MoneySavingExpert.com

RUSSELL GROUP

Moving towards a Graduate Contribution Statement

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Foreword from Martin Lewis - 'we must scrap our current student loan statements'

The current student loan statement is a blunt, misleading tool that is financially dangerous. It prompts, often unnecessary, fear and distress from some of the millions who receive it. And worse, as it's a gateway document, this reverberates across society, and therefore risks wrongly deterring many from a future of higher education.

Today's statements aren't fit for purpose

For most university leavers, their outstanding 'debt' is a mostly meaningless figure that bears only a loose resemblance to what they need to repay. However, this figure, and the interest added, is the prime data covered on the current statement.

In practice, today's university leavers repay 9% of everything earned above a threshold, currently £25,725 in England and Wales, for 30 years, unless they clear the debt before that. So whether you owe £10,000, £50,000 or £3 million – with a £30,000 salary you repay £385 a year. The only impact the size of the 'debt' has is whether you'll clear what you owe before it wipes.

And as it's predicted that 83% of university leavers will keep paying for the full 30 years, for most graduates these loans work more like a constant 9% extra tax, rather than a debt (which is also how most mortgage lenders assess them).

In fact, a more accurate name for the student loan system would be a 'graduate contribution', as what counts most isn't what's owed, but what's repaid. Yet the last year's annual repayment is only mentioned in passing, and there's no attempt to explain total repayments over the life of the loan.

Focusing on the wrong information can have damaging consequences for individuals. One woman told me how fear of the growing interest on her statement meant she used an inheritance to overpay thousands. Yet, as she was in a low-earning profession, with little likelihood of ever clearing much, her overpayment wouldn't have any impact on what'd she'd repay in future – so she'd simply flushed the cash away.

The new statement must be as much about explanation as information

Our aim was to produce a statement that informs people of their personal situation, but also uses this information to illustrate how student loan repayments really work over the short and long-term. This should help graduates see the likely true cost to them of their education.

Thankfully, for a first attempt, the success rates are over 90% that the information is clear but also that it helps understanding of the system. And crucially, when we tested respondents to ensure they really did understand the more complex information correctly, over 90% got it right.

Therefore, with the Augar report on further and higher education due, we are urgently calling for it and the Government to look at using our statement as a basis to redesign the official statement. This would improve understanding and decision making for past, present, and future students alike.

Martin Lewis

Founder, MoneySavingExpert.com

Foreword from Dr Tim Bradshaw - ‘time to unravel the myths surrounding student debt’

One of the biggest challenges with the current student finance system has been finding a way to explain it to students, graduates and others that is transparent, easy to understand and which highlights the progressive nature of some of its features.

I hope that our revamped Graduate Contribution Statement can help explain the student finance system and unravel some of the myths surrounding student debt. Not least by showing graduates and their parents a more accurate estimate of the amount they can expect to pay back over their lifetime, which is often less than the big, intimidating figures they may have read about.

Refreshing the way we present and talk about student loans can also encourage a more informed debate about the system as a whole, which is presently under review by the Government. It isn’t perfect, but it does ultimately protect the lowest-paid and ensure that university remains free at the point of use and accessible to anyone with the talent and the ambition to take part. This is because graduates always make contributions in line with their income and any outstanding balances are written off after 30 years.

I hope that Government and the Student Loans Company will use the opportunity of the Prime Minister’s review of post-18 education to seriously consider how a reformed Graduate Contribution Statement may help restore public confidence in the student finance system as part of a wider package of measures.

Dr Tim Bradshaw

CEO, The Russell Group of universities

The proposed Graduate Contribution Statement

The following statement is what MoneySavingExpert.com and the Russell Group recommend the Government use as a basis for redesigning the student loan statement.

It mostly comprises of the beta version of the statement used in the online survey, but has been updated in line with feedback received from survey respondents and focus group participants.

The beta version of the statement used for surveying, and a list of the changes which were made to it, can be found in Annex A on p. 31.

Both the final proposed Graduate Contribution Statement and the beta version say that the repayment threshold is £25,000. This was accurate at the time the statements were used for research purposes. However, at the time of publishing this report the repayment threshold had since been increased to £25,725. This is why the repayment threshold and associated calculations shown in the proposed Graduate Contribution Statement differ from those seen in the forewords of Martin Lewis and Tim Bradshaw.

Page 1

Your graduate contribution statement

6 April 2019

Mr A N Other
15 High Street
Walmington-on-Sea
WM2 3AR

Customer Reference Number: 00000000000
You should use this reference when contacting us
Plan 2 student loan

THIS STATEMENT IS FOR INFORMATION PURPOSES ONLY - NOT A DEMAND FOR PAYMENT

Year of graduation	2017
Date eligible for contributions to start	April 2018
Date first contribution made	April 2018
Last possible date contributions can be made	April 2048

This is your annual graduate contribution statement for April 2019.

Between September 2014 and July 2017 the state gave you a total of £27,000 to cover the costs of your higher education tuition and a further £17,800 to support you with your livings costs (maintenance). In April 2018, you became eligible to contribute towards these costs based on your income.

The information contained in this summary is based on the current contributions information received from HM Revenue and Customs (HMRC).

The contribution rate for your loan is currently set at **9% of all income above £25,000 a year** (the repayment threshold for the year 2018—2019 was £25,000, but it will increase in line with average earnings each year).

Over the last year your total earnings were **£35,000** so your total repayments over the year were **£900**.

Contributions are always made in line with earnings and any amount remaining will be written off 30 years after graduation. This means that you now have a maximum of 29 years before your repayments end. At that point even if there is an outstanding balance no more will need to be repaid.

The following pages show you how much you are currently repaying and how much more you are likely to repay.

Page 2

Contributions Plan 2	**Statement date** 06 April 2019 (2 years after graduation)	**Customer Reference Number:** 00000000000 Mr A N Other

6 April 2018 - 5 April 2019

Total cost of university (tuition plus maintenance)	£44,800
Opening balance on 6 April 2019	£45,765

The balance outstanding can be larger than the total cost of university and the opening balance. This is because interest is added each year while at university at a rate of inflation (based on the Retail Price Index - RPI) plus 3%, and after university at a rate based on your earnings (between RPI and RPI plus 3%).

Interest of £1,639.52 was added over the year, and repayments of £900 have been made. The outstanding balance is as follows:

Balance outstanding on 5 April 2020	£46,859

Your current income information

Your annual salary at 01/04/2018	£35,000
Total earnings over the contribution threshold (£25,000)	£10,000

Your contributions 6 April 2018 - 5 April 2019

Monthly contribution amount (This represents 9% of your salary above the threshold)	**£75**
Annual contribution amount	**£900**

Your contributions to date

Total contributions to date	**£900**

Predictions of your likely future contributions

We have estimated your future contributions by combining your current income data and earnings trajectory data from the Office for National Statistics' February 2019 statistical release, which showed wage growth of 2.7% across the labour market.

When calculating your future contributions we've made some assumptions and it's important you understand what they are.

1. **The repayment threshold is currently set at £25,000.** This means that you make repayments equivalent to 9% of your income above £25,000. It is set to increase in line with average earnings each year, and this has been factored into your calculations.

2. **The rate of inflation:** This dictates the interest rate that will be charged and is therefore important. The current Bank of England target is 2%, therefore we have assumed it will be 2% for the next 30 years. Student loans are linked to the Retail Price Index (RPI) measure of inflation.

3. **Your salary growth:** We have assumed your salary will grow by 2.7% each year over the next 30 years. This is the average annual salary growth in the UK according to the Office for National Statistics, but your actual salary may increase more quickly or more slowly than this. In practical terms, it may grow quicker in the early years, and slower in the later years. And, of course, depending on your field of work it can be very different.

4. **You will work for 30 years:** Our assumption is based on the fact that you'll take no time out of working. If you do, e.g. maternity/paternity leave, work or career break, periods of unemployment, it means you'll repay LESS than the predicted amount.

Warning: some of these figures are based on assumptions about your future earnings. Your earnings may differ from these and you should take this into account if making decisions based on this statement.

Estimated contributions duration (This is the maximum length of time you can expect to make further payments over).	29 more years (We estimate your last contribution will be made in April 2048 and you won't need repay the full amount borrowed)
Estimated future contributions over next 29 years	Around £39,000

Predictions of your likely future contributions in 'today's money'

If we ignore inflation here's roughly what you'd pay in today's money. Inflation generally means the cost of goods rises, so earnings and prices will look higher in the future. Here we have discounted that.

Equivalent estimated total cost in today's money	Around £22,000

Executive summary and recommendations

Executive summary

The politicised nature of the debate surrounding student finance obscures some important features of the system in England. While we are not commenting on this political debate, to address the many misconceptions about how the system works, and to ensure graduates are provided with vital information about the money they borrow, MoneySavingExpert.com (MSE) and the Russell Group are proposing a redesign of the student loan statement that Plan 1 and 2 graduates receive each year.

