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An analysis of information failures and conflicts of interest in UK higher education, showing how opacity distorts market signals and why ratings-style regulation is essential for systemic resilience.

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Lex et Ratio Ltd provides research, advisory, and strategic consulting in governance reform, fiduciary accountability, and epistemic ethics. Our work integrates legal analysis, institutional theory, and practical reform strategies for public, corporate, and academic institutions.

Abstract

UK higher education exhibits a classic 'lemons market' problem: information asymmetry distorts signals of quality and risk, mispricing systemic fragility across a £200bn loan book and £40bn tuition market. OECD data show England as an outlier in its dependence on private fees and international students, heightening exposure to geopolitical and currency shocks. Yet the key intermediaries shaping policy and investor confidence — HEPI and *Times Higher Education* — operate with opaque governance and conflicts of interest akin to credit rating agencies before 2008. Their outputs influence bond prospectuses, financial statements, and government policy, but without fiduciary safeguards or oversight. Just as post-crisis finance required ratings reform, higher education now needs fiduciary openness, transparency of methodology, and capture-resistant regulation to restore credibility and resilience.

Keywords

higher education, UK universities, information asymmetry, market for lemons, systemic risk, governance opacity, fiduciary openness, rankings, HEPI, Times Higher Education, conflicts of interest, ratings reform, stress testing, financial governance, parliamentary oversight, credit rating agencies, disclosure, investor confidence, bond markets, financial regulation

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Table of Contents

1. Introduction – The Market for Lemons

George Akerlof's classic essay on information asymmetry, *The Market for Lemons* (1970), showed how markets collapse when buyers cannot distinguish quality. In the absence of reliable information, low-quality products drive out high-quality ones, leaving the market saturated with 'lemons'. The result is not competition but fragility — a systemic failure caused not by a lack of goods, but by the failure of information to price quality accurately.

UK higher education today exhibits similar characteristics. The sector represents a market of enormous scale — a £200 billion student loan book, more than £40 billion in tuition income, and over £10 billion in annual receipts from international students {House of Commons Library, *Student Loan Statistics* (2025); House of Commons Library, 'Higher Education Finances and Funding in England' (CBP-10037, 2025)}. OECD data confirm that the UK is an international outlier: while the OECD average shows 84 per cent of tertiary funding from public sources, England relies heavily on private tuition income, with one of the highest international student shares across member countries {OECD, *Education at a Glance 2023: OECD Indicators* (OECD Publishing 2023) fig C3.1, p 301; fig B6.1, p 247}. This structural dependence magnifies exposure to geopolitical shocks, immigration policy changes, and currency fluctuations.

Students, policymakers, and investors therefore rely on external signals to assess quality and sustainability. Yet the information environment in which they operate is neither neutral nor transparent.

Two intermediaries dominate this space. The Higher Education Policy Institute (HEPI) positions itself as the UK's only independent think tank devoted to higher education policy. Yet its statutory filings disclose related-party transactions involving payments to family members of its Director {Higher Education Policy Institute, *Financial Statements for the Year Ended 31 July 2024* (Charity Commission for England and Wales, filed 2025)}. Despite this, its reports are cited in Parliamentary debates {House of Lords, 'Universities' (14 November 2024) vol 840, col 1996} and used in departmental consultations {Department for Education, *Lifelong Loan Entitlement: Government Consultation Response* (March 2023)}.

Times Higher Education (THE), meanwhile, publishes global university rankings that are treated as authoritative signals of quality by students, policymakers, and investors. These rankings are frequently cited in institutional financial statements, where they are presented as indicators of reputation and competitive strength. For example, Oxford's 2023–24 Annual Report highlights its number one position in the Times Higher Education worldwide rankings for both overall and research environment performance {University of Oxford, *Financial Statements 2023–24* (University of Oxford 2024)}. Similarly, Newcastle University's 2023–24 Integrated Annual Report includes a table of its positions in major global ranking systems (Leiden, QS, THE) across recent years {Newcastle University, *Integrated Annual Report 2023–24* (Newcastle University 2024)}. Yet THE also sells consultancy services to the same institutions it ranks {Times Higher Education, 'Consultancy' (2025)}, replicating the 'issuer-pays' conflict of interest that destabilised credit rating agencies before the 2008 financial crisis {Financial Crisis Inquiry Commission, *Final Report* (2011)}.

