





The content

Debt Advice Handbook 15th edition

Description

With living costs and unemployment rising, budgets squeezed and problem debt on the increase, no adviser should be without this essential guide to the practice and process of giving money advice in England and Wales.

Who's this book for?

It is essential for debt advisers, welfare rights advisers, lawyers, local authority and housing association staff, social workers and union official.

What does it do?

The handbook provides the most comprehensive information needed by advisers on the key stages of money advice, including interviewing clients, establishing liability, prioritising debts, preparing a financial statement, negotiating with creditors and dealing with bailiffs. Fully indexed and cross-referenced to law, regulations and official guidance, and to court and tribunal decisions Includes tactical guidance and examples

What's new?

Fully updated to cover all recent changes to legislation, caselaw and court procedure and practice Emphasis is placed on taking due care of vulnerable clients and making sure that any payment arrangements agreed are appropriate. There is a focus on sustainable credit arrangements that do not affect a client's abilities to pay essential living expenses and priority debts.

Properties

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This section lists some types of debt specific to students (and ex-students) and which are not included in Chapter 4.

Bank overdraft

Special features

For a definition and the legal position, see [here](#).

Special features

Student overdrafts have certain features that are different to other overdrafts. Most banks offer full-time undergraduate students and some postgraduate students special interest-free overdrafts up to a set limit. However, these are usually subject to certain residency requirements and credit checks and, in most cases, banks do not allow a student to open a new account if one already exists with a competitor. Packages vary – eg, students in different academic years may have

different overdraft limits. Some banks have specialised student account managers.

These special features notwithstanding, strategies where issues arise are usually the same as for other overdrafts - see Chapter 4.

One specific point to note is that most banks allow a student terms that continue for a period after graduation. The length of time varies between banks and can often be extended by negotiation. This is preferable and you should negotiate this option rather than agreeing to overdrawn accounts being 'converted' into graduate loans, because it is more beneficial to the student. Most banks offer preferential graduate terms – eg, lower mortgage rates for limited periods.

Debts to the educational institution

Accommodation charges

Fines and other charges

Tuition fees

Recovery of debts to the institution

Students are often in debt to their institutions for a wide variety of items – eg, library fines, hardship loans made by the institution, rent, tuition fees and disciplinary fines. University regulations govern the circumstances in which fines may be imposed and fees are due. However, the introduction of the Tenant Fees Act 2019 and the Renting Homes (Fees etc.) (Wales) Act 2019 means that since June 2019 in England and September 2019 in Wales many fees and charges levied by university accommodation providers became unlawful. Check when the tenancy or licence started and challenge or appeal any charges if appropriate.

If you are an adviser directly employed by the institution, you need to be aware of the potential conflict of interest when advising a student with debts to the same institution.

The main sources of students' indebtedness to their institutions are discussed in this section.

Accommodation charges

Most institutions provide accommodation for their students. Charges are made for the rent and services provided. Services usually include items such as fuel and cleaning. These charges may be called 'residence' or 'accommodation' fees. You should check that any charges are allowable under the Tenant Fees Act 2019 in England or the Renting Homes (Fees etc.) (Wales) Act 2019 in Wales and whether the contract is with the institution or a third-party provider.

The legal position

Rent is payable under the tenancy agreement or licence. The terms of these agreements may be in a student's contract and/or in university regulations if the contract is with the institution.

Special features

The accommodation provided directly by institutions to students varies. Some of this is in halls of residence owned by the institution or a third-party provider, some in houses or flats in the locality owned by the university or leased to it by private landlords.

The length of tenancies may vary, but are rarely longer than 52 weeks, especially in halls of residence. Many tenancies are for the academic year only – excluding the summer vacation. Some tenancies exclude all vacations. The usual practice is to charge three instalments but monthly payments may also be available. There may be a financial penalty for late payment. A student in financial difficulties may be able to negotiate delayed payments or a more flexible instalment arrangement.

