



**Northern Ireland
Assembly**

**COMMITTEE
FOR EMPLOYMENT
AND LEARNING**

**OFFICIAL REPORT
(Hansard)**

Student Loans (Amendment) Bill

9 June 2010

NORTHERN IRELAND ASSEMBLY

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FOR EMPLOYMENT
AND LEARNING**

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Members present for all or part of the proceedings:

Mr Peter Weir (Deputy Chairperson)

Mr Paul Butler

Mr Trevor Clarke

Mr William Irwin

Ms Anna Lo

Mr David McClarty

Witnesses:

Mr Fergus Devitt) Department for Employment and Learning

Ms Angela McAllister)

The Deputy Chairperson (Mr Weir):

I remind Members that this item is being reported by Hansard. This marks the beginning of the Committee Stage, after the Bill received its Second Stage yesterday. Fergus will remain with us; there is no escape as yet. He is joined by Angela McAllister from the higher education division — you are welcome, Angela. Fergus and Angela will brief us on the Bill.

Mr Fergus Devitt (Department for Employment and Learning):

In March 2009, the Committee for Employment and Learning gave its approval for a public consultation on the Department's proposal to introduce legislation to exempt student loans from individual voluntary arrangements (IVAs). The public consultation, which was open from 23

July 2009 to 24 October 2009, did not elicit any objection to the proposals.

Executive approval to introduce the Bill to the Assembly was given on 13 May 2010, and the Bill was introduced to the Assembly on 25 May. The Second Stage debate took place yesterday, during which a number of Members who are here spoke. This evidence session is, therefore, part of the Committee Stage of the Bill.

IVAs are the policy responsibility of the Department of Enterprise, Trade and Investment (DETI), and the Bill does not make any policy changes in relation to them. DETI is fully aware of the Department's intention to legislate in this regard. The Bill deals exclusively with a borrower's liability to repay a student loan if he or she enters into an IVA. An IVA is a form of insolvency similar to bankruptcy — a legal channel for cancelling or reducing a borrower's debt. In an IVA, the debtor agrees to pay a single, reduced, affordable monthly payment for between three and five years, after which the unpaid part of the debt is written off by the creditors.

In the case of student loans, the Student Loans Company is the creditor acting on behalf of the Department. Student loans have been excluded from bankruptcy since 2006, under provisions in the Higher Education (Northern Ireland) Order 2005. At that time, it was considered whether student loans should also be excluded from IVAs, which are a form of insolvency similar to bankruptcy, as I mentioned. However, IVAs were relatively uncommon then, so it was decided not to legislate at that time with respect to IVAs and to keep the situation under review. At that time, their financial effect on the Student Loans Company was negligible. It had dealt with only 11 IVAs, with a value of £28,500, by 31 December 2003. However, IVAs have increased in number, and the precedent of including student loans as apart of an IVA has been set.

By the close of 2007, the Student Loans Company had dealt with over 3,000 IVAs, with a value of over £17 million, in England and Wales. In 2008-09, the Student Loans Company wrote off over £41,000 in publicly funded student loans in respect of Northern Ireland-domiciled students, and that amount is expected to increase when the 2009-2010 figures become available shortly. Therefore, the Department considers it anomalous to exclude student loans from bankruptcy but not from IVAs.

Student loans are made on non-commercial terms, including low interest rates, as you heard earlier, and the obligation to repay being linked to a student's income. In addition, as student

loans are paid out of and subsidised by public funds, it is not considered appropriate to allow borrowers to reduce or limit their liability to repay by entering into an IVA.

It may be useful for Committee members to note that introducing the Bill will restore parity with England and Wales, where similar provisions have been introduced. I am grateful to the Committee for its interest in this issue. Angela and I are happy to take questions.

The Deputy Chairperson:

Parity seems to be one of the themes of today. Members will be aware that there is a summary of the responses, and there has not been any particular controversy raised in relation to the issue.

Mr Butler:

I broadly agree with the Bill, but in relation to the debt that students are getting into, Fergus — that is £41,000 at the moment, but that figure is going to be higher. How much higher? Is there an increasing trend of students getting into more debt in the present climate?

Mr Devitt:

The £41,000 specifically refers to the IVAs that have been written off.

The Deputy Chairperson:

Do we know how many people that relates to?

Ms Angela McAllister (Department for Employment and Learning):

I do not have the figure with me, but I can get you that information.

Mr Devitt:

The Committee will be aware that the issue of student debt is a much broader one than what relates specifically to IVAs. It is something that student leaders and others are pushing through.

Mr Butler:

The figure in GB is £17 million. That gives us some indication that it is a serious issue.

Mr Devitt:

Again, that is the figure for those who have entered into IVAs. It is not the total amount of

student loans that have been taken out.

Mr Butler:

Yes, but it does give you some sort of —

The Deputy Chairperson:

It is interesting to note the response in annexe A from the National Union of Students.

Mr Irwin:

Is there a limit on what students are allowed to borrow?

Ms A McAllister:

Yes. They borrow a fee loan and a maintenance loan. The fee loan is capped at £3,290 this year, and the maximum maintenance loan is £4,800.

Mr Irwin:

Is that per year?

Ms A McAllister;

Yes; per academic year.

Mr Irwin:

So that could multiply?

Ms A McAllister:

Yes; it is easy to do the arithmetic depending on the length of the course.

The Deputy Chairperson:

Does the cap apply to every subject?

Ms A McAllister:

Yes.

The Deputy Chairperson:

OK. But obviously it depends on the length of the course. Medicine, for example, is a five-year course, or someone could go on to do postgraduate work, which could take a number of years, so it is a movable target. That is a bit of an aside from the Bill itself.

Ms A McAllister:

Student loans are just for undergraduates, not for postgraduates.

The Deputy Chairperson;

OK, so it is purely on that side. I thank you for your evidence. I suspect that if you had been here to discuss a more controversial Bill you would have got more of a grilling.

Mr Devitt:

We will do our best next time.