The parallel with finance is direct. In 2008, it was not only subprime mortgages that caused systemic collapse, but also the failure of rating agencies as information intermediaries. Conflicted incentives inflated ratings, mispriced risk, and created false confidence until the system broke under its own opacity. In higher education, opacity in think tanks and rankings providers functions the same way: distorting market signals, masking institutional weakness, and amplifying systemic vulnerability.

This report argues that the UK higher education sector faces a 'lemons market' problem: information asymmetry, distorted by opaque intermediaries, drives systemic fragility. Just as the financial sector required sweeping ratings reform after 2008 — new disclosure requirements, separation of consultancy from rating, and tighter regulatory oversight — higher education now requires its own equivalent: fiduciary openness, disclosure of conflicts, transparent methodologies, and oversight insulated from capture {Peter Kahl, *Directors' Epistemic Duties and Fiduciary Openness* (Lex et Ratio Ltd, 2025)}. Without such reforms, higher education risks repeating the same mistakes financial regulators were forced to confront after collapse.

2. HEPI as a Policy Intermediary

In financial markets, ratings agencies hold systemic importance because their outputs guide investment decisions, capital allocations, and regulatory frameworks. In higher education policy, the Higher Education Policy Institute (HEPI) plays a strikingly similar role. Although formally a charity, HEPI positions itself as the UK's leading think tank on higher education. Its reports are cited in Parliamentary debates {House of Lords, 'Universities' (14 November 2024) vol 840, col 1996}, referenced by the Department for Education in consultations {Department for Education, *Lifelong Loan Entitlement: Government Consultation Response* (March 2023)}, and frequently invoked by universities in sector lobbying.

The stakes are considerable. OECD data show that England is an international outlier in its dependence on private tuition income and international student enrolments, in contrast to the OECD average of 84 per cent public funding {OECD, Education at a Glance 2023: OECD Indicators (OECD Publishing 2023) fig C3.1, p 301; fig B6.1, p 247}. This structural imbalance magnifies systemic exposure, making the quality of information that guides policy and investment decisions all the more critical. In practice, HEPI functions as a de facto ratings agency for higher education policy — producing outputs that influence how billions in public resources and student debt are justified and distributed.

The credibility of such an intermediary rests on independence and transparency — qualities that HEPI has struggled to demonstrate. My formal complaint to the Charity Commission (11 August 2025) documented governance shortcomings with direct implications for information integrity {Peter Kahl, *Reporting HEPI to the Charity Commission 2025-08-11* (Lex et Ratio Ltd, 11 August 2025)}:

- **Failure to maintain statutory records**: HEPI's Charity Commission Register entries have repeatedly contained incomplete or outdated trustee details and governing documents. This frustrates external scrutiny and obscures conflicts of interest.

- **Evidence of nepotism**: HEPI's Financial Statements for the Year Ended 31 July 2024 disclose payments to individuals with familial connections to its Director. While financially modest, such arrangements are diagnostic of weak conflict-of-interest safeguards and a permissive governance culture {Higher Education Policy Institute, *Financial Statements for the Year Ended 31 July 2024* (Charity Commission for England and Wales, filed 2025)}.

- **Trustee entrenchment and network concentration**: Several HEPI trustees concurrently hold multiple trusteeships or directorships across the sector, creating closed governance loops and raising the risk of regulatory capture {Companies House filings, 2025}.

For finance audiences, the risk here is clear. Just as inflated ratings mispriced mortgage-backed securities before 2008, opaque governance at HEPI risks distorting how policymakers 'price' the stability of the higher education system. If HEPI's outputs reinforce entrenched networks while informing Treasury assumptions about the £200 billion student loan book, this creates a classic information asymmetry problem: decision-makers act on information that appears authoritative but may be systematically biased.