Our new Graduate Contribution Statement aims to explain the system as clearly and accurately as possible. It differs to the existing statement in that it communicates certain features of the repayment system which are essential to understanding how much a graduate might repay: namely the repayment threshold, how repayments are calculated, and the fact that the outstanding balance is wiped after thirty years. Furthermore, for the first time, the statement includes a forecast of an individual's expected life-time repayments, as opposed to just a large, nominal, 'debt' figure which might be considerably out of step with the amount they will actually repay. This forecast is based on an individual's projected earnings and predicted future interest rates, taking into account the crucial fact that unpaid balances are written off after thirty years.

To test the new statement we consulted with students, graduates and parents in an online survey, and further interrogated our findings through a series of focus groups with current students. The majority of the 5,796 people who took part in our online survey responded positively to the proposed new statement. The key findings were as follows:

Key findings

1. The Graduate Contribution Statement significantly helps respondents' understanding of the student finance system. 90% of 2,680 respondents said that the proposed redesign helped them understand the system, and this was proven to be true by the 91% success rate in answers to the comprehension questions in the survey.
2. The language used to describe the student finance system should better reflect that repayments work as a contribution to the financing of higher education, rather than as a personal loan. This would improve transparency and reassure graduates who may be concerned. Survey respondents and focus group participants frequently welcomed this shift of terminology in the proposed redesign.
3. Including a section on estimated future contributions is an improvement for graduates: 87% of 2,793 respondents found it to be a helpful inclusion.

4. Specifying the last possible contribution date for a graduate, and explicitly referencing the fact that the outstanding balance will be wiped after thirty years, provides considerable reassurance. 99% of respondents asked about these features found them helpful.
5. The Graduate Contribution Statement's copy and layout are clear and easily understood. 96% of respondents asked said that the information the proposed redesign contained was presented clearly.
6. Some respondents and focus group participants wanted more detail on the interest rate applied by the student finance system.

These findings, analysed in detail in the body of this report, provide firm evidence that the Government should redesign higher education financial statements based on the Graduate Contribution Statement. They are explored in more detail on p. 14 of this report.

The findings have informed the following recommendations for the Government to take forward.

Recommendations

KEY RECOMMENDATION: The Government and the Student Loans Company (SLC) should use the proposed Graduate Contribution Statement as a basis for redesigning the current statement for Plan 1 and 2 graduates as soon as possible.

The response to the Graduate Contribution Statement provides compelling evidence that redesigning the student loan statement along the lines of our proposal would be a welcome change for graduates. This would help to improve public understanding of the student finance system, which in turn would empower students, graduates and parents to make better financial decisions around the repayment of student borrowing.

Implementing a redesigned statement, based on the proposed Graduate Contribution Statement, should be considered as part of the Review of Post-18 Education and Funding, alongside other measures to improve understanding and transparency of the system.

Embedding this change would also allow for a more fundamental modification of the language we use to describe student finance, away from that of 'loans' and 'debt' and towards talking about 'graduate contributions', a change which would lend to further clarity and transparency around the system, and which survey respondents and focus group participants welcomed.

While well received by research subjects, the Graduate Contribution Statement in its current form needs further development – the following further recommendations lay out what else is required to create as beneficial a statement as possible.

FURTHER RECOMMENDATIONS

1. The Government should encourage the Office for National Statistics (ONS) to devise a more accurate model to estimate future graduate wage growth.

The majority of respondents to our survey found an estimate of likely future contributions to be helpful and said they wanted to see this included alongside the current outstanding balance figure. The Government should therefore seriously consider adding this to student loan statements.

The proposed redesign uses a simple model to project likely future repayments, based on currently available information, to generate an example of the type of information which could be provided to graduates. However, this model would need substantial work and development from the Government and ONS to be included in an official statement (more information about the model used, and required improvements, can be found on p. 29 of this report).

2. The statements of UK graduates working overseas need to be considered further.

The estimated future repayments information in the Graduate Contribution Statement is based on labour market conditions in the UK and, as such, is not applicable for graduates studying overseas. It may be the Government decides to simply not include expected repayment forecasts for overseas graduates, or that the information is still presented as a rough guide given that overseas graduates will be subject to the same interest rate, regardless of where they live.

3. The Student Loans Company (SLC) should provide more information to students and graduates online.

We understand that the SLC is already working on increasing the amount of information it provides to graduates online. This is a welcome development and one which focus group participants showed significant support for. Providing more information online would also enable graduates to access information which is not included on the statement. It would furthermore allow the SLC to host a ‘Contributions Calculator’, which could allow graduates to tweak various assumptions and explore what their future contributions might look like. For example, they could see the impact of taking time out of working or securing a significant promotion.

4. The Government should consider confirming by statute which elements of the student finance system are variable and which are not.

Survey respondents lauded the clarity the Graduate Contribution Statement brought to the student loans system. However, the statement is based on how the system currently functions. In theory, central elements could be changed by future Governments, thus changing the way graduate repayments operate. To be fully informed, graduates need to be able to look at their statements and know which factors may vary, and therefore might cause repayments to be different in the future, and which factors will not.

This report will be submitted to HM Government and to the Review of Post-18 Education and Funding, led by Philip Augar, both of which are considering measures to improve communication of the student finance system, as well as the operation of the system as a whole.

Report findings

Finding 1: The Graduate Contribution Statement significantly helps respondents' understanding of the student finance system.

90% of 2,680 respondents said that the proposed statement helped their understanding of the system. As further confirmation that the Graduate Contribution Statement is an aid to understanding the way student finance works, 91% of responses to comprehension questions asked in our online survey were correct.

Respondents understood that the rate at which they repaid was dependent on what they earnt, that repayments were completely unrelated to the rate of repayment and that, regardless of either the amount borrowed or the total value of repayments, there was a thirty year period after which the total balance outstanding would be wiped.

The feedback we received indicates that the proposed redesign explains the system better than the existing statement. Often, in free-text comment boxes, survey respondents drew comparisons between the redesigned statement and the existing student loan statement, arguing that the redesign filled in informational gaps left by the latter.

> *"I think it's much needed! Currently the communications from SLC are very complicated, lengthy, and are not at all clear on what you're paying, and most importantly WHY you are paying what you are."*
>
> *- Online survey respondent*

Finding 2: The language used to describe the student finance system should better reflect that repayments work as a contribution to the financing of higher education, rather than as a personal loan. This would improve transparency and reassure graduates who may be concerned.

By accurately explaining the system as a 'graduate contribution system', and therefore moving away from the language of 'debt', respondents said they felt reassured about their repayments: unprompted, they repeated this sentiment via free-text comment boxes throughout the survey.

Conversely, focus group participants who were shown the existing student loan statement exhibited a lingering preoccupation with the total borrowed and the interest accrued, despite understanding how the system worked by the end of the session and knowing these features were not particularly relevant to their repayments.

The removal of the language of debt from the proposed redesign is a vital feature, and this is a compelling strength of the new statement given the way it not only provides a more accurate description of the way in which graduate repayments actually work, but helps reassure graduates who may be particularly concerned or debt-averse.

> *"I find the proposed statement very helpful and it removes the sense of an overwhelming debt."*
>
> *- Online survey respondent*

Finding 3: Including a section on estimated future contributions is a helpful improvement for graduates.

Including predictions of total future contributions for a graduate in the redesigned statement was found to be a useful element. This forecast highlighted that most graduates will not repay their loans in full, and so helped to counter concerns about affordability and indebtedness.

87% of 2,793 respondents found the inclusion of estimations of future contributions helpful, while 82% of 2,675 respondents said that they would like to see this information included in the student loan statement. Qualitative responses also frequently picked out this element as particularly beneficial.

> *"I also like the prediction of how much I am likely to repay over the 30 years - it is less overwhelming."*
>
> *- Online survey respondent*

Finding 4: Specifying the last possible contribution date for a graduate and explicitly referencing the fact their outstanding balance will be wiped after thirty years provides considerable reassurance.

98% of 2,881 respondents found the inclusion of key repayment dates, including the last possible contribution date, helpful.

Our research found that, although it is vital to know that outstanding borrowing will be wiped after thirty years for a comprehensive understanding of the current student finance system, this feature is often poorly understood, if known about at all. Several focus group participants were concerned that they might be forced to repay the total amount they originally borrowed plus interest.

By adding an explicit reference to this feature, and by including details of the last possible date that contributions can be made, the statement was described by many survey respondents as being reassuring.

> *"I like that it makes clear how many years you'll be paying for … I don't think this is very well explained currently."*
>
> *- Online survey respondent*

Finding 5: The Graduate Contribution Statement's copy and layout are clear and easily understood

96% of 2,683 respondents said that the information the proposed redesign contained was presented clearly.

Survey respondents and focus group participants welcomed the simple language and the straight forward explanations, saying this made the contents easy to understand. Indeed, when asked what they liked most about the proposed new statement, over half of respondents specified its clear explanations and the clarity it gave them about the system.

Similarly, a significant number of respondents expressed that the layout of the statement made it easy to follow, with many particularly commending the way information was broken down into separate tables.

