

EXPLANATORY MEMORANDUM TO
THE EDUCATION (POSTGRADUATE MASTER'S DEGREE LOANS)
REGULATIONS 2016

2016 No. 606

1. Introduction

- 1.1 This explanatory memorandum has been prepared by the Department for Business, Innovation and Skills and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 This instrument introduces the new Education (Postgraduate Master's Degree Loans) Regulations 2016 that provide for the payment and repayment of postgraduate master's degree loans.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

- 3.1 None.

Other matters of interest to the House of Commons

- 3.2 As this instrument is subject to the negative procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

4. Legislative Context

- 4.1 This instrument introduces new Education (Postgraduate Master's Degree Loans) Regulations 2016 ("the 2016 Regulations"). The 2016 Regulations are made under section 22 and 42(6) of the Teaching and Higher Education Act 1998, which provides for the Secretary of State to make regulations to provide financial support for students in higher education.
- 4.2 This instrument introduces a new postgraduate master's loan for students that will be available from the academic year 2016/17. This instrument contains provisions relating to the master's loan, its eligibility criteria and payment and repayment terms.

5. Extent and Territorial Application

- 5.1 This instrument extends primarily to England and Wales only. Regulation 97(2) extends to Northern Ireland to the extent that it makes provision for the effect on a loan of a borrower's bankruptcy in that jurisdiction. The instrument also extends to all of the UK where it imposes any obligation or confers any power on HMRC, an employer or a borrower in relation to repayments made under Chapters 3 or 4 of Part 2 of the Regulations.
- 5.2 The territorial application of this instrument is primarily England only. Regulation 97(1) applies to Wales as well as England.

6. European Convention on Human Rights

- 6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

What is being done and why

- 7.1 At Autumn Statement 2014, the Government announced its intention to introduce a new loan scheme for postgraduate master's students. The proposal was consulted on in spring 2015 and the Government responded at Autumn Statement 2015 confirming the terms and eligibility criteria of a new postgraduate master's loan scheme available from academic year 2016/17.
- 7.2 The Government's objective is to stimulate increased take-up in postgraduate master's study by providing students with a new means to access finance, without duplicating existing funding mechanisms. An underpinning principle for the postgraduate master's loan scheme is its affordability for the borrower while attracting a minimal public subsidy and for borrowers to repay in full on average.
- 7.3 The introduction of a new government-backed master's loan scheme is driven by the declining trend in participation in master's study by UK students and recognition of the need to improve the supply of highly skilled individuals to support the demand by employers. The Government's objective is therefore to support the highest levels of skills to support the UK economy by enabling those who cannot afford or delay study at postgraduate master's level to take up places.
- 7.4 There has been a fall in domestic take-up and demand for master's level study, when ideally we would want to see higher volumes of UK graduates transition to master's courses so the benefits to the individual, employers and the economy can be accrued sooner and for longer. The number of English and EU-domiciled master's entrants showed a 15% decline between 2010/11 and 12/13 with only a small 2% rise in 2013/14.¹
- 7.5 Alongside this is a lack of access to finance for students to fund postgraduate master's study, particularly for those from lower socio-economic backgrounds. Financial concerns are the most significant and commonly reported barrier for progression into postgraduate master's study.² The proportion of postgraduate master's students that self-finance is high at 72%.³

Demand and benefits

- 7.6 The availability of the loan will improve student access to funding to pursue postgraduate master's study resulting in an increase in the number of students enrolled in master's courses. The benefits of postgraduate master's level study to individuals, the employer, the taxpayer and the economy will be realised by a greater number and earlier in cases where master's level study would have otherwise been delayed. Around 60,000 students are expected to take-up the new master's loan in 2016/17, of which around 8,000 will be additional students who without the loan would not have entered master's study in 2016/17.

¹ Higher Education Statistical Analysis (HESA) student record data (2013/14)

² BIS commissioned research forthcoming

³ 'Postgraduate Taught Education: The funding challenge', Universities UK, 2014

- 7.7 The impact of the loan on widening participation in master's level study will be measured. As a result of the loan scheme more students from disadvantaged backgrounds are expected to be able to pursue and acquire master's qualifications.

Public perception and stakeholder engagement

- 7.8 There has been increased interest in Government's role in postgraduate education over recent years. More recently public interest in the policy intent was strong with over 400 consultation responses analysed to inform the Government's response. They have offered a wide range of perspectives from educational sector organisations, representative bodies, businesses, charities, societies, students and individual members of the public and academia.
- 7.9 The Government's response to the consultation and confirmation of the policy at Autumn Statement 2015 was well received by commentators including the higher education sector, in particular, lifting the age criterion from 30 to 60 years.

Consolidation

- 7.10 None.

8. Consultation outcome

- 8.1 A public consultation on Support for Postgraduate Study was held between 23 March 2015 and 29 May 2015. Over 400 responses were received and an independent analysis of these was produced by Pye Tait Consulting. The consultation document, Pye Tait report and the Government's response to the consultation have been published on the Gov.uk website.
- 8.2 The consultation invited views on the objectives, underpinning principles and more detailed proposed terms and conditions of a new government-backed postgraduate master's loan scheme. It also sought views on wider implications such as safeguards, other sources of support and the loan repayment mechanism to minimise burden on employers and business and implications for Professional Career Development Loans.

There was overall support from respondents for the policy and a summary of consultation responses is published on the Gov.uk website. The Government's response

- 8.3 At Autumn Statement 2015 the Government published its response to the consultation on Support for Postgraduate Study. It set out its policy objectives and rationale for intervention in postgraduate master's provision and confirmed the terms and conditions for accessing the new postgraduate master's loan scheme. The Government's full consideration of consultation responses is set out in its response published on the Gov.uk website.