The significance is twofold:

1. **Policy capture**: HEPI's outputs may shield existing structures from scrutiny, weakening incentives for necessary reform.

2. **Market distortion**: Students, investors, and policymakers may treat HEPI reports as neutral benchmarks, misallocating resources and obscuring institutional fragility.

The remedy is straightforward: fiduciary openness obligations for HEPI equivalent to those required of regulated ratings agencies and listed companies — including disclosure of trustees' interests, financial relationships, and related-party transactions. Without such transparency, HEPI's role as an information intermediary remains a systemic vulnerability.

3. Times Higher Education as a Market Ratings Provider

In financial markets, the most catastrophic information failures emerged from the issuer-pays model of credit rating agencies. Moody's, S&P, and Fitch were paid by the institutions whose securities they rated. The structural conflict was obvious: agencies had an incentive to provide favourable ratings to secure repeat business. The result was distorted assessments, inflated AAA ratings, and ultimately the mispricing of systemic exposure that culminated in the 2008 crisis.

Times Higher Education (THE) presents a striking parallel in the higher education marketplace. Its global rankings are treated by governments, investors, and students as authoritative signals of institutional quality. Universities regularly highlight their positions in official reporting: Oxford's 2023–24 Financial Statements emphasise its top ranking in the THE World University Rankings, while Newcastle University's 2023–24 Integrated Annual Report presents a detailed table tracking its performance across THE, QS, and Leiden indices {University of Oxford, *Financial Statements 2023–24* (University of Oxford 2024); Newcastle University, *Integrated Annual Report 2023–24* (Newcastle University 2024)}. Rankings are thus woven directly into the information environment that shapes perceptions of sustainability and strength.

These signals carry weight in capital markets. The global volume of university bond issuance nearly tripled from $2.2 billion in 2007 to $6.4 billion in 2017 {World Finance, 'The Emerging University Bonds Market' (2018)}. In the UK, the University of Cambridge issued £600 million in bonds through the public markets, an issuance widely discussed in the sector as a milestone in higher education debt financing {Times Higher Education, 'Cambridge bond could pave way for more university debt financing' (2012)}. For a market increasingly reliant on reputation, league table positioning has become part of the currency of investor confidence.

Yet THE also operates a consultancy arm, selling advisory services to the very institutions it ranks {Times Higher Education, 'Consultancy' (2025)}. Institutions are thus both the subjects of THE's evaluations and its paying clients. This creates the same structural conflict that undermined credit rating agencies: impartial information monetised through commercial relationships with the entities being assessed. The opacity is compounded by THE's refusal to disclose how consultancy and rankings interact within its proprietary methodologies. Investors, students, and policymakers cannot know whether clients benefit — directly or indirectly — from methodological adjustments.

For financial markets, the risk is familiar. If a university's apparent strength in global rankings is bolstered by conflicted methodologies, then students, investors, and governments may misprice institutional stability. Bond issuances, recruitment strategies, and policy allocations are all being taken on the basis of signals that may be systematically biased. International students alone now generate over £10 billion annually for the UK sector, an income stream disproportionately sensitive to reputational signals {House of Commons Library, 'Higher Education Finances and Funding in England' (Research Briefing CBP-10037, 2025)}.

The parallels with pre-2008 finance are not hypothetical:

- **Information capture**: consultancy relationships risk shaping how institutions are later ranked.
- **Reputational arbitrage**: weaker institutions can appear stronger through rankings methodologies, just as toxic mortgage pools appeared safe when rebundled.
- **Systemic distortion**: student flows and philanthropic capital may be misallocated, propping up fragile institutions until collapse becomes unavoidable.

For a sector with £200 billion in outstanding student loans and over £40 billion in annual fee income, these distortions are not cosmetic. They represent information risk of systemic scale.

The solution lies in fiduciary openness and regulatory parity. After 2008, credit rating agencies were brought under statutory conflict-of-interest rules, including disclosure obligations and operational firewalls. If rankings function as a de facto ratings system for higher education, then THE should be subject to comparable regulation. Without such safeguards, its dual role as evaluator and consultant remains a structural vulnerability — one that masks institutional fragility and misallocates billions in public and private capital.