The accommodation charge due for a student's current home is a priority debt. While institutions are often reluctant to evict or take court action against their own students, they do try to enforce repayment using other means – eg, by refusing to allow the student to return to university-managed accommodation in subsequent years. In the past, debts were often enforced through refusing to allow the student to progress to the next year of study, or to graduate from the course. Following guidance from the former Office of Fair Trading in 2014, this practice should be challenged if encountered (see here).

Fines and other charges

Certain costs incurred by students arise from fines or charges. **Note:** while using the term 'fines' is commonplace in university regulations when certain charges (eg, for disciplinary breaches) are concerned, these are distinct from the financial penalties imposed by criminal courts (see here) and do not have the same legal standing. If an appeal procedure exists to resolve disputes about liability or amounts, a client should be encouraged to use it. You may be able to assist by providing supporting information or representation. In some cases, institutions consider extenuating circumstances and may waive or reduce certain fines or charges.

The consequences of non-payment differ between institutions and according to the student's circumstances. For instance, if a debt for tuition fees could legally prevent the student from graduating, it could also prevent them from progressing to a course of further study or employment and, therefore, must be treated as a priority debt. However, if withholding qualifications would not impede the student's progress, the debt could be treated as non-priority. A student may consider any outstanding debts to an institution to be a priority if they want to

continue studying. Discuss this carefully with the client, especially if they have mistaken notions of the consequences of non-payment.

Tuition fees

Almost all students are liable for tuition fees. Full-time home undergraduates and, in England, part-time home undergraduates have legal caps on the fees they can be charged. Other students are not subject to such caps. With certain eligibility conditions, student loans are available to pay the fees charged to home students, both undergraduate and postgraduate (see here).

This means that for undergraduate students, the maximum loan amount should be equal to the fees for which a student is liable (except, potentially, for part-time students in Wales). Postgraduate students may be charged a higher fee than the loan available. Certain others, primarily those on second degree courses or part-time students studying at 'low intensity' (ie, at a pace which means they would take longer than four times the length of a standard course to achieve their qualification) may not be able to get a loan for their fees. Students who begin their studies and then subsequently leave may be given a date by which they can do so without paying anything towards their fees. This date is fixed by the university.

For full-time undergraduate students in Wales, the loan matches the full fee the university or college charges for a whole year, although there is some scope for negotiation to allow the fee to be divided over the academic year minus holidays, with the student only paying for the period actually attended. If a student has to pay fees after transferring from one university to another, the two institutions must negotiate with each other about the payment transfer. In theory, both could charge for a full year. However, government guidance advises institutions not to charge these students fees outside their range of support. Although this is not binding, it is normally adhered to.

For full-time undergraduate students in England, support for fees is staggered over the year, in a ratio of 25:25:50. So, in term one, the student can draw 25 per cent of the fee loan, a further 25 per cent in term two and the remaining 50 per cent in term three.

Although universities and colleges can charge a full year's fees for only partial study, the Department for Education strongly encourages them to charge fees only for which a student can access the requisite loan to cover.

Recovery of debts to the institution

Methods of recovery vary between institutions. Many do not allow a student to continue into the next year of study if debts are outstanding. If the debt is for tuition fees, this procedure is probably legitimate. However, any such action should be proportionate to the debt outstanding, and a

blanket policy that does not take the student's personal circumstances into account may not be legal.

In the past, some institutions did not permit a student to continue if other charges (eg, accommodation fees and library fines) were outstanding. Similarly, if debts remained at the end of the student's course, most institutions refused to give the student a certificate of qualification or to allow them to collect their results. The Office of Fair Trading (now the Competition and Markets Authority) investigated the terms and conditions of universities. It made it clear in a 2014 report ¹ that these practices are highly likely to be unfair. Its view is that institutions cannot threaten, or carry out, sanctions against students by withholding services provided in another, different contract. Nor can they take action that is disproportionate to the debt outstanding or applied in a blanket fashion and regardless of the student's individual circumstances. This means that universities cannot withhold academic services (eg, tuition, use of library facilities and publication of results) if debts remain outstanding for accommodation services, or if other breaches have occurred. Library fines may or may not be regarded as academic debts but, regardless, it is unlikely that withholding progression or graduation is a proportionate means to recover the relatively small debts involved, especially where students may have paid £27,000 or more for the course.