> *"The clear simple charts, the language used, the future predictions. It tells you everything you need to know and takes away all the 'misleading grey' reporting in the media."*
>
> *- Online survey respondent*

Finding 6: Some respondents wanted more detail on the interest rate applied by the student finance system.

Focus group participants said they were 'shocked' when shown the interest figures on current statements. Yet when then shown our new statement, a number of survey respondents and focus group participants said that they would like to see more detail on the interest rate applied in the Graduate Contribution Statement.

However, the majority of students will not pay the interest rate they see, as most will not repay within the thirty year period, and so will not repay the full interest. Many students will pay interest at less than inflation, and some won't repay any interest at all, if their contributions are not high enough. Therefore, except for the very highest paying graduates for whom it is a real figure, the interest rate is somewhat a red herring.

It is important that if interest rate information continues to be provided, it should be communicated in a proportionate way to its impact. The focus of any explanation of interest should be its practical effect on repayment and that much of it will be nominal to many graduates.

In light of feedback, we amended the beta version of the Graduate Contribution Statement to include a brief explanation about interest added to graduate borrowing – explicitly using the word 'interest', as opposed to 'uprating' which was on the beta version. We concede that if the statement is going to be used without a change in name of student loans, then this is the right way to do it.

However, there is a bigger question about the whole communication of student loans; changing the statement is just one element of this.

Our hope is that the Graduate Contribution Statement will spur more communication and structural changes to the student loan system, so that in the future it *will* be more accurate to refer to the incremental increase in outstanding balance as an 'uprating' as opposed to interest.

> *"It looks so much less scary than the current one which shows each month's interest and makes me panic that the debt is growing bigger because I'm not paying it off yet!"*
>
> *- Online survey respondent*

The rationale of the redesign and the methodology of the testing

The rationale

MoneySavingExpert.com and the Russell Group have long been aware that many students in the UK have a poor understanding of how the student finance repayment system works and are at risk of being driven to distress and poor decision-making by this lack of clarity.

A key cause of this confusion is the erroneous, yet prevalent, belief that student borrowing works like a commercial loan; that upon completing university graduates are left with £10,000s of 'debt' which they must pay off in full, with interest. This is far from the reality of the system, which in practice works like a graduate contribution system: what a graduate has to repay is only ever in line with how much they earn.

MSE and the Russell Group have therefore redesigned the statement for Plan 1 and Plan 2 graduates, to create an alternative which explains the key features of the system necessary for graduates to accurately understand their repayments. We focused on Plan 1 and Plan 2 loans, rather than trying to redesign a statement for all graduates, due to the fact that these loans operate differently from mortgage-style student loans and because it is clear that, with larger nominal debt amounts, these students should be the immediate focus.

Our belief was that this would lead to participants in the student finance system being more informed and therefore better able to make financial decisions around their student loan repayments.

The methodology

Online survey

MSE and the Russell Group made a survey to collect views on the proposed redesign of the statement, and assess if it increased comprehension and reduced anxiety around student loan repayments.

A link to the survey was shared via: the MSE's Money Tips Email; in a MSE news story about the redesigned statement; MSE social media accounts; the Russell Group website; Russell Group social media outlets; and Russell Group communications with members over the course of two weeks.

In total the survey had **5,796 responses**. The bulk of respondents reached the survey via the link in MSE's Money Tips Email. More detail about the demographic make up of respondents can be found in Annex B on p. 35.

Not all respondents answered all questions, but in the analysis of findings in this report the number of respondents to each question is specified.

The beta version of this statement which respondents gave opinions on can be found on p. 31 (the statement already seen on p. 7 has been updated in line with feedback from survey respondents and focus group participants).

Focus groups

After the survey closed, we conducted several focus groups to further interrogate findings from the survey. Each focus group had around five to eight participants who were current students.

In the first three of these focus groups, participants were shown the current student loan statement and the beta version of the Graduate Contribution Statement.

In the final focus group participants were shown the beta version of the statement, and the final version of the Graduate Contribution Statement, which had been edited along the lines of the feedback already received from the survey and previous focus groups (found on p. 7 of this report).

Detailed research results

This section will expand on the research findings by unpacking the trends and nuances identified in responses to the online survey and feedback from the focus groups.

Does the Graduate Contribution Statement improve understanding of the student finance system?

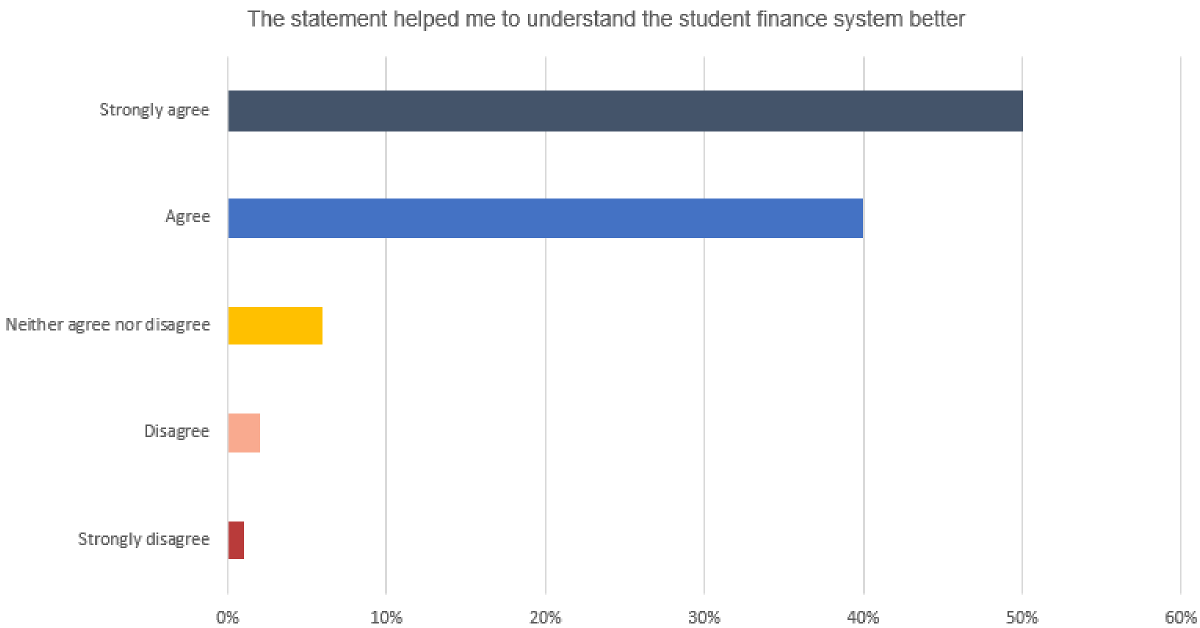
Total no. of responses: 2,680

Our survey asked respondents whether the new statement helped them to understand how student loans actually function. **The results were positive, with 90% of respondents to this question saying that the statement helped them to understand the way the system works.** The full breakdown of responses is as follows:

- 50% strongly agree
- 40% agree
- 6% neither agree nor disagree
- 2% disagree
- 1% strongly disagree

These results suggest the proposed redesign provides a clear picture of the workings of the student finance system. When looked at alongside qualitative responses to the survey, and feedback from focus group participants, it seems that respondents felt that the Graduate Contribution Statement provides greater transparency and better communication of the existing student finance system than the existing student loan statement.

> *"Repayments are made much clearer in this statement, I understand it more than I did before reading it."*
>
> *- Online survey respondent*



