

All about Student Loans

How much am I entitled to?

The amount you're entitled to borrow depends on two factors:

- Whether you're living in London.
- How much your household (parents') income is.

Students living in London can get bigger loans to reflect the higher living costs in the city. Household - or parental income - is a factor that affects every student. The amount you can borrow is means-tested, so the more money your parents earn, the less you can claim. The principle is that better-off parents should support their children financially through their education, whereas children of lower-income parents should be given more help.

There are a number of bands you can fall into, starting at £25,000 (combined income), and rising by £5,000 up to the cut off of £62,215.

The amount you can apply for depends on which income band your parents fall into. So, for example:

- children of parents earning £25,000 can claim £8,944 per year, whereas
- those of parents earning £50,000 can only claim £5,735.

If you're living at home during your time as a student, you can claim a maximum of £7,529. These figures change from time to time – sometimes up, sometimes down.

How do I apply?

You can apply on GOV.UK. Make sure you've got all your personal details to hand. Your parents will probably need to be with you when you apply.

When do I have to pay it back?

You have to start paying back your maintenance loan the April after you finish your course. You only have to start paying once you earn £25,725 per year.

How much do I pay back every month?

The amount you pay back depends on how much you're earning.

It's calculated at 9% of everything you earn over the threshold (£25,725). So, what does this look like in practice?

If you earn £26,725 before tax, for example, you will be £1,000 over the threshold. This means you'll have to pay back £90 in that year (£7.50 a month).

If you earn £30,725, you'll be £5,000 over the threshold, so you'll pay back £450 a year (£37.50 a month).

What do I need to do to pay back my loan?

The loan will be automatically taken out of your pay, just like tax, once you're in employment.

If you become self-employed, you'll have to declare your student loan when you fill in your tax return every year, and you'll have to pay back the amount you owe.

Clearly, the more you earn, the more you'll have to pay, and the quicker you'll have the complete loan paid off. If you change jobs and your income changes, so will the amount you have to pay back. It is taken month by month, so you should only ever have to pay more when you are earning more.

What if I never earn enough?

If you leave university and never earn enough to meet the threshold, your loan will be written off after 30 years. Remember that the threshold does change from time to time (it was exactly £25,000 until recently), so you need to keep an eye on these changes if you are paying a loan back.

Do I have to pay interest?

Just like any loan, your student loan will accrue interest.

So how much interest will you pay? Well, thankfully, interest on student loans is usually set at a lower rate than normal commercial loans, but the rate you pay can change if government policy changes.

The amount you're charged in interest is based on the loan amount you still owe, and it's added to the total amount. That means your debt will keep rising if you do not meet the repayment threshold. But, every time you make a payment, your balance will reduce, so the amount of interest added to your account each month will also fall.

Basically, the quicker you pay off your loan, the less you will pay in total, as there will have been less time to earn interest.

You can opt to pay off your entire balance at any time – you don't have to pay it back gradually. If you start earning good money or get an inheritance, it might be an option. It will save you money in the long run as you will have built up less interest.

However, if you have other loans, credit card debts or hire purchase agreements, they will almost certainly have higher interest rates than your student loan, so you would probably be better off clearing those debts first.

What if I leave my course early?

If you quit your course, you will still have to pay back your student loan. However, you must inform the university and the Student Loan Company, as their payments to you will stop. It's possible to pause your course (for example, if you get ill or need to look after someone) and restart it again when you resume studies.