Universities may use other, standard debt recovery procedures as with any creditor, including court action, but they should be encouraged wherever possible to come to a negotiated repayment plan.

Institutions now offer students a wide range of financial incentives, including bursaries and scholarships. These are only significant as debts if it is claimed that they have been awarded in error. If the client has provided incorrect information, the bursary may be recoverable and you should prioritise accordingly. In all other cases, advisers should argue that the bursary informed the student's choice of institution, repayment could cause hardship and, if applicable, that repayment would not be possible for at least the remaining length of the course.

If a student is awarded a bursary and has outstanding debts to the institution, the institution may choose to use the bursary to pay all or part of the debt rather than pay this money to the student. You should argue that other bursaries should be paid in such a way that the student can use them for their specified purpose, rather than simply paying off debts to the institution.

Some institutions may continue to make threats of action that are illegal in order to ensure payment. These practices put students under considerable pressure to pay outstanding charges and may constitute harassment (see here). While most students are anxious not to jeopardise their future and are reluctant to take any action other than to clear their debts in full, the Office of Fair Trading guidance should be highlighted and, if necessary, a complaint raised with the local trading standards office.

1 Available at gov.uk/cma-cases/fairness-of-universities-terms-and-conditions-for-students

Graduate loan

The legal position

Special features

Some banks offer personal loans to students at or just after graduation to help cover costs related to graduation and starting work (eg, relocation costs), and/or to consolidate other (commercial) student debts. They are only usually authorised if the bank has evidence that the student has secured employment.

The legal position

Graduate loans are regulated credit agreements (see here).

Special features

Graduate loans attract a preferential interest rate. Some banks offer a deferred period of repayment.

Income-contingent student loan

Plan one loans

Plan two loans

Plan three loans

Plan five loans

Income-contingent loans have been available since 1998 to help higher education students meet their living costs and, since 2006, tuition fees. Changes to the loans available have created five 'plans' over time, with different repayment and interest rules applying to each plan. Borrowers may have loans from more than one plan depending on their circumstances. The five plans are as follows.

- 'Plan one' loans were available to undergraduate students who started their course between 1 September 1998 and 31 August 2012 (see here).
- 'Plan two' loans have been available since 1 September 2012 to undergraduate or PGCE students funded by Student Finance Wales, and to undergraduate, PGCE and advanced

learner loan students funded by Student Finance England who started their courses between 1 September 2012 and 31 July 2023 (see here).

- 'Plan three' loans are available to postgraduate students taking out loans for master's degrees or doctoral studies (see here).
- 'Plan four' loans relate only to students funded by the Student Awards Agency for Scotland. They are not covered in this *Handbook*.
- 'Plan five' loans are available to new undergraduate, PGCE or advanced learner loan students funded by Student Finance England who started their course on 1 August 2023 or later (see here).

Plan one loans

The Department for Education or, in Wales, the Welsh government sets the rates of loans for living costs. The amount depends on the year of study, type of course, where the student lives and household income. It may also depend on the amount of any maintenance grant received. Subject to the maximum rate set (see below), the student decides what level of loan they need and applies to Student Finance England or Student Finance Wales.

The tuition fee set by the institution for the student's course determines the maximum rate of the loan. This is not more than £3,465 in the 2023/24 academic years, but it may increase due to inflation in later years. Note that only a very small number of current students now remain funded under plan one loans, although advisers may work with graduates or those who otherwise left their course and who took these loans out in previous years.

