

Graduating in 2011 and your Student Loans & Overdrafts

SERVICE INFORMATION IN ALTERNATE FORMAT IS AVAILABLE ON REQUEST. CONTACT DETAILS ARE LOCATED AT THE END OF THIS LEAFLET.

So you finally come to the end of your studies and are looking forward to entering the next phase of your life into your chosen career path. However, you and your friends may be asking yourselves a few questions about your student loans and bank accounts.

This leaflet aims to answer some of the frequently asked questions about loans and overdrafts and hopefully enable you to deal efficiently with all your money matters that may affect you at this time.

Q. *When do I start making repayments on my student loans?*

- Repayments start in the first new tax year following your course. If you leave in Summer 2010, then repayments start in April 2012.
- You will be contacted by the Student Loan Company (SLC) in Jan/Feb just before your repayments are due to start www.studentloanrepayment.co.uk
- Even if you begin work immediately after leaving university, you will not be asked to commence repayments until the start of the new tax year.
- Money that you earn before the start date of the tax year will not be taken into account when your repayments are worked out.
- Tax years run from 6th April and end on 5th April the following year.
- Repayments are taken direct from your salary and details will be shown in your payslips from your employer.
- You can, if you wish, make additional voluntary repayments over and above those taken from your salary, by for example cheque or credit card etc.
- It is advisable to keep a record of all repayments made (compulsory and voluntary).
- Make sure you keep the SLC up to date with any changes to your address and contact details.

Q. *So how much will it really cost me each month for my student loan repayments?*

If you are working in the UK Tax System the amount you pay back will be a percentage of your earnings over the £15,000 a year threshold or earnings over £1,250 a month (figures set by Government). This is about 9% of your income (see table below).

Income each year	Monthly repayment	Repayment as a % of your total income
£15,000 or less	£0	0%
£16,000	£7	0.6%
£17,000	£15	1.1%
£18,000	£22	1.5%
£19,000	£30	1.9%
£20,000	£37	2.3%
£21,000	£45	2.6%
£22,000	£52	2.9%
£23,000	£60	3.1%
£24,000	£67	3.4%
£25,000	£75	3.6%

- Student loans are not like a typical bank loan as the interest rate is very low.
- The rate of interest you are charged on your loan is in line with the general rate of inflation.
- As of September 2010 this was set at 0%
- The Government sets this rate annually.
- Interest is charged on the balance of your loan that is left.

Q. What if I work or live abroad? How do I repay my loans then?

- If you are working outside of the UK tax system then your loans cannot be automatically deducted from your salary.
- In this case you must inform the SLC and set up arrangements to make repayments directly to them.
- The amount you will repay will depend on the earnings threshold for that country, which may not be the same as the £15,000 figure for the UK. The table below gives examples of the earnings thresholds for other countries:

Band	Price level index (UK= 100)	*Repayment threshold (UK £15,000)	Countries using the latest available price index figures
A	Less than 30	£3,000	Currently does not apply to any countries but may change depending on price changes compared to the UK
B	More than 30 but less than 50	£6,000	Bulgaria, Macedonia, Romania, Lithuania, Latvia
C	More than 50 but less than 70	£9,000	Poland, Slovakia, Turkey, Czech Republic, Estonia, Croatia, Hungary, Malta, Slovenia
D	More than 70 but less than 90	£12,000	Portugal, Greece, Spain, Cyprus, USA
E	More than 90 but less than 110	£15,000	Italy, Belgium, Austria, Germany, Netherlands, France, Luxemburg, Finland, Sweden, Japan
F	More than 110 but less than 130	£18,000	Ireland, Switzerland, Denmark, Norway, Iceland
G	More than 130	£21,000	Currently does not apply to any countries but may change depending on price changes compared to the UK

**The amount you need to repay will be converted into Pounds Sterling and any bank charges you may incur by paying from overseas is your responsibility. The income thresholds for individual countries can change annually.*

Q. *I am working in the UK tax system but cannot see any loan repayments on my payslip but I know I should be paying some?*

- If repayments do not start, ask your employer to check this out for you.
- If they cannot sort the payments out then you should contact the SLC.
- Always keep a check on what you should be paying and when - it is your responsibility.

Q. *My pay changes every month, sometimes I earn more and other months much less, how can I keep track of repayments?*

- If you earn slightly more one month than another then you may still have deductions taken for loan repayments for any earnings over the monthly £1,250 threshold amount.
- However, if the total you earned across the whole financial year works out to be less than £15,000 then you can apply to the SLC for a refund of any repayments you have made.
- If you fail to give the SLC full information about your yearly income, they will base your repayments on an income equal to **twice** the UK average earnings. This was £24,908 in April 2008 (source www.statistics.gov.uk April 08)
- If you are working outside of the UK Tax System then this is something you will need to discuss with the SLC.

Q. *What if I don't make my repayments?*

- You are required to repay your student loan as instalments become due.
- You could face a penalty charge if you fail to notify the SLC of any changes to your circumstances or do not make your repayments.
- Employers also have a legal obligation to take the correct amounts from salary or they too could face a charge.
- If you are found to be in default of your loan repayments the SLC has the right to ask for a court order to recover the balance owed in a single payment from you.
- You would then be at risk of being in default of your loan, which could affect any future loans you may wish to take out e.g. bank loans, credit cards, mortgages.