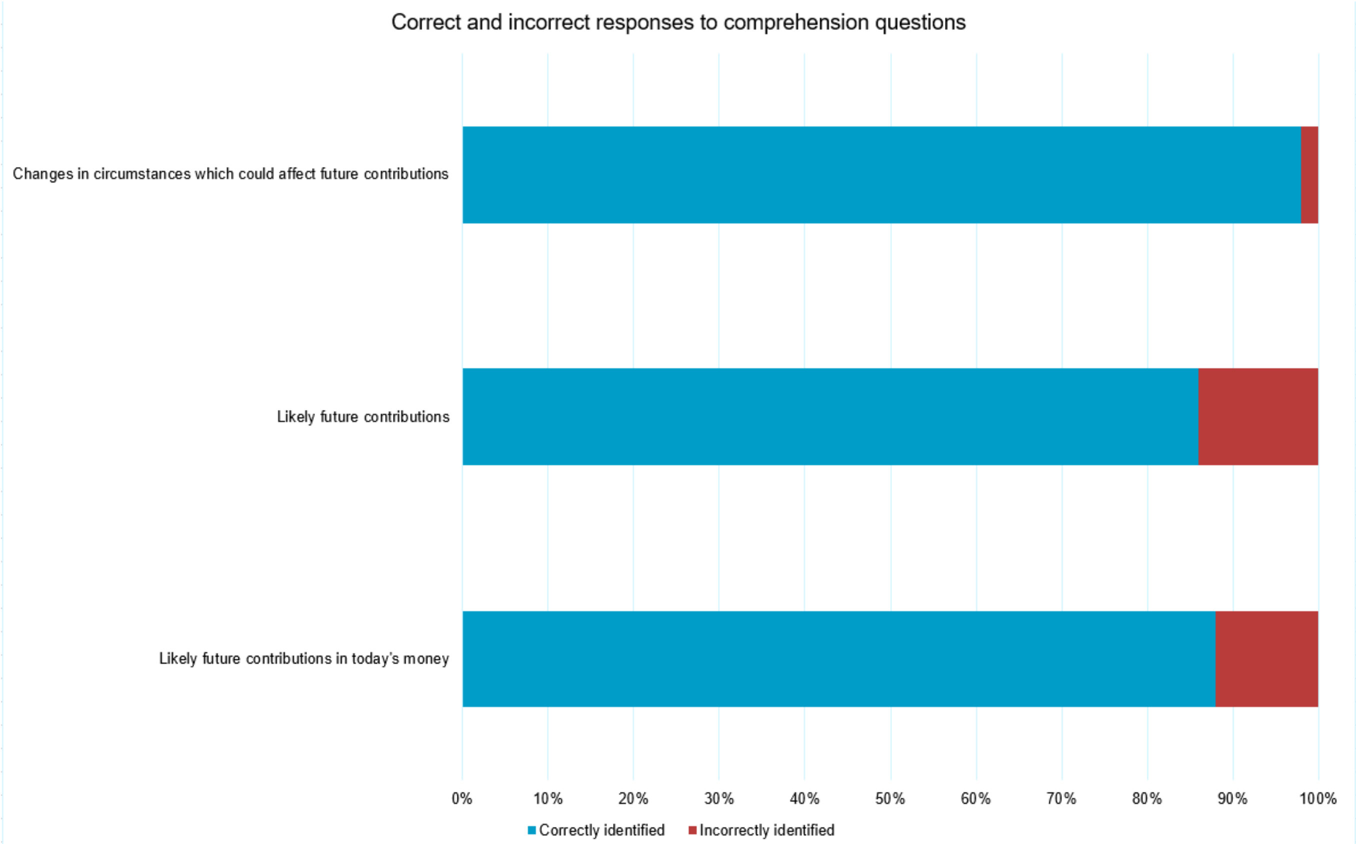
Does the Graduate Contribution Statement improve comprehension of specific elements of the student finance system?

In addition to simply asking respondents whether or not the redesigned statement helped them understand the student finance system, we also asked them a series of comprehension questions designed to *test* their levels of understanding. These questions asked respondents to identify from the statement:

- circumstances which could affect a graduate's future contributions;
- the total amount the graduate in the statement is likely to repay; and
- the equivalent cost of the graduate's likely repayments in today's money.

Out of a total of 13,356 comprehension question responses, 91% were correct. The full breakdown of results found that:

- 89% of respondents correctly identified the changes in circumstance which could affect contributions (of 2,686 responses);
- 86% of respondents correctly identified the total amount likely to be repaid over the remainder of the loan (of 2,660 responses);
- 88% correctly identified total likely repayments in 'today's money' (of 2,675 responses).

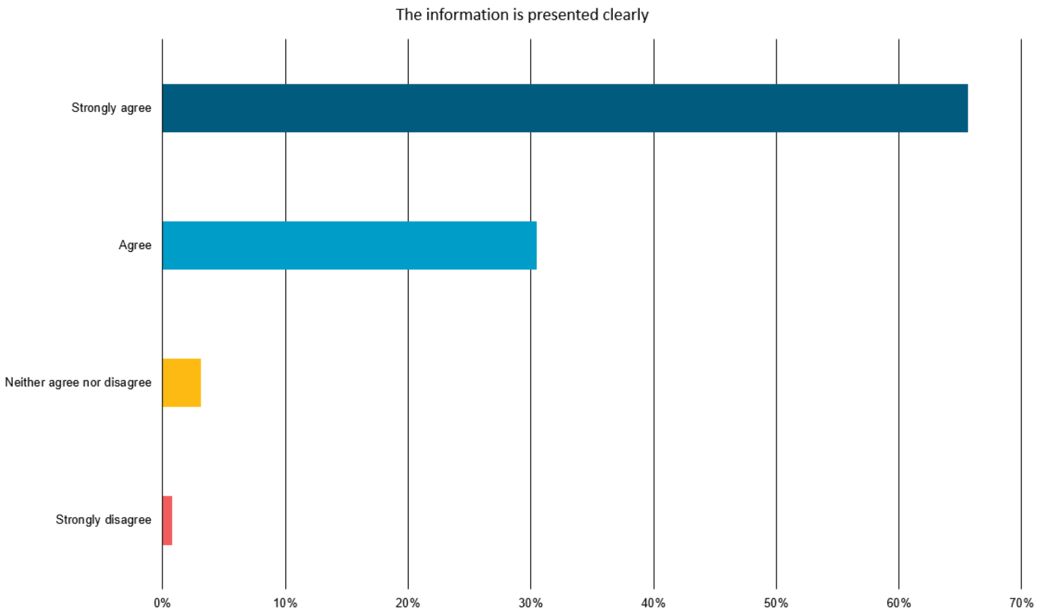


The high number of respondents who successfully illustrated their comprehension through testing confirms that the proposed redesign does enable the reader to thoroughly understand the workings of the student finance system.

How clearly is information presented in the Graduate Contribution Statement?

In order to ensure the effectiveness of the statement, it is important that information is presented clearly. The online survey responses showed that **96% of the 2,683 respondents to this question agreed that the presentation of the Graduate Contribution Statement was clear**. The full breakdown of results was:

- 66% strongly agree
- 30% agree
- 3% neither agree nor disagree
- 1% disagree



The clarity of the statement was also independently brought up by many respondents in the free text comment boxes throughout the survey. The use of coloured boxes and bold figures for monthly contributions were particularly highlighted as features which contributed to the statement's clarity.

Contrastingly, a number of responses argued that the Graduate Contribution Statement was too long or 'wordy', including institutional responses from the National Association of Student Money Advisers and others.

However, removing any explanation from the proposed redesign would likely negatively impact the thorough understanding of the system the statement gives. As one focus group participant said, the information given on the redesigned statement answered all the questions she was left with after looking at the current student loans statement. This belief was echoed in several responses to the online survey and by other focus group participants.

> *"Much more helpful with the explanations - really helps me to understand it."*
>
> *- Online survey respondent*

What did respondents like about the Graduate Contribution Statement?

Total no. of responses: 2,770

We asked respondents what they most liked about the proposed redesign, giving them a free-text box in which to respond. The 'wordcloud' below provides an overview of the most common responses.

These included:

- references to the clarity of the statement's design, language and information presentation;
- a positive response to the change of language from 'debt' and 'loans' to a focus on 'contributions' - this featured in a number of institutional responses too, including from Leeds College of Music and Richard Taunton Sixth Form College;
- good feedback on the inclusion of monthly and annual repayment figures, and the explanations of how these are calculated;
- a number of comments stating that the inclusion of the date last possible date contributions can be made provided considerable reassurance; and
- many respondents welcoming the inclusion of the 'expected total repayments' figure.

Of those who left free text comments, 59% praised the overall clarity of the statement, with 10% citing the information on graduation, first repayment and last possible repayment dates as helpful.

> *"[the survey has] clearly defined sections and full information broken into past, present and future"*
>
> *- Online survey respondent*

What did respondents dislike about the Graduate Contribution Statement?

Total no of responses: 2,516

We also asked respondents to leave comments about aspects of the redesigned statement which they disliked or found unhelpful.

A ‘wordcloud’ generated from responses did not illuminate particularly consistent themes. However, some elements did repeatedly feature in responses, including:

- respondents saying that there was ‘nothing’ they disliked (almost 400 responses);
- a desire to see more information about the interest rate;
- some queries about the assumptions used to generate the expected repayments figure, particularly around estimated wage growth;
- comments that the statement was too long or too wordy;
- some questions around the use of particular terminology, including use of the terms ’uprating’, ’interest’ and ‘inflation’.

MSE and Russell Group response to feedback

While there were some responses which criticised the length of the Graduate Contribution Statement, as previously mentioned in this report, we believe removing any explanation from the statement would negatively impact the comprehensive understanding it gives about the student loans system. This would be contradictory to the ultimate aim of the redesign.

Some focus group participants and survey respondents raised questions over the inclusion of information on interest accrued on loans. It is worth noting, however, that focus group participants, current students, did not mention the interest rate when considering the revised statement on its own. In deciding how best to respond, we have included a new, written explanation of why it is that the outstanding balance might have increased over the course of the last year, despite repayments having been made. This provides graduates with a clear understanding of how the interest rate impacts their outstanding balance while avoiding long lists of monthly accrued interest, which we know can lead to confusion for graduates. Government may choose to provide extra interest information elsewhere.

> *“I currently don't bother to read my statements as I find they're difficult to read and I find that looking at the interest piling up makes me anxious.”*
>
> *- Online survey respondent*

How did respondents react to individual elements of the Graduate Contribution Statement?