4. The Information Asymmetry Problem

In his seminal essay *The Market for Lemons* (1970), George Akerlof demonstrated how markets collapse when buyers cannot distinguish between high- and low-quality goods. When information is asymmetric, good products exit the market, bad products dominate, and the system becomes unstable. What is true of second-hand cars is equally true of mortgage-backed securities, corporate debt, and — increasingly — higher education.

The UK higher education sector is characterised by significant information asymmetries. Students, investors, and policymakers cannot reliably distinguish between resilient institutions and those operating on fragile foundations. This is not because data does not exist, but because it is mediated by conflicted intermediaries such as the Higher Education Policy Institute (HEPI) and *Times Higher Education* (THE), whose outputs blur independence and advocacy.

For students, global rankings are treated as proxies for quality, yet they obscure financial fragility. Over 50 per cent of sector income now derives from tuition fees, with more than £10 billion annually from international students {House of Commons Library, 'Higher Education Finances and Funding in England' (CBP-10037, 2025)}. OECD data reinforce that England is an international outlier: across the OECD, public sources account for 84 per cent of tertiary funding on average, whereas England relies far more heavily on private tuition income and international enrolments {OECD, *Education at a Glance 2023: OECD Indicators* (OECD Publishing 2023) fig C3.1, p 301; fig B6.1, p 247}. A student choosing between two institutions may thus be swayed by rankings that conceal unsustainable cross-subsidies or deficit positions.

For investors, university bonds and financial statements often reference institutional standing, while risks identified by PwC's sector-wide modelling — such as widespread liquidity pressures under adverse scenarios — remain under-acknowledged. PwC's UK Higher Education Financial Sustainability Report (January 2024) effectively served as a de facto stress test, modelling liquidity and solvency outcomes under various scenarios and finding significant exposure across the sector {PwC, 'UK Higher Education Financial Sustainability Report' (Universities UK, January 2024)}. Yet these findings are rarely integrated into investor or regulator assessments.

For policymakers, HEPI outputs are cited in Parliamentary debates and departmental submissions, yet governance opacity, trustee entrenchment, and conflicts of interest call into question the independence of those outputs {Peter Kahl, *Reporting HEPI to the Charity Commission 2025-08-11* (Lex et Ratio Ltd, 11 August 2025)}. Reliance on HEPI as a neutral arbiter therefore risks replicating the same blind spots that once accompanied over-reliance on conflicted credit rating agencies.

The result is mispricing. Just as mortgage-backed securities appeared safe because conflicted rating agencies stamped them AAA, universities may appear resilient because rankings or think-tank publications present them as strong or competitive. Fragile institutions are thereby sustained by distorted perceptions, delaying reform until collapse becomes sudden and disorderly.

From a financial markets perspective, this is a textbook lemons problem: weak institutions remain in play because bad information circulates as if it were good. Stronger universities, meanwhile, are forced into riskier cross-subsidies to maintain rankings competitiveness, further eroding resilience. The cycle ends in systemic fragility.

The implication is clear. Without fiduciary openness and conflict-of-interest safeguards applied to higher education intermediaries, the market for information will continue to operate under conditions of asymmetry. In finance, such asymmetries were countered through statutory disclosure rules, prudential regulation, and periodic stress testing. In higher education, equivalent measures are required:

- **Conflict-of-interest rules** for policy intermediaries and rankings providers.
- **Mandatory disclosure** of institutional liquidity and dependency ratios in financial reporting.
- **Regulator-led stress testing** of institutional balance sheets, modelled on prudential practice in banking and energy.

Without these reforms, information failures will continue to magnify systemic risk across the higher education sector.