The legal position

The Secretary of State for Education or, in Wales, the Welsh government is the creditor. The Student Loans Company is the agent and repayments are made through HMRC. The loan is exempt from the Consumer Credit Act 1974, ¹ although in practice it is treated as a 'low-cost loan' under the Act's provisions.

Special features

Interest is normally at the rate of inflation. However, as with low-cost loans, interest cannot be applied at a rate higher than 1 per cent above the highest base rate of any one of several nominated banks.

Repayment is made at 9 per cent of earnings over the threshold amount. In the 2023/24 tax year, this is £22,015 and due to rise by the retail price index (RPI) each subsequent tax year.

Repayment does not begin until the April after the student finishes or otherwise leaves the course. Clients paying tax through the pay as you earn (PAYE) system have their repayments deducted by their employer. As these are calculated over income payment periods, not on yearly income, some clients can overpay if their earnings are erratic. If this is the case at the end of the year, the client can obtain a refund. Self-employed clients have their repayments calculated through the self-assessment system.

Tax credits do not count as income for calculations. Extra repayments can be made, but it is unlikely that a client in debt should consider this.

If a client started their course before September 2006, any outstanding income-contingent loan is cancelled when they reach 65. If they started the course on or after 1 September 2006, any outstanding loan is 'written off' after 25 years (35 years for clients funded by the Student Awards Agency for Scotland). An income-contingent loan is also cancelled if the client dies or is permanently incapacitated from work through disability (see here).

If the client does not repay the loan or update the Student Loans Company about changes, a penalty charge can be added to the outstanding loan amount.

A client living overseas must contact the Student Loans Company to arrange repayment. Living overseas does not cancel liability for repayment any sooner than living in the UK. Repayment calculations may use a different threshold amount,

depending on the cost of living in that country. Details of each country's threshold are available at gov.uk/repaying-your-student-loan.

The interest rate can triple if the client goes overseas and fails to inform the Student Loans Company that they are no longer in the UK tax system, or if they fail to provide information about living overseas.

Since 2004 it has not been possible to include income-contingent student loans in a bankruptcy petition, and since 2009, they cannot be included in an individual voluntary arrangement (IVA).

Disabled clients

Any disability benefits the client receives do not count towards the threshold income (even if they are taxable). If an ex-student is permanently unfit for work because of disability and gets a disability-related benefit, their liability for the loan is cancelled. There is no guidance on how this is done and no definition of 'permanently unfit for work'. If the client passes the test used for benefit purposes, you can use this when negotiating to cancel the debt.

Checklist for action

- Check the client's income, taking into account the fact that repayments are being deducted by the employer or through self-assessment.
- Note on the financial statement that repayments will automatically be deducted and will not be available income from the date repayments start.

1 s8 SSLA 2008

Plan two loans

The Department for Education or, in Wales, the Welsh government sets the rates of loans for living costs for undergraduate students who start their course on or after 1 September 2012 and, in England, before 31 August 2023 in the same way as for plan one loans.

The tuition fee set by the institution for the student's course determines the maximum rate of a loan for fees. Under current arrangements, this does not, in any case, exceed £9,250 in the 2023/24 academic year for full-time study. Within this limit, the student decides what level of loan is needed and applies to Student Finance England or Student Finance Wales. Advanced learner loans for students in further education in England have different eligibility criteria and are paid at different amounts, but they are repaid on the same basis as undergraduate loans.

The legal position

The Secretary of State for Education or, in Wales, the Welsh government is the creditor. The Student Loans Company is the agent and repayments are made through HMRC. The loan is exempt from the Consumer Credit Act 1974. ¹

Special features

Interest on plan two loans is variable. For full-time undergraduate students, interest is charged at the rate of inflation (as measured by the RPI) plus 3 per cent. From the April following graduation, or the student otherwise leaving the course, the interest rate varies. If the student's annual income in the 2023/24 tax year is:

- below £27,295, the interest rate is set at the RPI;
- above £49,130, the interest rate is set at the RPI plus 3 per cent;
- between £27,295 and £49,130, the interest rate is set on a sliding scale between RPI and RPI

plus 3 per cent.

