Student loans: new inquiry on repayment terms and the taxation of graduates launches

12 March 2026

Inquiry into student loans and the taxation of graduates

Oxford SU Evidence Submission

Oxford SU

Executive Summary

- Oxford Students' Union represents over 27,000 students. This submission draws on engagement with college welfare leads, representative structures, and direct student testimony, in addition to SU staff lived experience.
- Financial anxiety is a central feature of student experience.
- Many students do not expect to repay their loans in full and instead understand the system as a form of graduate contribution, though often without clarity on how it operates.
- Interest rates above inflation are widely perceived as difficult to justify, particularly where balances increase despite repayment.
- Students perceive retrospective changes to loan terms as unfair and unpredictable.
- In practice, the system functions as a de facto graduate tax, with repayments acting as an additional marginal deduction on income.
- Graduates may face relatively high effective marginal rates early in their careers, with reported impacts on saving, housing, and financial stability.
- There are increasing concerns about intergenerational fairness, with younger cohorts facing higher costs, longer repayment periods, and greater economic uncertainty.
- Taken together, these issues raise questions about whether the current system remains transparent, predictable, and proportionate.

Introduction

Oxford Students’ Union represents over 27,000 students across the collegiate University of Oxford, including undergraduate and postgraduate communities. The collegiate structure at Oxford provides a detailed insight into student experience. As President for Welfare, Equity and Inclusion, I work closely with students and college welfare teams to understand the pressures shaping students’ experiences, both during their studies and in anticipation of life beyond university. This submission draws on sustained engagement with over 20 college welfare leads, discussions within the Conference of Common Rooms (CCR) (our formal and democratic decision-making forum), and direct conversations with students across the collegiate system.

Financial anxiety is one theme that consistently arose. This is not a peripheral issue in student life, but one of the central pressures shaping how students think about their present and their future. Concerns about debt, future employment and long-term financial security are frequently intertwined, affecting both decision making and wellbeing.

Students describe their debt as unavoidable and indefinite. Many do not expect to repay their loans in full and instead understand the system as something closer to a graduate contribution or tax. Yet that understanding rarely comes with much clarity or confidence. Students speak about not knowing whether it makes sense to try to overpay, whether they should simply accept the debt as permanent, or whether they will ever earn enough to feel financially secure alongside it. What emerges from these conversations is not only confusion about how the system works, but a more emotional response to it: guilt, anxiety, resignation, and a sense of falling short before working life has properly begun.

> *“I see it as a graduate tax - I don’t expect to ever pay it off.”*
>
> (Anonymous Oxford Student)

Similar themes emerged at a recent national student lobby day, reinforcing the sense that these are not isolated concerns within Oxford but part of a wider pattern in how students are experiencing the current system.

Oxford SU takes the view that interest rates above inflation are difficult to justify within a system intended to facilitate access to education. When combined with the wider structure of repayments and the possibility of retrospective changes to loan terms, they contribute to a model that in practice functions as a time limited, income contingent graduate contribution, but without the transparency, predictability or perceived legitimacy usually associated with taxation. This submission therefore addresses three key areas identified by the Committee: whether a government should be able to change loan terms after they have been taken out, whether doing so erodes trust in government, and whether the current model distributes burdens and benefits fairly across generations.

Discussion

It is important to acknowledge that this submission is shaped by lived experience as well as representative engagement. As a current student on a Plan 2 loan, with over £80,000 of accumulated debt, and someone who has only recently begun repayments in my role as SU President, I am not neutral to the system under consideration. My own view is undoubtedly present here. However, that is not a weakness in the evidence. If anything, it reflects the fact that this submission has been built through a genuinely student-led process and through a rapport with students who know that I am navigating the same system they are.

Should the terms of a student loan be able to be changed by a government once the loan has been taken out?

We do not take the view that student loan terms should be completely fixed in all circumstances. A system that operates over decades will inevitably need some flexibility in response to changing economic conditions, inflationary pressures, and wider policy reform. However, that does not mean government should retain an unrestricted ability to alter repayment terms in ways that leave borrowers worse off after they have already made the decision to enter higher education. As things stand, the balance of power sits too heavily with the state and too lightly with the student expected to carry the consequences.

This matters partly because of the point at which the decision is made. Most students take on these loans at the age of 18, often without extensive financial literacy, and in a context where higher education is presented not simply as one option among many, but increasingly as the route to stability, opportunity, and professional progression. Few students can make a fully informed long-term assessment of how future policy changes might reshape their repayment burden. They are asked to commit to a system on the basis of one set of terms, while knowing very little about how far those terms may later shift.