Key terms and conditions of the postgraduate master's loan

Loan amount and payment

- 8.4 A loan of up to £10,000 will be available as a contribution to the costs of postgraduate master's study. The student may use the loan according to their individual circumstances, for example to cover tuition fees, course costs, and/or living costs. The amount a student is able to apply for will not be means tested and may be for any amount up to the maximum £10,000.

- 8.5 The loan will be paid directly to the student and payments will be made in three equal instalments across the academic year. Payments will only be made once the student's registration has been confirmed by the course provider.

Course eligibility

- 8.6 The loan will be available to students enrolled on a full-time postgraduate master's course of up to two years in duration. The loan will also be available to students enrolled on a part-time postgraduate master's course with a study intensity of 50% of the equivalent full-time course and up to three year part-time courses where no full-time equivalent exists. The master's course may be in any subject and be taught or research based, including professional master's that may have a work placement in industry.

Individual eligibility

- 8.7 The loan will be available to students who are under the age of 60 on the first day of the academic year in which their course starts.
- 8.8 The loan will be available to English domiciled students i.e. students who have been ordinarily resident in the UK and Islands for the three years prior to the start of their academic year and are currently resident in England and have not moved there from elsewhere in the UK solely for the purposes of attending the course.
- 8.9 The master's loan will be available to EU nationals and family members of EU nationals who are either English domiciled students as set out above or who have been ordinarily resident in the EEA / Switzerland for the three years prior to the start of their academic year and are resident in England on the first day of that academic year.
- 8.10 These EU eligibility criteria mirror the arrangements for the undergraduate tuition fee student loan since a portion of the master's loan is expected to be used to pay tuition fees. This ensures we comply with the principle that EU students are not treated less favourably than UK nationals as a result of their nationality status.
- 8.11 Individuals may also be eligible if they have the residency status of refugee, humanitarian protection, EEA / Swiss migrant worker, child of a Swiss national, child of a Turkish worker or long residency in the UK.
- 8.12 This instrument provides for the loan to be made available to prisoners once suitable arrangements for disbursement of monies are in place, currently scheduled for Academic Year 2017/18.

Institutional eligibility

- 8.13 The loan will be available to students enrolled on postgraduate master's courses provided by Authority Funded institutions and on those courses specifically designated by the Secretary of State. The Secretary of State intends to use this designation in relation to courses offered by Alternative Providers with Degree Awarding Powers in 2016/17 and then also to Alternative Providers without Degree Awarding Powers in 2017/18. Eligible English domiciled students will be able to study at institutions in England, Scotland, Wales and Northern Ireland. The course may be studied at the institution or through distance learning. Distance learners must be resident in England while undertaking the course.

Loan repayment

- 8.14 The loan interest will be calculated at RPI+3%. Interest will begin to accrue on postgraduate master's loan balances from the date that the loan is paid to the student.
- 8.15 Repayment of the loan will be contingent upon the borrower having an annual income of £21,000 or more. The repayment threshold will be frozen until 2021 and subject to review.
- 8.16 Repayment of the loan will be calculated at 6% of income above the income repayment threshold. Repayments will be made concurrently with any outstanding undergraduate student loan and will be due in the April after course completion, subject to meeting the annual income threshold. Due to the timetable for launching a new financial product, commencement of any repayments will be delayed until April 2019.
- 8.17 Any outstanding loan balance will be written off 30 years after the date the borrower's loan balance becomes due for repayment.
- 8.18 The loan has been assessed as falling within an exemption of the EU Consumer Credit Directive (Directive 2008/48/EC). Compliance will be monitored annually.

Equality Analysis

- 8.19 An Equality Analysis of the postgraduate master's loan scheme is published alongside the Explanatory Memorandum on the legislation.gov.uk website.

9. Guidance

- 9.1 The Government's response to the consultation and the key terms and conditions for accessing the loan are on gov.uk. Further information about how to apply will be made available on gov.uk and Student Finance England's website in summer 2016.
- 9.2 Information and guidance is being produced by Student Finance England for course providers and students intending to apply for the new loan. The information and guidance will be available in both hard copy and electronic formats.
- 9.3 Guidance for employers on repayment of the new loan will be provided by the HMRC and Student Loans Company prior to 2019, when repayments will commence.

10. Impact

- 10.1 The impact on the public sector, business, charities or voluntary bodies will be as employers and associated with the loan repayment arrangements put in place by this instrument.
- 10.2 An Impact Assessment will be submitted before the praying period ends for this instrument and published alongside the Explanatory Memorandum on the legislation.gov.uk website.

11. Regulating small business

- 11.1 The repayment arrangements put in place by this instrument apply to activities as described in section 10 and this impact is being considered as part of the Impact Assessment.

12. Monitoring & review

- 12.1 The 2016 Regulations will be kept under review. The Government is committed to reviewing the master's loan policy within three years. Institutional practice and

behaviour change by students, the overall demand and nature of take-up will be monitored.

- 12.2 The Department will continue to engage on a regular basis with stakeholders.
- 12.3 Statistical information in relation to postgraduate participation will continue to be published through Higher Education Statistical Agency data. Take-up of the loan specifically will be published in the Student Loans Company's Statistical First Releases.

13. Contact

- 13.1 Rachel Hutchinson at the Department for Business, Innovation and Skills can answer any queries regarding the instrument. Telephone: 0207 215 5000 or email: rachel.hutchinson@bis.gsi.gov.uk.