The Rt Hon AMBER RUDD MP  
Secretary of State for Work & Pensions

The Rt Hon Frank Field MP  
House of Commons  
London  
SW1A 0AA

22 January 2019

Dear Frank,

Thank you for your letter of 9 January 2019 regarding student loans, Universal Credit and parents who are students.

Our intent is clear that Universal Credit is reduced where claimants have income available from other sources to support themselves. Primary financial support for students comes from the student support system which is designed for their needs, unlike the social security system. It is important that Universal Credit does not duplicate this support, which is why students cannot normally satisfy the conditions of entitlement for Universal Credit. However, an exception is made for students with children, which mirrors treatment under legacy benefits. These students satisfy the exception category allowing entitlement to Universal Credit whilst in education.

Whilst treatment under Tax Credits is more generous, Universal Credit broadly mirrors that of other legacy benefits. This safeguards fairness whilst also ensuring simplification of the benefit system. Any student loan paid to meet living costs is subject to a £110 disregard in each Assessment Period, equivalent to that provided under legacy benefits, and any reduction is only for living costs. Loans for other things, such as tuition fees or books, are fully disregarded.

No information is held on the impact on students who have naturally migrated from Tax Credits to Universal Credit. However, we have committed that no one who goes through the managed migration process will have a lower entitlement to Universal Credit. We will be awarding Transition Protection to prevent any loss of entitlement at the point of their migration to Universal Credit. It is a condition of entitlement to Universal Credit that a person is not receiving education, therefore we will also be introducing provisions whereby any recipients of existing benefits who are in education when they go through the managed migration process will be treated as having met this condition. This exemption will last until the course that they are attending ends.

Universal Credit represents an opportunity to sweep away the complex, inefficient system of the past, to replace it with a simpler system. There are therefore no plans to
change the way student loans are treated at present including application of a taper as this is reserved for earnings in order to incentivise work.

Best wishes,

The Rt Hon Amber Rudd MP
SECRETARY OF STATE FOR WORK AND PENSIONS