

24+ Advanced Learning Loans

Text for colleges and training organisations to use in discussions with employers

Introduction of Loans

From the academic year 2013/14 loans are being introduced to support those aged 24 and over undertake advanced and higher level courses. This covers all provision at level 3 and above including Advanced and Higher Apprenticeship frameworks.

The reason for introducing loans is that Government grant funding is being prioritised on learning for young adults, those who need English and maths skills, and those seeking work. The introduction of loans will give people outside of these groups the opportunity to continue to access advanced and higher level training.

All individuals aged 24 and over who want to undertake training at level 3 and above will be expected to contribute more towards the cost of their training. However, for the first time the Government will make loans available to those individuals, which will only be repaid following their training when they are earning more than £21,000 – in the same way as Higher Education (HE) student loans.

Research shows that on average learners derive substantial benefits from undertaking advanced and higher level qualifications, so loans are being introduced on the basis that these learners should make a higher contribution to the cost of their learning in line with the benefits they receive.

It is also in the interest of employers to continue to contribute to the cost of the course because they benefit from more skilled and productive staff.

Key facts

- From 2013/14, 24+ Advanced Learning Loans will be available for learners:
 - aged 24 and over;
 - studying at level 3 or above, including QCF Certificates and Diplomas, Access to HE Diplomas, A Levels and Advanced and Higher Apprenticeships.
- Learners (not employers) can apply for a loan to meet the tuition costs of their course, which will be paid directly to their college or training organisation on their behalf.
- The loans will not be means tested and will not be subject to credit checks. To be eligible the learner must meet the required criteria.
- A learner must be studying at a Skills Funding Agency approved provider in England.
- A learner is entitled to a loan up to the maximum amount of public funding available for a course or up to the level of fee charged by the college or training organisation (whatever is the lowest).

- For Apprenticeship frameworks, the maximum loan amount will take into account the assumed contribution of 50% made by the employer.
- The minimum loan amount is £300.
- The loans application process will launch in April 2013 for courses beginning from 1 August 2013 (academic year 2013/14). The applications, assessment, payments and repayments will be administered by Student Finance England. The same organisation provides financial support for HE students.
- The loan application will cover the duration of the course.
- A learner can access up to four loans, each for a different type of course or at a different level. Student Finance England can make exceptions where the learner has been unable to complete the course due to compelling personal reasons.
- Once the learner has completed or withdrawn from a course they have funded with a loan, they will enter repayment for that loan from the following April (unless this is prior to April 2016), irrespective of whether they progress into further study.
- Loan repayments are collected through the tax system and the first repayments will commence in April 2016 (for those leaving their course before April 2016), and then from the April after they leave their course from April 2016, which is the point that HMRC will introduce the £21,000 threshold.
- Loan repayments will only start when the individual has left their course, entered repayment and is earning more than £21,000 a year.
- Repayments are set at 9% of income above the threshold and there will be a single payment irrespective of the number of loans a learner has taken out.
- Real rates of interest on the loans will be no higher than those prevailing in the market and linked to inflation (RPI for incomes less than £21,000 rising to RPI +3% for incomes above £41,000). Interest will be charged while the individual is studying at RPI + 3%.
- Any outstanding balance on a loan will be written off after 30 years.
- There will be a mechanism for voluntary repayments, which can be made to Student Finance England.

Attitudes toward loans

We know that there is concern about the attitude that some people will have toward the idea of taking out a loan to undertake advanced and higher level further education courses.

Market research commissioned by BIS shows that three quarters of learners say they would still consider undertaking learning following the introduction of loans. Loans do not appear to be a disincentive for the debt averse. Specific groups (Black/Asian, young people, those seeking work) are more likely to say they would take out a loan. And the labour market benefit of learning is the most important factor in deciding to learn.

Further research is being undertaken with Apprentices to understand more about their attitudes towards loans to inform our approach to communicating with potential apprenticeships regarding loans.

Frequently Asked Questions

Questions from employers

Q. Could I be accused of age discrimination by expecting my employees over 24 to take out a loan?

A. Responsibility for justifying the differential treatment of learners pre/post-24 will lie with the Government, rather than individual employers.

The difference of treatment on the basis of age will not contravene the Equalities Act 2010 if the policy can be objectively justified.

The Government believes that grant funding should be prioritised for learning for young adults, those who need English and maths skills, and those seeking work. Funding is therefore being concentrated on areas where it can have the most impact, which in practice means funding courses for those who will most benefit from learning. Those aged 24 and over undertaking courses at level 3 and above will be expected to invest more in their own learning, but for the first time, they will have access to a system of loans to support them to make this investment, which will only need to be repaid once the learner has left their course and is earning more than £21,000.

Q. Can I repay the loan for my employee?

A. Yes. Employers can make voluntary payments for part or the whole of the loan amount on behalf of their employees. Employers can make individual agreements with their employees about loan repayment.

Q. What are the tax consequences if I choose to make loan repayments on behalf of my employee?

A. BIS and HMRC will work together to explore the implications of employers making loans repayments on behalf of employees. In the meantime we would encourage employers to take their own independent advice on how the tax rules apply to them and their employees in these circumstances; and any consequences of potential payments that they may make on behalf of their employees.

Q. My employees are not likely to earn more than £21,000, is that a problem?

A. No. It is not expected that everyone who takes out a loan will repay it straight away and those who never earn more than £21,000 will not be required to repay and will have their loans written off after 30 years.

Q. My employees are earning more than £21,000 now will they have to repay straightway?

A. People will not have to repay until after they have finished their course and entered repayment. No repayments will be made via the tax system until April 2016. If your employee finishes their course before April 2016 repayments will only start from April 2016, those finishing after April 2016 will go into repayment from the following April – assuming that they are earning more than £21,000. They will however be able to make voluntary repayments direct to the SLC at any stage.

Questions from Apprenticeship employers

Q. Should Apprentices have to take out a loan to go to work?

A. Loans will be available to all adults aged 24 and above studying at Level 3 or above, including Advanced and Higher Apprenticeships. The job market returns on level 3 courses are higher, so it is right that those who benefit more from their training should contribute more.

Q. Can I repay the loan for my Apprentice?

A. Employers can make voluntary payments for part or the whole of the Loan amount on behalf of their employees. Employers can make individual agreements with their employees about loan repayment. Employers will be given support from NAS to help employees aged 24 and over wishing to undertake an Advanced or Higher Apprenticeship using a loan.

Q. Is the Apprenticeships estimate enough to meet the Government's 2015 ambition?

A. We expect to see the majority of the growth in Apprenticeships from programmes for young people. Alongside this, we are maintaining a means for adult Apprentices to access finance alongside support from their employer. The National Apprenticeship Service will work with employers so that they understand how loans can help their employees, and their business.

Q. If an apprentice is made redundant and cannot find another employer to employ them to complete the framework is the loan written off or are they expected to repay even though they have not completed the course through no fault of their own?

A. It is expected that any Apprentice who has been made redundant will be fully supported to find alternative employment and continue their programme. If this was not possible they would be liable for all payments made to the college or training organisation until the point of withdrawal.

Q. Will the loan to the employee take account of my contribution?

A. Yes. For an Apprentice the amount of loan available will take account of the contribution that you as their employer will be expected to make toward the costs of training.

For Apprenticeships, the funding rate, and therefore the maximum loan amount will take account of the assumed contribution from the employer. This employer contribution can be made either in cash or in kind. All eligible qualifications or Apprenticeship frameworks

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must be approved for public funding and listed on the Learning Aims Reference Application (LARA) at the point of application.