5. Fiduciary Openness as Market Discipline

Financial markets rely on disclosure to function. Listed companies are subject to statutory reporting obligations under the Companies Act 2006, including annual accounts, directors' reports, and audit requirements {Companies Act 2006, Pt 15}. Firms admitted to UK markets must also comply with continuous disclosure obligations under the Financial Conduct Authority's Listing Rules and governance expectations under the UK Corporate Governance Code {Financial Conduct Authority, *Listing Rules* (2024); Financial Reporting Council, *UK Corporate Governance Code* (2025)}. After the 2008 financial crisis, credit rating agencies — once left largely unregulated — were brought under statutory conflict-of-interest and transparency requirements through Regulation (EC) No 1060/2009 on Credit Rating Agencies and its UK successor regime under the Financial Services Act 2012. In each case, disclosure obligations did not eliminate risk but disciplined the market by ensuring that information intermediaries could not conceal material facts.

Higher education lacks any equivalent. Universities are charities, not listed companies; think tanks and rankings agencies are policy intermediaries, not regulated information providers. Yet the financial exposure of the sector

— a £200 billion loan book, £40 billion in annual tuition income, and rising reliance on volatile international student flows — rivals that of regulated industries. OECD data confirm that England is an international outlier: across OECD countries, public sources account for 84 per cent of tertiary funding on average, whereas England is uniquely dependent on private tuition and international enrolments {OECD, *Education at a Glance 2023: OECD Indicators* (OECD Publishing 2023) fig C3.1, p 301; fig B6.1, p 247}. The absence of disclosure standards for intermediaries such as HEPI and *Times Higher Education* therefore creates a governance vacuum, in which information circulates without the fiduciary safeguards that financial markets now take for granted.

In previous work, I have argued that fiduciary openness is the appropriate standard: decision-makers and intermediaries owe a fiduciary duty not only to their immediate organisations but to the public interest when systemic risk is engaged {Peter Kahl, *Directors' Epistemic Duties and Fiduciary Openness: A Cross-Cultural and Interdisciplinary Framework for Corporate Governance* (Lex et Ratio Ltd, 2025)}. In the context of higher education information, fiduciary openness requires:

1. **Disclosure of conflicts of interest** — trusteeships, consultancy relationships, and related-party transactions must be publicly declared in a structured and accessible format.

2. **Transparency of methodology** — where rankings or policy outputs are treated as benchmarks, their assumptions, weightings, and financial underpinnings must be disclosed.

3. **Stress testing and prudential reporting** — systemic risks such as liquidity pressures, reliance on volatile international recruitment, and exposure to policy shocks must be modelled and disclosed. PwC's UK Higher Education Financial Sustainability Report (January 2024) effectively served as a de facto stress test, showing that widespread liquidity pressures would materialise under adverse scenarios {PwC, 'UK Higher Education Financial Sustainability Report' (Universities UK, January 2024)}. Yet no statutory obligation currently requires such exercises.

4. **Parliamentary oversight insulated from capture** — scrutiny mechanisms must be structured to prevent the very conflicts of interest that compromised pre-2008 financial regulation. Parliamentary procedure itself recognises this principle: Erskine May emphasises the importance of impartiality and conflict management in the work of Select Committees {Erskine May, *Parliamentary Practice* (25th edn, 2019)}.

The principle is straightforward. In financial markets, disclosure disciplines capital by deterring opacity and correcting systemic mispricing. In higher education, fiduciary openness must serve the same function — disciplining information flows, constraining conflicted intermediaries, and ensuring that systemic fragility is not concealed behind superficially authoritative signals. Without it, the sector remains vulnerable to the same failures of information that precipitated financial crises in the past.

Policy Proposal: Embedding Fiduciary Openness in Higher Education Information Governance

Objective:

To mitigate systemic risk in the higher education sector by imposing fiduciary openness obligations on information intermediaries (e.g. HEPI, *Times Higher Education*), ensuring independence, transparency, and accountability.