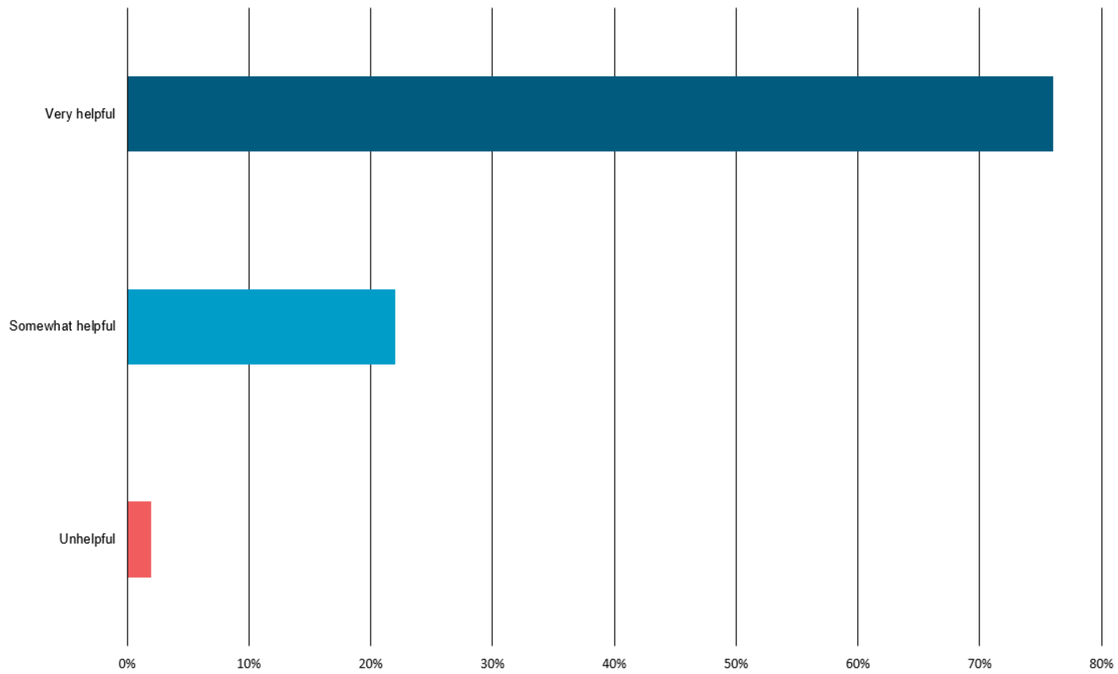
To better understand what worked, or what required improvement, we asked survey respondents and focus group participants questions which referred to specific features of the redesigned statement. The following pages analyse these results.

1. The information box at the top of page one

The information box on the first page of the redesigned statement focuses on the key repayment dates for a graduate, including when they graduated, when they became eligible to start making contributions, when those contributions started and the last possible date they could be required to make contributions.

98% of the 2,881 respondents to this question found this feature helpful, with 76% describing it as 'very helpful'. Just 2% of respondents described this feature as unhelpful. Free -text comments elsewhere in the survey and focus group participants also frequently praised the inclusion of this information as 'reassuring'.

How helpful did you find the information box at the top of page one?



"I like the way it clearly states the start and end dates."

- Online survey respondent

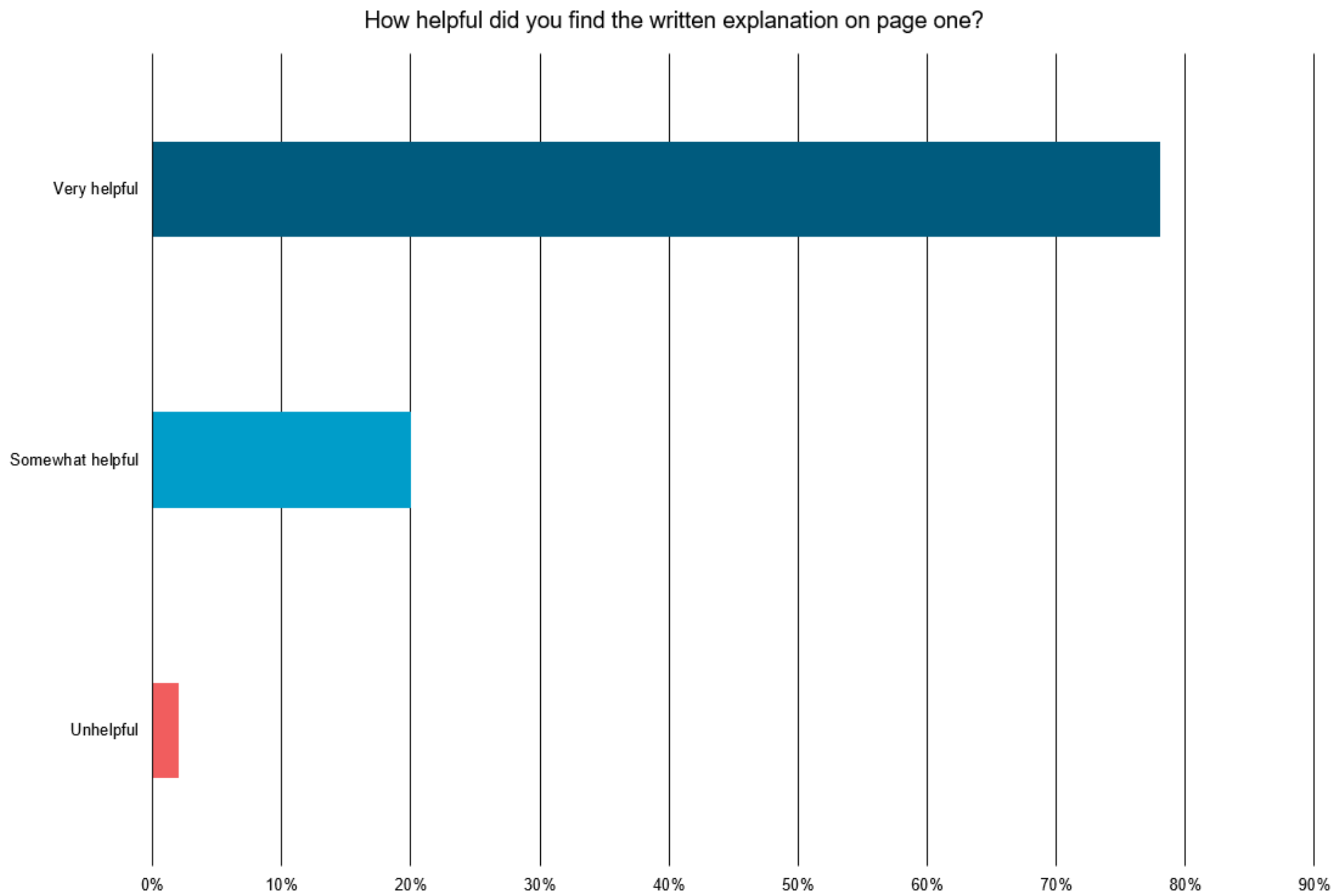
2. The written explanation on page one

The new statement also includes a detailed explanation of the amounts and dates on which the graduate originally borrowed money for both tuition and maintenance, a high-level summary of the repayment threshold, a clarification that all outstand borrowing will be wiped after thirty years and the total figure the graduate has repaid over the last year.

The aim here was to set out in plain English the most salient information for those graduates who may not choose to read beyond the first page.

The responses to this question mirrored the positive reception of the information box on page one, with **98% of the 2,845 respondents to this question finding this feature helpful, including 78% who described it as 'very helpful'**. Again, only 2% of respondents found this element unhelpful.

While some respondents criticised the proposed redesign for being 'wordy', it is telling that this section - one of the densest bodies of text in the statement - was found to be helpful by such a large proportion of respondents. This supports our argument that the Graduate Contribution Statement contains the correct amount of explanation for graduates to adequately understand how the student finance system works.