That flexibility does not feel like a neutral feature of policy design. Through conversations across the collegiate University, including with students, welfare leads, and representative structures, what emerges is a sense that the rules themselves are unstable. Even where students understand in principle that governments revisit policy over time, there is still a meaningful difference between accepting that a system may evolve and accepting that existing borrowers can be made worse off after the fact. That distinction matters because it goes directly to whether the system feels fair.

For that reason, there is a strong case for a more controlled and principled model of flexibility. The issue is not whether change should happen, but how, when, and with what protections. At minimum, students should be clearly informed at the point of entry that the system is subject to periodic review, and under what broad circumstances changes may occur. That would not eliminate disagreement, but it would reduce the sense that students are signing up to one arrangement only to discover later that they are living under another.

More importantly, there should be a clear presumption against retrospective changes that materially worsen the position of borrowers. Changes that improve terms, correct unfairness, or respond to genuinely exceptional circumstances are different in character from changes that increase the long-term repayment burden. At present, government appears able to exercise considerable discretion without an equivalent duty to protect those already within the system. That imbalance risks turning the student loan book into a tool of short-term fiscal management, rather than a stable framework through which participation in higher education is supported.

There is therefore a strong case for independent oversight. Decisions of this scale should not rest solely with ministers of the day, particularly where they affect people who entered the system years earlier on different assumptions. An independent body could provide scrutiny, assess distributive effects, and help ensure that future changes are guided by fairness and sustainability rather than short term political expediency.

If a government wants students to continue accepting income contingent finance as a legitimate way of funding higher education, then it cannot expect them to remain indefinitely exposed to changing terms with limited warning and few protections. A sustainable system requires adaptability, but it also requires predictability, transparency, and a clear sense that the burden of adjustment will not simply fall on those who had no realistic opportunity to negotiate it. The next section will explore whether students feel government can be trusted to act fairly once they have entered the system.

Does changing the terms of a government loan contract once it has been entered into erode trust in government?

While there is some recognition by students at Oxford that policy may evolve over time, students are clear that this does not translate into acceptance where those changes are perceived to worsen the position of existing borrowers. The issue is not simply whether change is possible, but whether it is experienced as fair, predictable, and made in good faith.

> *"I understand why repayment terms might change, but what erodes trust is the feeling that the government doesn't have young people's best interests at heart."*

(Anonymous Oxford Student)

An informal poll conducted through my SU platform provides a clear indication of student sentiment. Of 349 respondents, 91% said that changing loan terms after borrowing erodes their trust in government. Explaining their responses, one described it as "being quoted for a taxi and then paying a different price at the end of the journey", particularly where there was no clear understanding that the underlying conditions might change. Another highlighted that if a company behaved this way, "we would call it out", yet similar practices appear acceptable when undertaken by government. These analogies are revealing. They suggest that students are not rejecting the idea of repayment but reacting to what feels like a shifting set of rules, where the terms of an agreement are not stable over time.

> *"Something needs to change or I'll take my UK qualifications abroad."*

(Anonymous Oxford Student)

At the same time, student responses show a degree of nuance. Some accepted that change in itself is not inherently problematic, noting that "changes for the better are okay". However, even within this view, the distinction between positive reform and retrospective worsening is clear. Another student reflected that while they understood why repayment conditions might change, what ultimately erodes trust is "the feeling that the government doesn't have young people's best interests at heart". This points to a deeper issue: trust is shaped not only by policy design, but by what those policies signal about whose interests are prioritised.

This broader sense of unease is reinforced by how students understand the system. For many, the loan is already perceived less as a conventional debt and more as an unavoidable, long-term obligation. As one student put it, they "see it as a grad tax" and "don't expect to ever pay it off". In that context, the ability to change repayment terms retrospectively does not simply alter the financial calculation, but deepens the sense that the system itself is unpredictable. This uncertainty feeds directly into how students approach their futures. One student described remaining in education for nearly a decade, inclusive of undergraduate and postgraduate courses, partly because they had been told the debt would never realistically be repaid, and now felt “too scared to enter the real world”. These accounts suggest that policy changes do not occur in isolation, but interact with an already fragile sense of financial security and future planning.

The impact is particularly acute in professions with slower earnings progression and high upfront costs. A medical student responding to this call for evidence described the freezing of repayment thresholds as “really demotivating for high potential earners with slow pay escalation”, highlighting that early-career doctors are expected to contribute more at a point where they are also facing significant costs, including exams and relocation. They noted that this reduces their ability to invest in professional progression and save for housing, particularly given that doctors are often required to rent during their early years. The same student pointed to a broader contradiction, arguing that such changes “directly contradict” government efforts to support doctors progressing in their careers. Another student working in a hospital described continuing to work under pressure while being subject to “stupid interest rates” as “a slap in the face”, warning that without change they would consider taking their qualifications abroad. These responses highlight that changes to repayment terms are not experienced in isolation, but as part of a wider set of pressures affecting morale, retention, and trust in public institutions.