Key Measures:

- **Conflict of Interest Disclosure**
    - Mandatory publication of trusteeships, consultancy contracts, and related-party transactions.
    - Structured, accessible registers of interests.
- **Methodological Transparency**
    - Public disclosure of assumptions, financial underpinnings, and weighting systems in rankings and policy reports.
    - Comparable to disclosure obligations of credit rating agencies under the CRA Regulation.
- **Stress Testing and Prudential Reporting**
    - Sector-wide stress tests modelled on PwC's 2024 framework, assessing liquidity risk and income volatility.
    - Annual reporting of institutional liquidity ratios and stress test results to the Office for Students.
- **Independent Oversight**
    - Establishment of a Parliamentary subcommittee with powers to scrutinise higher education finances and governance, insulated from conflicts of interest {Erskine May, *Parliamentary Practice* (2019)}.
    - Modelled on statutory firewalls in post-2008 financial regulation.

Expected Outcomes:

- Reduction of systemic fragility caused by opaque or conflicted information.
- Increased resilience of higher education as a critical national infrastructure.
- Restoration of public trust through transparency and accountability.
- Alignment of higher education governance with the disclosure norms of regulated financial markets.

6. Synthesis and Reform Agenda

The preceding chapters have traced how systemic vulnerabilities in higher education are magnified by failures in the market for information. HEPI functions as a policy intermediary whose governance opacity undermines its credibility. *Times Higher Education* (THE) operates a dual role as rankings provider and consultant, replicating the 'issuer-pays' conflicts that destabilised financial markets before 2008 {Times Higher Education, 'Consultancy' (2025)}. Together, these intermediaries distort signals received by students, investors, and policymakers, creating the conditions for mispricing and systemic fragility.

The problem is not simply the weakness of individual institutions, but the information environment in which decisions are made. Akerlof's analysis of information asymmetry shows how 'lemons' persist when buyers cannot distinguish quality {George A Akerlof, 'The Market for Lemons: Quality Uncertainty and the Market

Mechanism' (1970)}. In higher education, opacity and conflicts of interest ensure that fragile providers are shielded, while stronger institutions are pressured into risky strategies to remain competitive. The outcome is systemic instability.

The credibility of intermediaries depends on transparency. Yet HEPI has displayed persistent governance failures — from incomplete statutory filings and trustee entrenchment to related-party transactions disclosed in its Financial Statements for the Year Ended 31 July 2024 {Higher Education Policy Institute, *Financial Statements for the Year Ended 31 July 2024* (Charity Commission for England and Wales, filed 2025)}. When such an organisation's reports are cited in Parliamentary debates and departmental submissions {House of Lords, 'Universities' (14 November 2024) vol 840, col 1996; Department for Education, *Lifelong Loan Entitlement: Government Consultation Response* (March 2023)}, the risk is not merely reputational but systemic: distorted information may shape the allocation of billions in public and private resources.

The stakes are heightened by England's unusual structural position. OECD data confirm that England is an international outlier: while the OECD average for tertiary funding is 84 per cent public, England relies disproportionately on private tuition income and international enrolments {OECD, *Education at a Glance 2023: OECD Indicators* (OECD Publishing 2023) fig C3.1, p 301; fig B6.1, p 247}. This funding imbalance means that distorted information does not merely mislead — it amplifies systemic fragility in ways other OECD systems are less exposed to.

The remedy requires embedding fiduciary openness as a market discipline for higher education, analogous to disclosure obligations in regulated financial markets {Peter Kahl, *Directors' Epistemic Duties and Fiduciary Openness: A Cross-Cultural and Interdisciplinary Framework for Corporate Governance* (Lex et Ratio Ltd, 2025)}. This means shifting from a culture of self-reporting and narrative control to one of structured, enforceable transparency.

Integrated Reform Package

1. **Regulation of Policy Intermediaries**
    - HEPI and similar think tanks should be subject to disclosure requirements for trusteeships, conflicts of interest, and related-party transactions.
    - Methodological transparency should be mandated where outputs are used to inform policy or allocate public resources.
2. **Regulation of Rankings Providers**
    - *Times Higher Education* and comparable entities should be treated as de facto ratings agencies, brought under disclosure and conflict-of-interest frameworks modelled on the post-2008 regulation of credit rating agencies {Regulation (EC) No 1060/2009 on Credit Rating Agencies}.
    - Consultancy and rankings functions should be separated by statutory firewalls.
3. **Sector-Wide Stress Testing**
    - Regular, independent stress testing of institutional liquidity and solvency, using methodologies demonstrated in PwC's 2024 financial sustainability report {PwC, 'UK Higher Education Financial Sustainability Report' (Universities UK, January 2024)}.