For part-time undergraduates, repayment starts either from the April following graduation, or from the date the student leaves the course, or after their fourth year of study, whichever comes first and regardless of how many years of study remain. Interest rates then vary according to income, as for full-time students.

Repayment is made at 9 per cent of earnings over the threshold amount (£27,295 in the 2023/24 tax year). The threshold amount has been frozen since 2021/22, and it is unclear if or when it will increase in future. Check the Student Finance England and Student Finance Wales websites for updates.

Clients paying tax through the PAYE system have repayments deducted by their employers. As they are calculated over income payment periods, not on yearly income, some clients can overpay if their earnings are erratic. If this is the case at the end of the year, the client can obtain a refund. Self-employed clients have their repayments calculated through the self-assessment system.

A client living overseas must contact the Student Loans Company to arrange repayment. Living overseas does not cancel liability for repayment any sooner than living in the UK. Repayment calculations may use a different threshold amount, depending on the cost of living in that country. Details of each country's threshold are available at gov.uk/repaying-your-student-loan.

The interest rate can triple if the client goes overseas and fails to inform the Student Loans Company that they are no longer in the UK tax system, or if they fail to provide information about living overseas.

Universal credit and tax credits do not count as income for calculations. Extra repayments can be made, but it is unlikely that a client in debt will be able to consider this, and indeed it is unlikely it would be prudent for them to do so.

Outstanding income-contingent loans are 'written off' after 30 years. They are also cancelled if the client dies or is permanently incapacitated from work through disability (see here).

Failure to repay or update the Student Loans Company about changes can result in penalty charges being added to the outstanding loan amount.

Since 2004, it has not been possible to include income-contingent student loans in a bankruptcy petition. Since 2009, they cannot be included in an IVA.

Checklist for action

- Check the client's income, taking into account the fact that repayments are being deducted by

their employer or through self-assessment.

- Note on the financial statement that repayments will automatically be deducted and will not be available income from the date repayments start.

1 s8 SSLA 2008

Plan three loans

Postgraduate loans for master's degrees or doctoral study have different eligibility criteria, depending on the level of study they fund, and are paid at different amounts depending on the qualification, the year of study (for multi-year courses) and whether Student Finance England or Student Finance Wales funds the student. As with loans for undergraduates, the student applies to the relevant funding body for a loan up to the given limit. The repayment rules are similar, but there are some important differences for postgraduate loans as set out below.

The legal position

The legal position is the same as for plan two loans (see here).

Special features

Repayment conditions are similar to plan two loans, except that interest on postgraduate loans is fixed at RPI plus 3 per cent regardless of income. They are repaid at 6 per cent of earnings over the threshold amount and are paid concurrently with undergraduate loans (of any plan). The repayment threshold is also lower than for plan two plans, at £21,000 a year, and this is not currently expected to increase in future years.

Checklist for action

The checklist is the same as for plan two loans (see here).

Plan five loans

Undergraduate, PGCE and advanced learner loan students funded by Student Finance England and who start their courses on or after 1 August 2023 will repay their loans under plan five. The loan amounts available and fee caps are the same as for plan two loans, but there are some important differences in the repayment conditions, as set out below.

The legal position

The legal position is the same as for plan two loans (see here).

Special features

Students with plan five loans will not begin repayments before April 2026, even if they graduate or leave their course before this date. When repayment begins, the repayment rate will be 9 per cent of annual earnings over £25,000. It is unclear if the threshold will rise after the 2026/27 tax year. Interest is set at the RPI only, with no above-inflation interest as with plan two loans. Any outstanding balance will be cancelled after 40 years.

Other repayment conditions (eg, rules when graduates go overseas) are the same as for plan two loans (see here).

Checklist for action

The checklist is the same as for plan two loans (see here).

