

Lord Forsyth of Drumlean
Chair, Lords Economic Affairs Committee
House of Lords
London
SW1A 0PW

10 August 2018

Dear Lord Forsyth,

Further to the National Statistician's comments to the Committee on 17 July, I am writing to offer the Office for National Statistics (ONS) response to the Economic Affairs Committee report on *Treating Students Fairly: The Economics of Post-School Education*¹.

The Committee made one recommendation relating to ONS:

“Most student loans will not be repaid in full: some will be paid in full, some not at all, and a lot only partially repaid. The expected write-offs should be shown in the deficit when the loan is issued. The true cost of funding higher education would then be immediately apparent. This would allow for a better discussion as to where funding in the higher education system should be allocated. (Paragraph 42 and 388)”

In our written evidence, submitted to the Committee January 2018, we explained how student loans are currently treated in the National Accounts and public finance statistics, specifically that student loans are treated as any other loan following the approach mandated in the European System of Accounts and the United Nations System of National Accounts.

However, as you mention in your report, there are certain features of UK student loans that appear to distinguish them from other loans. They have a high level of contingency, both as they are based on a student's subsequent income and as there are a number of scenarios under which the loans, or the portion of the loans not yet repaid, will be written off.

Reflecting further on the contingent nature of student loans and the issues raised by the Committee, we recognise that there is a need to establish whether student loans should be treated within national accounts as loan assets for government, or whether they should in part, or in total, be viewed as contingent assets.

In April we announced that we had begun a review into how best to record student loans within national accounts and the public sector finances. This is not an easy issue to tackle and one which has implications wider than the UK given the use of income contingent loans in other countries. We have therefore been discussing with international agencies and other countries the relevant issues and examples with a view to identifying the appropriate statistical treatment, and from there to develop relevant guidance.

On 17 July we published information² on the main accounting options we have been considering as part of the student loan review, along with the pros and cons and implications for each option. There is still work to do on evaluating the different options but we are continuing to engage with our international partners and are hopeful that we will reach

¹ [LEAC Report on The Economics of Post-School Education](#)

² [ONS Article “Looking ahead – developments in public sector finance statistics: 2018”](#)

internationally an agreed treatment by the end of the year. It is important to note, however, that implementation within the fiscal statistics and national accounts is likely to take longer given the complex nature of many of the options under consideration. I hope the Committee will welcome this work.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jonathan Athow', with a stylized flourish at the end.

Jonathan Athow

Deputy National Statistician and Director General, Economic Statistics
Office for National Statistics