Dear Jonathan,

RE: Treasury Minute response – The sale of student loans

Thank you for the March response to the Committee's report on The Sale of Student Loans and for your subsequent updates in May. I am grateful for some of the commitments made, in particular your planned work in addressing our concerns about the lack of transparency to the public and Parliament.

However, there are several aspects of the Treasury Minute response which are disappointing. Despite you accepting the recommendations, your narrative goes on to say that you already apply the approach and that you disagree with our conclusions. If you had applied this approach to the sale we would not have made these recommendations. In several other areas your response either does not fully address our recommendation or does not add to what we knew at the time we took evidence.

- Recommendations 1(a, b), 3: these recommendations had the common theme of looking holistically at the long-term sales of the student loan portfolio. Although you seem to agree on the importance of this you claim that you already do so and your model and valuations aid this. As discussed in the evidence session, we believe this not to be the case. You do not seem to be seeing the bigger picture and are currently focussed on selling the least risky of the student loan assets, even though your motivation for selling is around de-risking the public's finances. You have failed to look at the portfolio as a whole, including Plan 2 loans, with your sale model unable to model the entirety of the pre- and post 2012 portfolios. The issues discussed in the session regarding the model related to forecasting accuracy and the 'novelty effect' on the sale proceeds, given how investors price-in these risks. Your letter in May confirmed that you do not have a model for the entirety of pre 2012 loans and did not provide all available statistical data on the performance of the portfolios sold so far.

- Recommendation 4: on HM Treasury's narrow value for money criteria, this seems to be a continuous issue on asset sales and we stand by our statement that your sale decision 'relied solely on the retention value'. Although you may have calculated multiple valuations, your final decision to sell was solely based on the objective of the price being 'broadly neutral or exceeding the retention value'.
Please could you provide further information on how you will consider the student loan portfolio as a whole, and how your sale model and valuations consider the full effects on the public’s finances.

- **Recommendation 2**: you disagreed with our recommendation to develop objectives that go beyond the simple focus of reducing Public Sector Net Debt (PSND). We believe this is extremely important given the sale of the student loan assets aims to improve the public’s finances. We believe that you should use a range of metrics to evaluate the effect of the sale on the public’s finances. This should not rely solely on PSND, or Public Sector Net Financial Liabilities, but rather multiple metrics given the drawbacks of focusing on one. Additionally, given the Office for National Statistics updated guidance we recommend you review how this may impact the sale programme.

- **Recommendation 5**: you disagree with disclosing investor names following additional assessments you conducted on the first and second sales. At the same time, you have improved the level of information on investors in your disclosure to Parliament on the second sale. We believe that you can improve the level of disclosure further without endangering the level of proceeds from a sale, and provide more details on the type of investors participating in the sale. The type of investor should not be restricted to ‘institutional investors’ and should be more specific.

I would be grateful if you could write back to me by 27 July 2019 I am copying this letter to the Permanent Secretary to HM Treasury, the Deputy Chief Executive at UK Government Investments, the Treasury Officer of Accounts and the Comptroller and Auditor General.

MEG HILLIER MP
CHAIR OF THE COMMITTEE OF PUBLIC ACCOUNTS