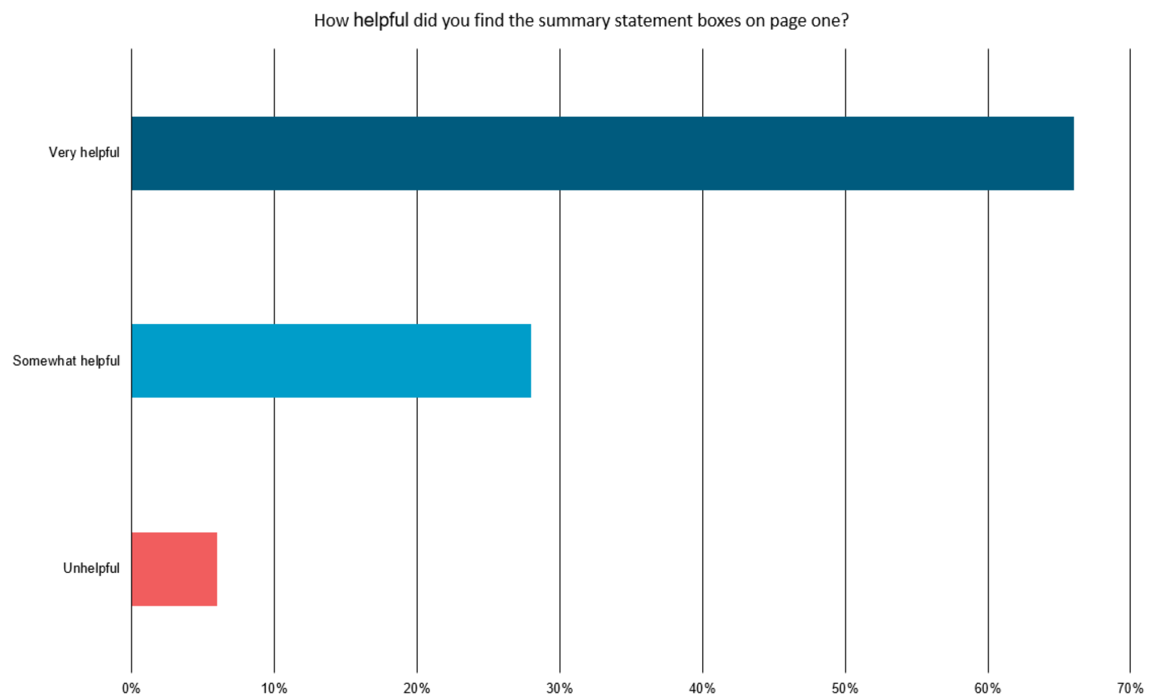
3. The statement summary boxes on page two

The second page of the Graduate Contribution Statement includes a series of three boxes which detail the original amount that was borrowed to cover tuition and maintenance costs, the opening balance at the beginning of the previous financial year and the closing balance at its end. It replicates some of the information contained on the current SLC student loan statement. This section also includes a small summary as to the impact of interest on the balance amount.

94% of the 2,823 respondents to this question found this feature to be helpful, with 66% finding it very helpful. This specific feature was also welcomed in a number of institutional responses

6% of respondents found these boxes unhelpful. This question had slightly more respondents believe it 'unhelpful' compared to other elements of the statement (6% as opposed to 2%). We though this was possibly linked to the trend we saw in free-text responses where some respondents were concerned that is was not clear from the statement how interest was charged on their borrowings. This query was also raised by some focus group participants.

Accordingly, we have altered the statement to include an explanation of how interest impacts these figures. We tested this in focus groups and participants were satisfied with the additional explanation.

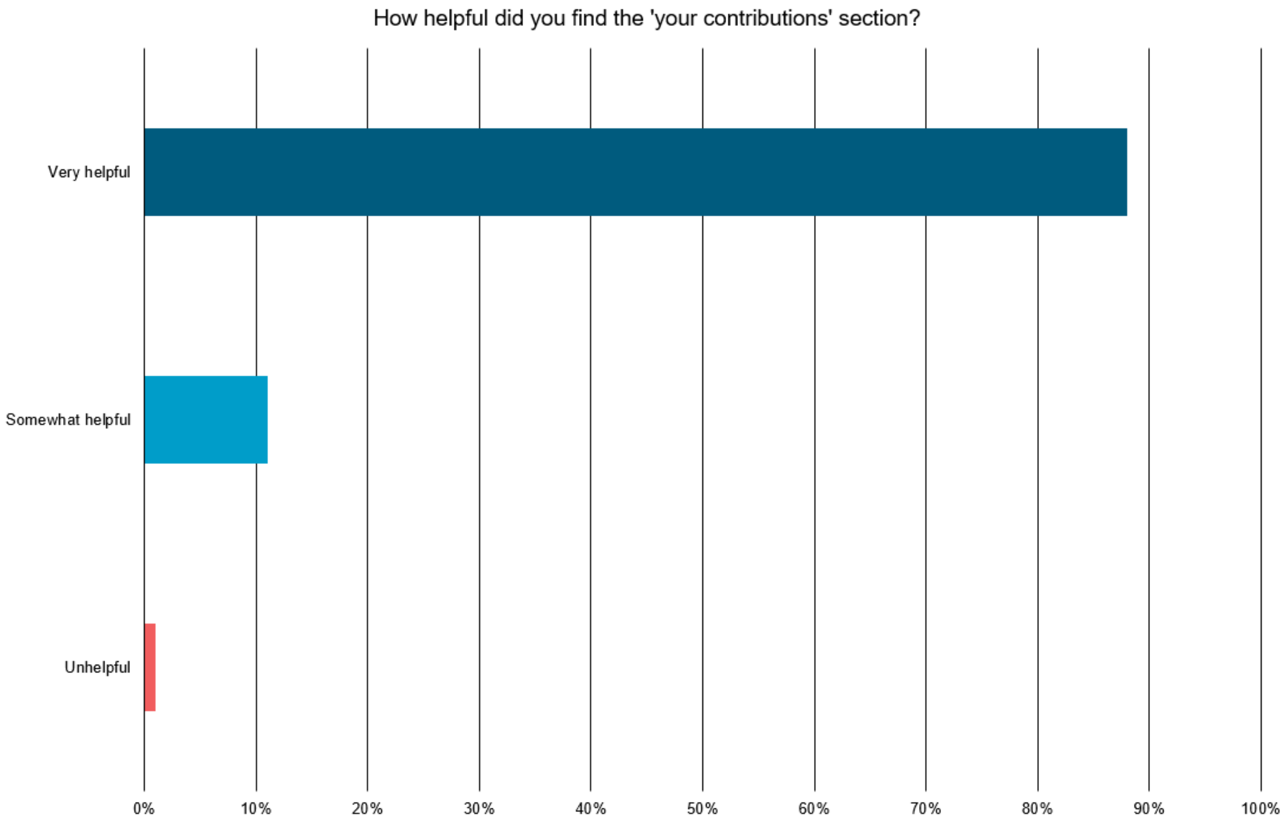


4. The 'your contributions' section on page two

The second page of the Graduate Contribution Statement contains a section detailing the graduate's contributions over the last twelve months. This includes the monthly and annual contribution amounts and the total amount of contributions made to date.

99% of 2,803 respondents to this question said that they found this feature helpful - 88% described this section as 'very helpful', with only 36 respondents (1%) saying they found it 'unhelpful'.

Free-text comments which referenced this section in particular welcomed the reassurance that the monthly contribution amount provided, including the institutional response from the Newcastle University Students' Union.



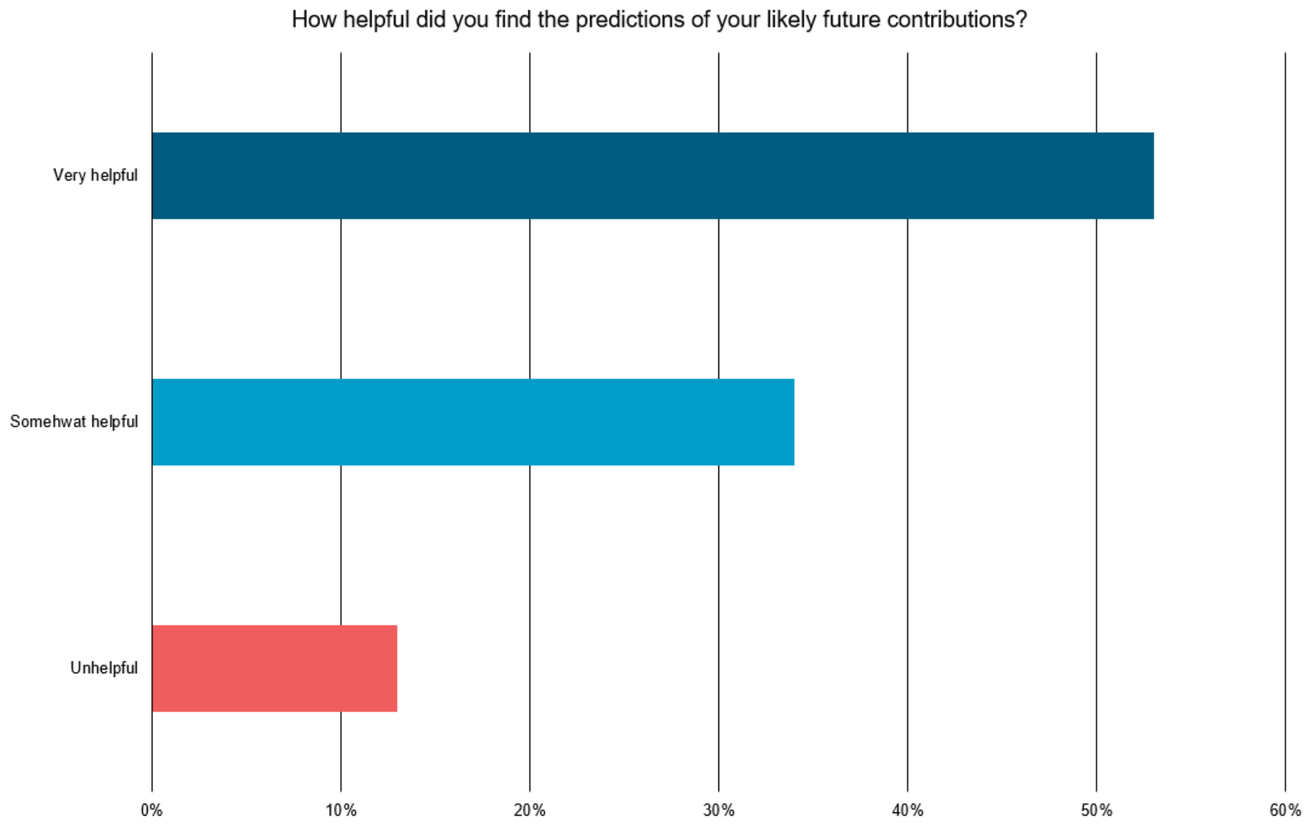
5. Predictions of likely future contributions on page three

A significant departure from the current student loan statement was the inclusion of a prediction of a graduate's likely future contributions. This uses wage growth and inflation forecasts to predict monthly, annual and total contributions over the thirty year repayment period, providing an estimate of when a graduate might have repaid their loan.