- PwC's exercise shows that sector-wide modelling is both feasible and informative, effectively operating as a de facto stress test. Its approach should be institutionalised under statutory mandate.
- Results to be published and monitored by the Office for Students, with interventions mandated for high-risk providers.

4. **Parliamentary Oversight**

- A Standing Subcommittee on Higher Education Finance and Governance, empowered to compel disclosure and insulated from conflicts of interest, should be established under the Education Select Committee {Erskine May, Parliamentary Practice (26th edn, 2019)}.
- This insulation must extend not only to Members but also to clerks and staff, recognising that epistemic gatekeeping and networks of influence can compromise impartiality as effectively as formal conflicts.

Reform Trajectory

- **Immediate (within 12 months):**
  - Conflict-of-interest disclosure requirements for HEPI, THE, and similar intermediaries.
  - Mandatory publication of trusteeship registers and related-party transactions.
- **Medium-term (1–3 years):**
  - Implementation of sector-wide stress testing, building on PwC's 2024 methodology.
  - Integration of liquidity and solvency reporting into OfS oversight.
  - Statutory firewalls between rankings and consultancy functions.
- **Long-term (3–5 years):**
  - Embedding fiduciary openness into the statutory framework for higher education governance.
  - Establishing the Parliamentary subcommittee as a permanent oversight body with powers equivalent to those exercised in other critical infrastructure sectors.

Reform Trajectory – Strategic Payoff

The reforms proposed here align higher education with established practices in regulated markets. Just as the financial sector learned after 2008 that information opacity could destabilise entire economies, so too must higher education recognise that unregulated intermediaries represent systemic risk. The stakes are not only financial — £200 billion in student loans, £40 billion in annual tuition, and over £10 billion in international income {House of Commons Library, 'Higher Education Finances and Funding in England' (CBP-10037, 2025)} — but also social and political. Treating higher education as critical infrastructure brings its governance into line with banking, energy, and transport: sectors where systemic failure is never left to chance.

Embedding fiduciary openness will not eliminate risk, but it will make the sector more resilient. By disciplining information flows, correcting mispricing, and strengthening oversight, the UK can safeguard higher education as a critical national infrastructure.

7. Conclusion – The Case for Ratings Reform

The UK higher education sector is drifting into systemic risk not because of a lack of talent, students, or institutions, but because the information environment on which the system depends is opaque, conflicted, and unregulated. Just as Akerlof's 'lemons' model showed how bad information drives out the good, higher education today risks allowing fragile institutions to persist under the guise of strength, while more resilient providers are pressured into unsustainable practices.

The evidence reviewed here demonstrates that policy intermediaries such as HEPI and rankings providers such as Times Higher Education function as de facto ratings agencies, shaping perceptions that drive billions in public and private resource flows. Yet unlike financial ratings agencies after 2008, they operate without statutory firewalls, disclosure duties, or conflict-of-interest safeguards. In a sector where £200 billion in student loan liabilities and over £40 billion in annual tuition income are at stake, this is not merely a reputational problem: it is a systemic vulnerability.

The reforms proposed — fiduciary openness, methodological transparency, stress testing, and conflict-proof parliamentary oversight — are neither radical nor speculative. They are already embedded in banking, energy, and transport: sectors recognised as critical infrastructure where systemic collapse cannot be tolerated. Higher education underpins skills, research, and democratic legitimacy. It must therefore be regulated with the same seriousness.

The choice is straightforward. Either the UK embeds fiduciary openness and disciplines its market for information now, or it risks repeating the failures of 2008 in a sector that carries equal weight for the nation's future resilience.

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Revision History

Edition	Description of Changes	Epistemic Impact	Date
—	Initial release	None	2025-08-21

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