Mortgage-style or fixed-term student loan

[The legal position](#)

[Special features](#)

[Checklist for action](#)

Full-time students who began their course between September 1990 and September 1998 (or were treated as continuing students when they began their course in the 1998/99 academic year) were eligible for 'mortgage-style' or fixed-term loans.

Mortgage-style or fixed-term loans are repaid over five or seven years, depending on how many loans were taken out.

Since 2014, all the outstanding loans have been sold to one of three private investment companies. This does not affect the terms and conditions of repayment, but it means that clients are repaying loans to an agent, rather than the Student Loans Company. The three agents involved are:

- Honours Student Loans (see hsloans.co.uk/);
- Thesis Servicing (see thesis-servicing.co.uk/);
- Erudio Student Loans (see erudiostudentloans.co.uk/).

It is possible that a borrower's individual loans will have been sold to more than one investment company, requiring the borrower to deal with more than one agent.

Repayment can be deferred if the client's gross income is below 85 per cent of the national average earnings. Only income is taken into account in this calculation; no account is taken of the client's expenditure and financial commitments. An application for deferral should be made when repayment is due to start and applications for deferral must be made each year. Deferments are not automatic, and proof of income should be submitted with the annual application. Usually, payslips for the preceding three months or a letter from an employer is sufficient. Interest continues to be charged during any period of deferment.

It is important that the relevant agent is aware of any changes of address to prevent default action. Many of the remaining borrowers of these loans are in default, having lost contact with the Student Loans Company or the new agent over the years and consequently not having made repayments or maintained annual deferments. Even if a borrower's annual income would have allowed deferment, they can only apply for three months' retrospective deferment. Failing to actively defer, and therefore defaulting on the loan agreement, usually means such borrowers are no longer able to defer under the standard rules. In these cases, you may need to negotiate with the agent for a reasonable repayment plan.

Mortgage-style loans cannot be included in a bankruptcy petition or as part of an IVA.

The legal position

Agreements are regulated credit agreements (see here).

Special features

Interest is at the rate of inflation. Repayments are monthly and are usually by direct debit.

Unless they are deferred, repayments are expected to be made over five years (seven years for those who borrowed for five years or more). If more than one loan is outstanding, they are repaid concurrently. The amount owed (including interest) is totalled and divided by the number of months (either 60 or 84) to arrive at monthly repayment. This is reviewed annually.

Provided repayments are not in arrears, any amount still due is cancelled after 25 years, or when the client reaches the age of 50 (whichever is earlier). If they last borrowed at the age of 40 or over, the outstanding amount is cancelled when they reach 60. It is also cancelled if the client dies, or is permanently incapacitated from work through disability.

As with other agreements regulated under the Consumer Credit Act, they are enforceable through the county court, and the owners of the loan can be expected to take court action against

anyone in default. Problems may arise if a student has closed the bank account from which the agent expects direct debit repayments and has not made alternative arrangements, or if the account is so overdrawn that the bank will not honour the direct debit arrangement.

Although information about student loan repayments is not passed to credit reference agencies, the government makes an exception for a small number of 'serial defaulters' of mortgage-style loans where other means of debt recovery have failed. Details of arrears may, therefore, appear on a client's credit record.

Checklist for action

- Check the client's gross income (and help them to apply for deferment where appropriate).
- Prioritise the debt accordingly.

Overpaid grant for living costs

The legal position

Special features

Students are required to repay some or all of their grant for living costs if it has either been overpaid (that is, they have received more than they are entitled to under the student support regulations) or if they leave their course (both temporarily or permanently) during a period for which a grant instalment has been paid in advance. In the latter case, the amount of grant for the weeks after the student has left the course is calculated and repayment of only this amount is required.