The goal of this addition was to reassure graduates that the amount they are likely to repay will be less than the total amount borrowed and the full interest accrued. We showed this figure in 'today's money' to further reassure graduates, that the sum they are projected to repay is also impacted by inflation.

Of the 2,785 respondents to this question, 87% said that they found it to be helpful, with 53% describing it as 'very helpful'. However, 13% of the total said that the found this element 'unhelpful'.

Many survey respondents also stated in their qualitative responses that they found the projected future repayments a reassuring feature.



"It is very clear, there are some assumptions that may not fit everyone's lifestyle, but you can get a future prediction of expense."

- Online survey respondent

Method of working out likely future contributions

In order to model wage growth, we used the most recent data from the Office for National Statistics (ONS), whose February 2019 statistical release showed wage growth of 2.7% across the labour market. This was applied in every year of the loan period. While we would not expect wage growth to be this constant over a thirty year period, using this labour market-wide figure for graduates, whose earnings may be expected to rise faster than non-graduates, provides the best currently available option for modelling purposes.

For inflation, we again used the most recent ONS forecasts. Looking further ahead, we have forecast inflation at a constant 2%, in line with the Bank of England long term target for inflation.

Contribution levels have been calculated according to the repayment terms set out on the SLC website, including rounding monthly repayments down to the nearest whole pound.

The proposed redesign uses a simple model to project likely future repayments, based on currently available information. However, this model would benefit from additional work and development from the Government and the ONS before being included in an official statement. Furthermore, even if improved, it should still be clearly communicated to graduates that ultimately these projections will always be based on a range of assumptions and so should only ever be used illustratively.

Adjustments made to the beta version of the statement to improve the positive impact of predictions of likely future contributions

This section of the statement received certain trends in feedback from survey respondents and focus groups participants. We accordingly made some adjustments to the beta version of the Graduate Contribution Statement in light of these.

Some respondents found it confusing that the predictions of future scenarios, which are based on assumptions, feature alongside the more concrete figures of the total cost of university and the current outstanding borrowing. We moved these predictions to a separate page from this information, to highlight that these figures are more speculative.

Some respondents also stated that they found the ‘in today’s money’ figure confusing. We therefore separated this figure from the other projected sums, and included a thorough explanation of how we worked out this figure.

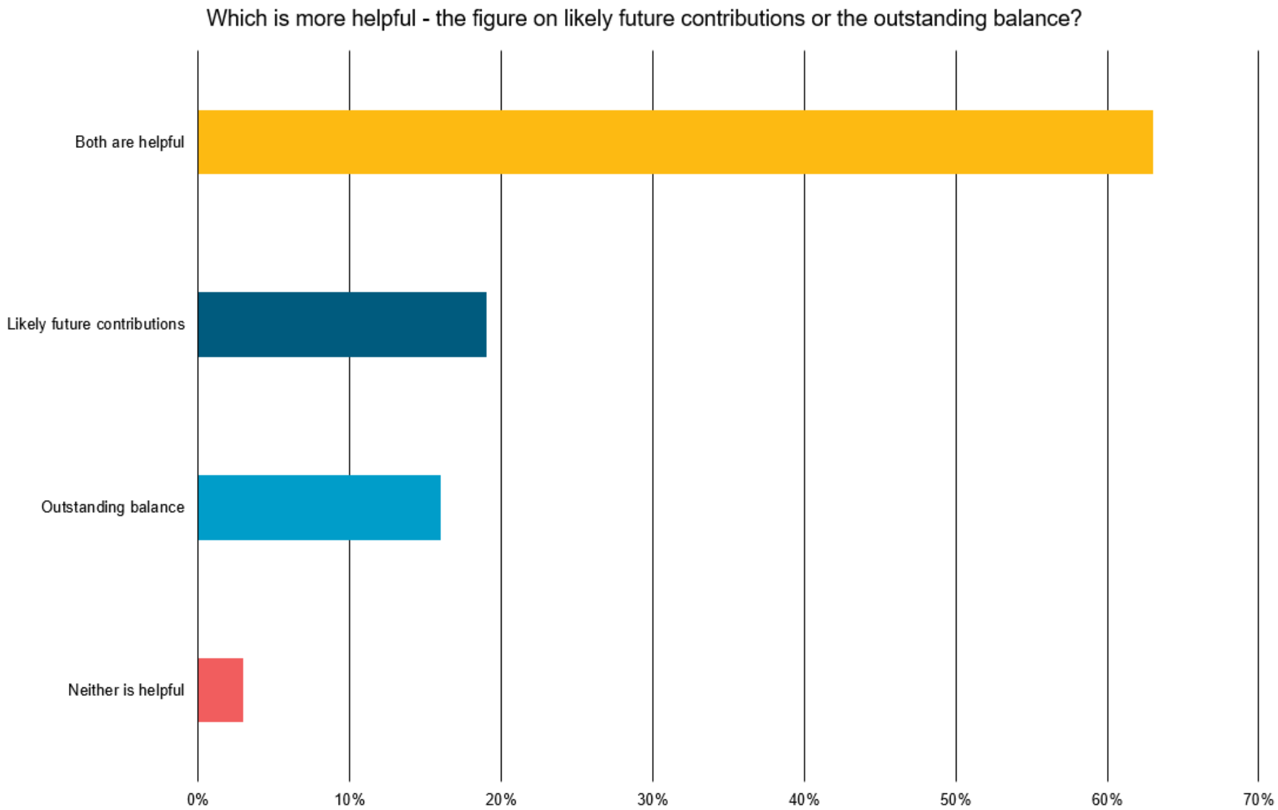
Which element of the Graduate Contribution Statement did respondents find most helpful?

We asked a further question about which feature respondents would find more helpful - the outstanding loan balance, the future contributions estimate, or the inclusion of both.

By far the most popular response was that both were helpful, accounting for 63% of the 2,675 respondents to this question. Of those who opted for one or the other, estimated repayments proved slightly more popular on 19%, ahead of 16% who chose the outstanding loan balance.

This reaffirms the argument that both elements - the facts about the existing state of borrowings and repayments, and the projections about how future repayments are likely to take shape - are key for helpfully and meaningfully communicating to graduates about their repayments.

> *“Very clear what is what. No ambiguity. It explains past, present and future. I am not left guessing.”*
>
> *- Online survey respondent*



Annex A

The beta version of the Graduate Contribution Statement

A beta version of the statement, as seen on the following page of this report, was used for the online survey.

While similar, this is not the final version of the Graduate Contribution Statement, which MSE and the Russell Group are proposing the Government use as a basis from which to redesign the existing student loan statement. This final version of the statement can be found on p. 7.

We updated the beta version based on trends in feedback we received from survey respondents and focus group participants. In summary, the key changes we made were:

1. Explicitly mentioning the term ‘interest’ to explain why the outstanding balance may have increased, rather than using the term ‘uprating’. While we had wanted to avoid explicitly referring to ‘interest’, survey respondents and focus group participants wanted to see more information about this on the statement.
2. Moving all information about future projections which are based on more speculative assumptions (i.e. estimated contribution duration and total estimated future contributions) to a separate page. This was to address concerns some respondents had of having these on the same page as more concrete figures, such as monthly and annual payments.
3. Moving the explanation and warnings about the future projections to before presenting the estimated figures. This was to ensure readers are aware that these figures are based on assumptions before seeing them. It was also based on advice from respondents that if these important explanations were left on the last page, many graduates might simply not read them.

