



## Fixed-term student loans

Fact sheet no. 42

September 2015

### What this fact sheet covers

This fact sheet gives information about student loans that were taken out before **1 September 1998**. Use this fact sheet to:

- work out when you might have to make payments to your student loan;
- understand how to defer your payments; and
- understand what happens if you have student loan arrears.

### What is a fixed-term student loan?

Fixed-term student loans were introduced by the Student Loans Company (SLC) in **1990**. They were replaced by the 'income-contingent' student loan system in **1998**. They are sometimes known as 'old-style' or 'mortgage-style' student loans.

If you were a student and took out a loan to study between **1990** and **1997**, it is likely you have this type of loan. It is important to understand which type of loan you have, as the rules about interest and repayments are different.

If you took out a loan after **1 September 1998**, this fact sheet will not apply. **Contact us for advice.**

### Interest

The interest charged on your loan is linked to the rate of inflation and adjusted in line with the retail price index (RPI).

Interest is calculated daily from the date your loan started and is added to your account at the end of each month. From **1 September 2015** to **31 August 2016**:

- the interest rate for mortgage-style loans will be **0.9%**; and
- the deferment threshold for mortgage-style loans will be **£28,828**.

#### Information: regulation

INFO

Old-style student loans are regulated by the **Consumer Credit Act 1974**.



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## Repayment

Repayments would usually be due in the April following your graduation.

The SLC should have written to you in the February after graduation to warn you that repayments would soon be due. Repayments are usually made over five years by monthly direct debit, unless you deferred or have fallen behind with payments.

The monthly repayment amount is calculated on the basis of the total amount borrowed, plus interest (based on the rate of inflation), divided by the total number of months over which you repay.

### Extra advice: updating SLC



It is important to keep the SLC informed of your current address and tell them if you change bank account.

## Deferring your loan

If you earn under a certain amount, you may be able to defer your student loan repayments. 'Deferment' means postponing your student loan repayments for a period of **12 months**.

### Am I eligible to defer?

If you have a gross monthly income of **£2,402.33 or less** (equivalent to **£28,828 per year**), you may be eligible to apply for deferment. Your gross income is the amount you earn before any deductions (such as Income Tax or National Insurance) are taken from your pay.

Your student loan will be dealt with by one of the following companies:

- Erudio Student Loans;
- Thesis Servicing; or
- Honours Student Loans.

### Important: when to keep making payments



Until you get written confirmation that your deferment has been accepted, you will be expected to continue making repayments. If you pay by direct debit, this will be suspended automatically once your deferment has been accepted. If you can't make the normal repayment, **contact us for advice**.

### How to apply for deferment

You need to complete and return an application form to apply for deferment. The application form you complete and where you send this back to will depend on which company is dealing with your student loan. See **Useful contacts** at the end of this fact sheet for details of how to contact your company.

You will need to provide proof of your gross income or means of financial support. Only your income is taken into account - you do not need to provide income details of your spouse, partner, parents or any other relatives.

If you are not sure which company is dealing with your student loan, **contact us for advice**.



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## Evidence required for deferment

Different forms of evidence will be required depending on your situation. For example, wage slips, a benefit letter or confirmation that you are still a student.

Check with the company dealing with your loan about what they require.

## Once your repayments have been deferred

- Your repayments will be deferred for a period of **12 months**. During this time you will continue to be charged interest on your outstanding balance.
- You will receive a letter just before your deferment period is due to end to tell you when your repayments are due to start again and how much they will be. You will also be given the opportunity to apply for a further **12 month** deferment at that time.

## Can my loan be written off?

Under certain circumstances your liability to repay your loan may be cancelled.

For example, your loan may be cancelled if:

- you were under the age of **40** when your last agreement for a student loan was made and you reach the age of **50**;
- you were aged **40** when your last agreement for a student loan was made and you reach the age of **60**; or
- your last agreement for a student loan has been outstanding for **25 years**.

If you are permanently unfit for work and can provide evidence that you receive a disability-related benefit, your liability to repay your loan may also be cancelled.

### Extra advice:



#### if you are behind on repayments

Your liability to repay your loan cannot be cancelled if you are behind on any repayments on your student loan. It may be worth seeing if a charity or trust fund will help you to clear your arrears if they are fairly small. Search for organisations at [www.turn2us.org.uk](http://www.turn2us.org.uk)

## Student loan arrears

If you do not defer payments and a payment or payments are missed, the company dealing with your student loan will start recovery action. They may pass the debt to collection agents. Debt collectors are not bailiffs and have no power to enter your home.



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They could also apply to recover the debt through the County Court. If they do this, your credit rating will be affected and you also risk further enforcement action, such as bailiffs or a charging order on your home. If you are being threatened with court action, **contact us for advice**.

**See our fact sheet:**  
**County Court – replying to a claim form.**



Try to avoid court action by contacting the company dealing with your student loan as soon as possible if you have missed a payment, or you have forgotten to defer. See **Useful contacts** at the end of this fact sheet.

## Credit reference agencies

Unless you have deferred payments or are keeping to a repayment arrangement, after 28 days your account will be registered with a credit reference agency. The company dealing with your student loan can agree not to register your details if you have special circumstances.

You will find it harder to get credit, such as a mortgage, if there is information about arrears on your file. You can check what is on your file and, in some circumstances, ask the credit reference agency to add a note.

**See our fact sheet:**  
**Credit reference agencies and credit reports.**



## Bankruptcy, debt relief orders and individual voluntary arrangements

### Bankruptcy

Since **1 July 2004**, fixed-term student loans have not been 'provable' in bankruptcy. This means your student loan debt is not written off with your other debts at the end of the bankruptcy.

### Debt relief orders (DROs)

Student loans cannot be included in a debt relief order. This means your student loan debt is not written off with your other debts at the end of the **12 month** period your DRO usually lasts for.

### Individual voluntary arrangements (IVAs)

Student loans are also excluded from individual voluntary arrangements (IVAs), if approved on or after **6 April 2010**. If the IVA was approved before this date, your student loan would be included in the IVA, as long as you got the loan before the IVA approval date.



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## Dealing with your debts

If you are struggling with debts, it is important to get advice about all of your options. **Contact us for advice.**

## Useful contacts

### Erudio Student Loans

Phone: 0333 033 7188

[www.erudiostudentloans.co.uk](http://www.erudiostudentloans.co.uk)

### Honours Student Loans

Phone: 0333 033 7257

[www.honoursstudentloans.co.uk](http://www.honoursstudentloans.co.uk)

### Thesis Servicing

Phone: 0333 004 5045

[www.thesis-servicing.co.uk](http://www.thesis-servicing.co.uk)

### National Association of Student Money Advisers (NASMA)

For information, advice and signposting on student money matters.

[www.nasma.org.uk](http://www.nasma.org.uk)



National Debtline endeavour to keep our fact sheets as up-to-date as possible, however, we cannot be held responsible for changes in legislation or for developments in case law since this edition of the fact sheet was issued.

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