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The student loan repayment threshold for England and Wales has been frozen at £25,000 until 2027, to the detriment of many new university students this September.

Increased numbers of UK students are going to university due to good A-level results and fewer international students, which means this freeze will now affect even more people.

Repayment

Repayment starts the April after a graduate has left university. So, with a three-year course, this year's cohort of students will not start repaying loans until 2028 at the earliest:

- Freezing the £25,000 threshold – rather than increasing it in line with inflation or wages – brings graduates into the repayment net earlier than would otherwise be the case.
- After 2027, the government may increase the threshold in line with inflation, but this will still mean a few years of fiscal drag.

Under the new repayment rules introduced in 2023, students do not start to repay their student loans until they are earning over £25,000 a year (£2,083 monthly).

Once earnings exceed £25,000, repayment is at the rate of 9% on the excess. Interest is added to the loan from day one, with the potential repayment term running to 40 years.

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Self-funding

Wealthier parents will want to know whether they should be self-funding their child's university fees and living costs, rather than taking out a student loan. However, the decision is far from straightforward given that the normal debt rules do not apply here.

For example, parents might pay the full cost of university education of approximately £60,000, but if their child never earns more than the repayment threshold then self-funding will have been a massive mistake. The problem, of course, is estimating earnings for up to 40 years into the future.

A compromise strategy is to take the full student loan, and then for parents to look at paying the loan off early after graduation. They would only do so if it looks like their child is going to have a high-earning career. However, this is complex area of pros and cons, depending very much on personal circumstance.

Guidance on repaying student loans can be found [here](#).

We can help

If you would like help with anything raised in this Broadcast, call us on **01753 888 211** or email info@nhllp.com we would be happy to help.