kirsty Williams AM  
Cabinet Secretary for Education

11 July 2018

## **1. Description**

These Regulations provide for up to £1,500 of a full-time, undergraduate student's living costs loan (also known as a maintenance loan) for academic year 2018/2019, to be cancelled in certain circumstances. The cancellation will take effect from the day after the date on which the student's first loan repayment is received.

## **2. Matters of special interest to the Constitutional and Legislative Affairs Committee**

None.

## **3. Legislative background**

These Regulations are made by the Welsh Ministers in exercise of the powers conferred upon the Secretary of State by sections 22 and 42(6) of the Teaching and Higher Education Act 1998 ("the THEA") and which are now exercisable by them in relation to Wales.

The relevant functions of the Secretary of State under section 22 of the THEA were transferred to the National Assembly for Wales by section 44 of the Higher Education Act 2004 and were then transferred to the Welsh Ministers by virtue of section 162 of and paragraphs 30(1) and 30(2)(c) of Schedule 11 to the Government of Wales Act 2006.

Undergraduate students who receive a living costs loan from the Welsh Ministers in academic year 2018/2019 will do so under the Education (Student Support) (Wales) Regulations 2017 (S.I. 2017/47 (W. 21)) or the Education (Student Support) (Wales) Regulations 2018 (S.I. 2018 No. 191 (W. 42)), depending on when their course starts.

Provisions relating to the repayment of living costs loans are contained in the Education (Student Loans) (Repayment) Regulations 2009 (SI 2009/470), (as amended) which are made under sections 22 and 42 of the THEA and sections 5 and 6 of the Sale of Student Loans Act 2008.

This instrument will follow the Negative Resolution procedure.

## **4. Purpose & intended effect of the legislation**

These Regulations make provision for students, who receive a living costs loan from the Welsh Ministers for academic year 2018/19 in respect of a full-time, undergraduate course to benefit from a reduction in the balance of their loan of up to £1,500 when they start repaying their loan. This will not be in the form of a cash lump sum; rather the Student Loans Company will reduce the balance of

an individual's loan by the appropriate amount when they receive notification of a borrower's first repayment.

A student can only receive a partial cancellation once; they cannot receive a partial cancellation in respect of academic year 2018/19 if they have already received a cancellation in respect of any previous academic year. A student will not be entitled to a partial cancellation if there are any outstanding charges or penalties or if they are in breach of their loan agreement or any regulations made under section 22 of the THEA.

## **5. Consultation**

No consultation has been undertaken as these Regulations are technical in nature and simply update the academic year for which this scheme will operate.

## **6. Regulatory Impact Assessment**

### **Options**

#### **Option 1: Do nothing**

In the event of regulations not being made the principal implications are:

- There would be no loan write-off in respect of living costs loans received in respect of academic year 2018/19 ;
- Full-time undergraduate students from Wales in academic year 2018/19 would be disadvantaged in this respect compared to their counterparts from previous academic years.

#### **Option 2: Do the minimum – make the Regulations (the preferred option)**

Making the regulations will allow Welsh Ministers to provide a loan write-off of up to £1,500 to students studying on a full-time course in the 2018/19 academic year, in line with previous years, and as per current expectations. The loan write-off will only occur once the student enters repayment, either voluntarily or automatically (due to earning above the income threshold for loan repayment). Repayment of the loan is income contingent and ensures that only those that can afford to repay do so.

With the introduction of the new package of support in 2018/19 academic year, maintenance loans will be made available to part-time students. However students studying on a part-time basis will not be eligible for the partial cancellation. This will effectively continue the existing policy for 2018/19, whereby divergent policy approaches apply to debt relief for students with

differing characteristics (i.e. full-time and part-time learners), as the existing higher education system has treated full-time and part-time learners debts differently. Differences do exist between the characteristics of the full-time and part-time undergraduate populations, which established policies aim to address.

As a consequence, contrasting approaches have been taken with respect to debt reduction policy. As partial cancellation is a debt write-off policy, and Welsh Ministers are seeking to target those students who will accumulate most debt during the course of their studies, the policy is aimed at full-time undergraduates.

### **Costs and benefits**

The latest estimates suggest continuing the scheme in academic year 2018/19 will cost between £25-27m non-cash. Around 58% of this cost would be incurred in financial year 2018-19, and the remaining 42% in 2019-20. These costs will be funded from Student Loans RAB Charge.

Full-time students ordinarily resident in Wales, who take out a maintenance loan in the academic year 2018/19, will benefit from the Regulations by seeing the balance of their loan reduced by up to £1,500. This is in line with the benefit received by students in previous academic years.

The provision of a partial cancellation of student debt contributes to tackling poverty, debt reduction and encouraging and widening access to Higher Education for Welsh students.

## **7. Post implementation Review**

Once the Regulations come in to force, powers are delegated to the Student Loans Company (SLC) to administer the scheme on behalf of Welsh Ministers to ensure Welsh domiciled students receive a partial cancellation in certain circumstances. SLC monitor how much partial cancellation is awarded and provide quarterly figures to officials in the Welsh Government.

Feedback from students indicates that the scheme is widely appreciated as the Welsh Government continues to provide a more generous student support package compared with the UK Government. The Regulations also assist in reducing the level of debt for eligible students studying on a full-time basis.