The legal position

Student Finance England and Student Finance Wales have a statutory duty to recover overpaid grants and must do so during the award period where possible – ie, before the student completes the course. This includes situations where the overpayment has arisen because of an error on the part of Student Finance England or Student Finance Wales rather than any action of the student's. If a student receives more than one type of grant, an overpayment of one grant can be recovered from ongoing payments of any other grant. Student Finance England or Student Finance Wales have the discretion not to pursue recovery – the circumstances in which they would use this discretion are not defined.

Special features

Usually, the relevant authority attempts to recover the amount in full by deducting it from the next

instalment.

You should negotiate with Student Finance England or Student Finance Wales to arrive at an affordable level of repayment. However, if a student continues to receive a grant, Student Finance England or Student Finance Wales is in a powerful position, as it holds the instrument of recovery in its own hands – the next instalment. Be aware that while Student Finance England or Student Finance Wales has a statutory duty to recover during the period of the award, reductions of each future grant instalment are also permissible. If it remains unwilling to extend the repayment period, evidence of hardship should be presented to higher levels of management. Regulations state that the recovery action to be taken should be appropriate to the circumstances and so ensure that Student Finance England or Student Finance Wales is fully aware of the student's situation.

Overpaid income-contingent student loan

Special features

As with overpaid grants, Student Finance England and Student Finance Wales have a statutory duty to recover overpaid income-contingent student loans and must do so during the period of the award where possible – ie, before the student completes the course. This includes situations where the overpayment has arisen because of an error on the part of Student Finance England or Student Finance Wales rather than any action of the student's.

See [here](#)–[here](#) for further details of the definition and legal position.

Special features

This type of student loan is not regulated by the Consumer Credit Act 1974. If the loan has been made properly (ie, the student is eligible but the amount is classed as an overpayment), it can be recovered from the amount of loan for which the student is eligible for the following academic year. If the student has completed their studies, recovery may be through the normal repayment process, although advisers may need to negotiate with the Student Loans Company for this to happen. In recent years, the Student Loans Company (especially Student Finance England) has required overpaid borrowers to repay more swiftly, even where the Student Loans Company itself made the error giving rise to the overpayment.

Where Student Finance England or Student Finance Wales insists on more immediate repayment, advisers should negotiate to arrive at an affordable level. However, if a student continues to receive a loan, Student Finance England or Student Finance Wales is in a powerful position, as it holds the instrument of recovery in its own hands – the next instalment. Evidence of hardship should be presented if required. Regulations state that the recovery action to be taken

should be appropriate to the circumstances and so ensure that Student Finance England or Student Finance Wales is fully aware of the student's situation.

Professional and career development loan

Special features

Professional and career development loans were similar to professional studies loans, with the added feature of having some government backing. For the legal position and definition, see the section on personal loans on here. This loan scheme closed to new applicants in January 2019, but advisers may still encounter borrowers who took loans out before this date.

Special features

Repayment was deferred during the course and for up to one month afterwards. During the deferment period, the Education and Skills Funding Agency (part of the Department for Education) paid the interest on the loan. There were circumstances in which the period of deferment could be extended when the loan became payable – eg, if the client was receiving an out-of-work benefit. The terms and conditions of the loan should be checked.

Professional studies loan

The legal position

Special features

Professional studies loans are personal loans offered by some banks and specialist lenders to students undertaking certain professional qualifications, usually at a postgraduate level or for a second undergraduate degree. As with all other personal loans, they are offered at a fixed or variable interest rate. In some cases, a guarantor may be required. Student clients should be advised to consider such loans carefully and to check on their entitlement to standard student loans from Student Finance England or Student Finance Wales, as these are almost invariably cheaper forms of borrowing with more generous repayment terms. Referrals to hardship funds or other sources of support may also be appropriate.

The legal position

Like other personal loans, professional studies loans are regulated credit agreements (see here).

Special features

The most significant common feature of these loans is deferred repayment. Interest usually accrues during this period. Some loans allow a student to defer repayment until after the course ends. In other cases, repayment begins part way through the course. Interest rates can vary depending on the perceived creditworthiness of the student and whether or not they have a guarantor.

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