Student Loans Company
100 Bothwell Street
Glasgow
G2 7JD

www.slc.co.uk

Rt Hon. Nicky Morgan MP
Chair of the Treasury Select Committee
House of Commons
London
SW1A 0AA

29 March 2018

Dear Nicky

I am writing to thank you and the Treasury Select Committee for your recent Student Loans inquiry and report. The report is an important contribution to the wider public understanding of student finance. I thought it might also be helpful to the Committee if I offered some further context about what the Student Loans Company does.

Complexity

The report clearly highlights the complexity in the current student finance system. This is something the SLC is acutely aware of. We operate in an increasingly complex and changing environment affected by macroeconomic and social change, the evolution and impact of policy divergence across the various devolved administrations and the Department for Education as well as changes in the education system.

SLC was established in 1989 to provide small grants and loans supporting students entering higher education. In FY2009/10, having previously provided a basic loan service to the 178 Local Education Authorities who carried out all the upfront assessment activity, SLC were asked to take on this additional work, significantly increasing the scope and scale of our operation.

Policy development over the last 28 years has seen a surge in the range and complexity of SLC's product portfolio, which has grown to around 500 different policy/product/sub-process interactions. In 2017, SLC commissioned McKinsey to model this complexity. McKinsey found that transforming the customer journey and underlying processes is more complicated for SLC than for banks due to this high number of interactions, where policy drives granular requirements and costs into our processes and systems.

Despite this complexity, the SLC has made and sustained significant performance improvements over the last six years (and more), and this is clearly demonstrated by our annual results against the performance targets that are set out in our annual performance and resourcing agreement. At the end of January 2018, 34 of SLC's 38 APRA performance measures were reporting green; the remaining four were green-amber. Apply to pay customer satisfaction is currently 84%, up from 70.5% in 2010-11. We process 99.8% of applications submitted on time by the start of term. Last year, only 0.16% of SLC customers made a complaint, and 70% of these complaints related to factors outside SLC's control (for example interest rates, student finance policy or third party error). This equates to one in every 2,000 customers making a formal complaint about an SLC failing.

Communication

As I am sure you can imagine, I was particularly interested in the parts of the report relating to our own communication with students.

We actively engage with students looking for advice on how and when to apply. We provide a wealth of information across a broad range of channels. This includes more traditional channels like printed materials and working with delivery partners in schools and colleges; as well as online through websites such as Gov.uk, The Student Room and UCAS, and increasingly through social media. We provide information targeted to the applicant themselves, as well as to their parents/sponsors. SLC does not advise students on whether taking a loan is the right choice for them – we simply ensure they have access to accurate information about what's available, how to get it and what the repayment obligations and processes are.

Although we are not regulated by the Financial Conduct Authority, we do endeavour to act within the spirit and ethos of the FCA in everything we do. By way of example, we are currently undertaking an external review of our complaints handling function to determine how we compare to the FCA regulated sector. When it comes to communicating with students, this means we provide information on a variety of channels and in a range of accessible and engaging formats to help young people and their sponsors make informed choices about applying for student finance.

The report makes a particular point about the terminology currently used in the student finance system. I thought it might be useful to clarify that when we communicate with students during the application process, we do so under the name 'Student Finance England' (or Student Finance Wales and Student Finance Northern Ireland respectively). These 'brands' help students know where to apply in terms of the relevant UK government administration and convey properly that we are administering a student finance system, rather than providing what might be thought of in terms of a conventional loan.

Following the release of the report, we have been reviewing our correspondence to ensure that it is consistently clear that the amount a student pays back will depend on their income. We know from previous research that our repayment messages are generally well received and understood when our correspondence and other communications are tested, but that retention of this information is poor. We are currently undertaking further research to better understand and inform improved repayment communications in the future and will be working closely with our colleagues in DfE throughout this work.

Over-repayments

The report also talks about over-repayments. Over-repayments occur as a result of repayment data being provided annually by HMRC and then reconciled by SLC after the end of each tax year. Both SLC and HMRC are committed moving to a position where data is shared much more frequently and work has commenced to align both systems in what is a large and complex technical project. We expect to complete this project in FY 2019/20. This timetable was agreed jointly by HMRC and SLC and is the earliest delivery date given the investment and technical work required.

To resolve this successfully, both organisations will need to prioritise and align their change programmes to jointly manage a 24-month technical delivery project to implement this solution. Although we are still in the inception phase of this project and won't know exact costs of delivery until inception is finished, our current indication of costs confirms that both organisations require investment to implement this solution.

In the meantime, customers can avoid over-repaying by accepting our offer to move to a direct debit for the last 23 months of repayment. We write to every customer who is within 23 months of repaying their loan at their last known address inviting them to switch to direct debit. This moves them out of the PAYE scheme and means that their repayments stop immediately when their loan is repaid. This is another reason why it is so important that our customers keep their contact details with us up to date, something they can readily do on-line.

Parental Contribution

The SLC's statement regarding parental contribution, as quoted in the report, is that "parents may have to contribute towards the living costs of their student children". It is difficult to be explicit about any potential contribution, parental or otherwise, because a student's living costs will vary widely. However, parents/sponsors and students do need to understand that there is likely to be a shortfall between the Maintenance Loan paid and the student's actual costs, and that this will have to be met from other sources. We are also currently undertaking attitudinal research exploring how we change the attitudes and language surrounding student finance, which may also provide useful insight on this issue.

Once again, I thank you, the Committee and its staff for your hard work, which is evident in the report. I hope you find the information in this letter helpful and constructive.

Yours sincerely

Peter Lauener

Peter Lauener
Chief Executive