Your graduate contribution statement

6 April 2019

Mr A N Other
15 High Street
Walmington-on-Sea
WM2 3AR

Customer Reference Number: 00000000000
You should use this reference when contacting us
Plan 2 student loan

THIS STATEMENT IS FOR INFORMATION PURPOSES ONLY - NOT A DEMAND FOR PAYMENT

Year of graduation	2017
Date eligible for contributions to start	April 2018
Date first contribution made	April 2018
Last possible date contributions can be made	April 2048

Dear Mr Other

This is your annual graduate contribution statement for April 2019.

Between September 2014 and July 2017 the state gave you a total of £27,000 to cover the costs of your higher education tuition and a further £17,800 to support you with your livings costs (maintenance). In April 2018, you became eligible to contribute towards these costs based on your income.

The information contained in this summary is based on the current contributions information received from HM Revenue and Customs (HMRC).

The contribution rate for your loan is currently set at **9% of all income above £25,000 a year**. Over the last year your total earnings were **£35,000** so your total repayments over the year were **£900**.

Contributions are always made in line with earnings and any amount remaining will be written off 30 years after graduation. This means that you now have a maximum of 29 years before your repayments end. At that point even if there is an outstanding balance no more will need to be re-paid.

6 April 2018 - 5 April 2019

Total cost of university (tuition plus maintenance)	£44,800
Opening balance on 6 April 2019	£45,765
Balance outstanding on 5 April 2020	£46,859

The balance outstanding can be larger than the total cost of university and the opening balance. This is because the cost is uprated each year while at university at a rate of inflation (RPI) plus 3%, and after university at a rate based on your earnings (between RPI and RPI plus 3%).

Contributions Plan 2	**Statement date** 06 April 2019 (2 years after graduation)	**Customer Reference Number:** 00000000000 Mr A N Other

Your current income information

Your annual salary at 01/04/2018	£35,000
Total earnings over the contribution threshold (£25,000)	£10,000

Your contributions 6 April 2018 - 5 April 2019

Monthly contribution amount (This represents 9% of your salary above the threshold)	**£75**

Annual contribution amount	**£900**

Your contributions to date

Total contributions to date	£900

Predictions of your likely future contributions

We have estimated your future contributions by combining your current income data and earnings trajectory data from the Office for National Statistics Labour Market Survey.

Estimated contributions duration (This is the maximum length of time you can expect to make further payments over).	29 more years (we estimate your last contribution will be made in April
Estimated future contributions over next 29 years	Around £39,000
Equivalent estimated total cost in today's money (If we ignore inflation here's roughly what you'd pay in today's money. Inflation generally means the cost of goods rises, so earnings and prices will look higher in the future. Here we have discounted that.)	Around £22,000

Page 3

When calculating your future contributions we've made some assumptions and it's important you understand what they are.

1. **The repayment threshold is currently set at £25,000.** This means that you make repayments equivalent to 9% of your income above £25,000. It is set to increase in line with average earnings each year, and this has been factored into your calculations.

2. **The rate of inflation:** This dictates the interest rate that will be charged and is therefore important. The current Bank of England target is 2%, therefore we have assumed it will be 2% for the next 30 years. Student loans are linked to the Retail Price Index (RPI) measure of inflation.

3. **Your salary growth:** We have assumed your salary will grow by 2.7% each year over the next 30 years. This is the average annual salary growth in the UK according to the Office for National Statistics, but your actual salary may increase more quickly or more slowly than this. In practical terms, it may grow quicker in the early years, and slower in the later years. And, of course, depending on your field of work it can be very different.

4. **You will work for 30 years:** Our assumption is based on the fact that you'll take no time out of working. If you do, e.g. maternity /paternity leave, work or career break, periods of unemployment, it means you'll repay LESS than the predicted amount.

<u>Warning:</u> some of these figures are based on assumptions about your earnings. Your earnings may differ from these and you should take this into account if making decisions based on this statement.

EMBARGOED UNTIL 00:01 TUESDAY 14 MAY 2019

Annex B

Demographic of research participants

Who responded to the survey?

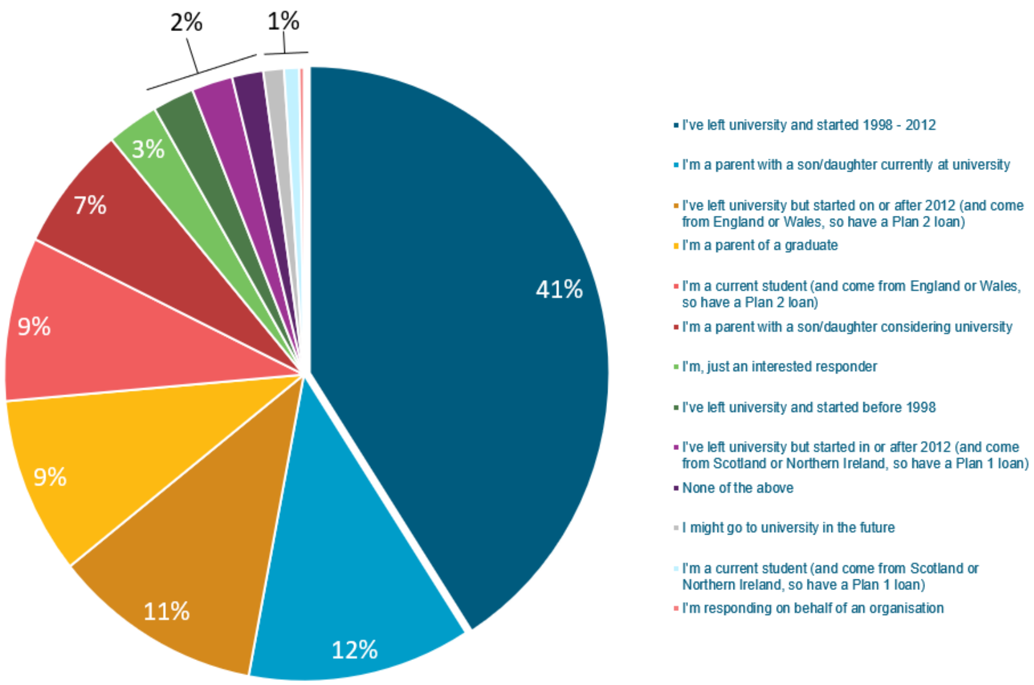
In total our online survey received **5,796 responses** in the two weeks it was open.

Those who left university between 1998 and 2012 made up the largest proportion of responses, but there was a strong response rate from current students, more recent graduates and parents too.

Overall[1]:

- 2,352 respondents described themselves as having left university between 1998 and 2012 (41%);
- 693 were parents of current students (12%);
- 650 were English and Welsh graduates who started in or after 2012 with Plan 2 loans (11%);
- 538 were parents of a graduate (9%);
- 498 were current English and Welsh students with Plan 2 loans (9%);
- 381 were parents with children considering university (7%);
- 160 described themselves as ‘interested responders’ (3%);
- 129 left university before 1998 (2%);
- 127 were Scottish and Northern Irish graduates who started in or after 2012 with Plan 1 loans (2%);
- 97 described themselves as something other than the categories we listed (2%);
- 64 said that they might go to university in the future (1%);
- 47 were current Scottish and Northern Irish students with Plan 1 loans (1%);
- And 14 said they were responding on behalf of an institution (1%)

[1] Percentages have been rounded up, which has resulted in a total of above 100%.



We also asked our respondents to indicate their age based on one of eight categories. The full breakdown of respondents by age included:

- 28 respondents under the age of 18 (0.5%);
- 764 between 18 and 24 (13%);
- 2,212 between the ages of 25 and 34 (38.5%);
- 893 between 35 and 44 (15%);
- 987 between 45 and 54 (17%);
- 698 between 55 and 64 (12%);
- 116 over the age of 65 (2%); and
- a further 55 declined to provide their age (1%).

The respondent make-up featured a high proportion of graduates and parents of students, and contrastingly featured fewer current students.

This is likely caused by the make up of recipients of the MSE Money Tips Email. The vast majority of survey respondents were reached by this medium, and therefore the demographic features of who receives and engages with this email likely shaped the demographic base of our survey respondents.

Who took part in the focus groups?

After closing the survey, we conducted focus groups with existing students. Each focus group had between five and eight participants.

These allowed us to carry out some more in-depth qualitative research on findings and themes identified by the survey, which enabled us to have more nuanced understanding of responses, and make better informed decisions about alterations to the beta version of the Graduate Contribution Statement which we were considering in light of survey feedback.

About MoneySavingExpert.com

MoneySavingExpert.com is the UK's biggest consumer website dedicated to saving people money on anything and everything by finding the best deals, beating the system and campaigning for financial justice. It's based on detailed journalistic research and cutting edge tools, and has one of the UK's top 10 social networking communities.

About The Russell Group

The Russell Group represents 24 leading UK universities which are committed to maintaining the very best research, an outstanding teaching and learning experience and unrivalled links with business and the public sector

Contact us

For further information about this, please contact:

- Will Barnes, Campaigns and Policy Editor at MoneySavingExpert.com william.barnes@moneysavingexpert.com; or

- David Thompson, Senior Policy Analyst at The Russell Group david.thompson@russellgroup.ac.uk