Q. *When can a loan be written off / cancelled by the SLC?*

- For students who entered higher education before 1st September 2006, the SLC will cancel the balance of your loan due and any interest:
 - when you reach the age of 65 or
 - if you die before you pay the loan off or
 - if you become permanently disabled and unfit for work
- For students who entered higher education after 1st September 2006, the SLC will cancel the balance your loan due and any interest:
 - 25 years after the April in which you first became liable to repay the loan (rather than when you reach the age of 65) or
 - if you die before you pay the loan off or
 - if you become permanently disabled and unfit for work.
- Writing off your loan will only happen if you have made all repayments that are due based on your income up to that date.
- Remember, SLC could ask for the loan repayment in full if you try to avoid paying what is due.

Q. What happens to my student bank account and interest free overdraft?

- When you are no longer a student the interest free overdraft could start to cost you money!
- These overdrafts are not treated like loans which have strict repayment dates, but they do have to be cleared at some stage or heavy interest rates could be applied.
- Different banks have different ways of dealing with students leaving university. Usually they switch the student to a **Graduate Account**, which may have a special interest rate for a limited period and provision for the overdraft to be reduced in stages. Some banks continue to offer interest free overdrafts but gradually reduce the amount of overdraft you are allowed in order to reduce your debt to them.
- Check out the different types of Graduate Accounts available and compare the best deal for you at www.moneyfacts.co.uk

Q. I hear lots of different terms about documents I will get when I am working, what are they all?

- As you progress through your working life you will start receiving a number of different documents relating to your financial income.
- These are all extremely important and it is advisable you keep them all in a safe place.
- If you need to query any of your loan repayments then you will need these to evidence your claim and your earnings.
- Student Tax advice website <http://studenttaxadvice.direct.gov.uk>

National Insurance Number (NI)	This is normally given to UK students when they are in the final year of their secondary education. This is used by the Student Loan Company to track and trace your repayments. All persons working in the UK tax system are required to have a NI number.
Payslips	Given to you by your employer monthly (or weekly). Outlines what you have paid in Tax, NI, Company Pension and Student Loan Repayments.
P45	If you leave your employment then your employer will issue you with one of these. It will detail all your salary, tax etc for the time you were employed with that company. You must keep this safe and give this document to your new employer.
P60	At the end of every tax year you will get one of these through your employer. It will detail your total earnings and deductions for the whole tax year. You must keep this document safe as it may be required as evidence of earnings in the future.
SA100 SA103	If you are self employed then you need to keep your accounts detailing your income and expenditure. Each year you need to fill in a self assessment form(s) for tax purposes. www.hmrc.gov.uk

Q. I am going to continue onto a Postgraduate course (not PGCE), now or in the future, do I need to still make repayments on my student loans?

- At some point after completing your first course, you may want to take a further course of study. If you take out student loans for this further study e.g. Professional Career Development Loans (PCDL), you need to be aware of two important points:
 1. If you work while you are on a postgraduate course and your income level is above the loan repayment threshold, the SLC will expect you to continue to make repayments on your original undergraduate student loan(s) unless you have requested a deferment with them for courses that ended before 1998.

2. You must ensure that you notify the SLC that you are continuing onto a postgraduate course and of any changes to your circumstances that may affect repayments due on your undergraduate loans.

Q. *I am going to continue onto a PGCE course, how does this affect my student loans?*

- If you are taking a PGCE course then you can apply for a Tuition Fee and a Maintenance Loan / Grant through Student Finance England or other relevant awarding authority. The SLC will deal separately with the loan for your PGCE course while you are studying. However, you will only receive one statement each year covering **all** of your loans.
- In the April after you have left your PGCE course, the SLC will add your new loan to whatever you owe on your original undergraduate loan(s). The SLC will, from that point onwards, treat this as one loan account for your repayments.

Q. *What else should I think about?*

- **Council Tax** - Remember, when you leave University your student status ends and you will be liable for paying Council Tax for the property you live in.
- **Unemployed** - If you do not find work straight away then you should visit your local Jobcentre Plus www.jobcentreplus.gov.uk to see if you are eligible to apply for any benefits e.g. Jobseekers Allowance, Housing/Council Tax Benefit etc.
- **Standing Orders/Direct Debits** – Remember to ensure you cancel or amend these payments for which you are financially liable, as appropriate.
- **Gas / Electric** – Make sure you read the utilities meters so that you pay for what is due on your rental property before you leave and give a forwarding address for the final bill.

IF YOU HAVE ANY PARTICULAR ACCESS NEEDS AND REQUIRE FURTHER ASSISTANCE, PLEASE DO NOT HESITATE TO CONTACT US.

**Further information and confidential money advice is available from:
Student Information and Funding, 4 West
University of Bath BA2 7AY
Tel: +44 (0)1225 385538
Website: www.bath.ac.uk/studentservices/money-service**