Across conversations with welfare leads and students more broadly, these financial pressures are often accompanied by a more emotive response. Students speak about guilt, about not earning enough, and about feeling that they may never reach a point of financial stability. Retrospective changes intensify this, reinforcing the perception that the system is not only difficult, but unreliable. In this sense, the erosion of trust is not sudden, but cumulative, building through repeated experiences of uncertainty and perceived unfairness

Do student loans currently deliver equitable shares of burdens and benefits between generations?

There are strong grounds to question whether the current student loan system delivers an equitable balance of burdens and benefits between generations. While systems change over time, the direction and scale of change in England suggest that successive cohorts of students have entered higher education under materially different and, in many cases, less favourable financial conditions. Earlier cohorts, particularly those under Plan 1, faced lower tuition fees and less exposure to interest accumulation. By contrast, students under Plan 2 take on substantially higher upfront costs, currently up to £9,250 per year, alongside interest rates that can exceed inflation and repayment periods that stretch much further into working life. More recent reforms continue this pattern. While each of these changes may be defended in isolation, their cumulative effect is a system in which younger cohorts carry a greater and more prolonged financial burden.

Students are acutely aware of this trajectory. For some, it reinforces a sense that the system is becoming progressively less favourable over time. As one student put it, “Plan 2 was already bad enough, then the government finds a way to make it worse”. That feeling is sharpened by the contrast with the generations who came before. Many of those now in senior professional or political positions will have entered higher education under fee regimes that were dramatically lower, and in some cases non-existent. Even allowing for inflation, the scale of debt now taken on by students represents a fundamentally different settlement. If anything, that contrast feels starker because the expansion of higher education has changed the relative value of a degree, meaning that students are often taking on much higher debt in a more competitive labour market than the one faced by many of the people now shaping policy.

> *“I understand the broader economic pressures, but it still feels like young people are disproportionately affected.”*

(Anonymous Oxford Student)

These differences are compounded by the broader economic environment graduates now enter. Higher housing costs, greater barriers to home ownership and increased responsibility for pension saving all mean that student loan repayments do not operate in isolation, but as one part of a wider and cumulative financial constraint. Students and graduates frequently describe this as shaping not only how they spend, but what they imagine is realistically possible. In some cases, it appears to shape major life transitions. While anecdotal, student responses capture something important about how debt is being lived: not simply as a future deduction from earnings, but as part of the psychological environment in which adulthood, work and stability are being negotiated.

It is important to acknowledge that higher education continues to offer substantial benefits, including access to employment opportunities, intellectual development and, for many, greater social mobility. The issue is therefore not whether graduates should contribute to the cost of their education but whether the structure of that contribution remains proportionate and equitable across cohorts. Younger generations are being asked to contribute more, over longer periods, and under conditions of greater economic uncertainty than many of their predecessors. Where this is not clearly justified or transparently communicated, it risks being experienced as an uneven and increasingly fragile settlement rather than a legitimate evolution of policy.

There is also a forward-looking dimension here. If prospective students come to believe that each successive cohort faces less favourable terms, and that those terms may continue to shift, this may influence decisions about whether to enter higher education at all, especially among those from lower socioeconomic backgrounds for whom financial risk is already more salient. In that sense, intergenerational fairness is not just a retrospective question about whether the current system feels uneven. It is also about whether the future legitimacy and sustainability of higher education funding can survive if younger cohorts increasingly feel they are being asked to shoulder more for less

SU Staff Case Studies

We asked our SU Staff colleagues who took out a Plan 2 student loan to gather insight on how student loan repayments impacted your everyday expenditure and lifestyle habits, ability to hit financial milestones and whether they would have changed their decision to take out a loan based on current student loan repayment conditions.

Middle manager who took out a Plan 2 student loan

'I graduated from my undergraduate degree in 2023 and have already accrued £13,319.57 in interest on an already eye-watering level of debt, with over £600 accrued on a postgraduate course I am yet to complete. Coming from a low socioeconomic background, with divorced parents (one unemployed and the other on a low income) I had no choice but to take out the full student loan to afford my degree.

While this allowed me to study on a level playing field with my peers, it is now creating a lasting financial disparity. My larger loan continues to accumulate more interest than that of my more affluent peers, placing me at a long-term disadvantage.

This situation causes me significant anxiety, particularly as a single person who hopes to save for a home in the future. Due to work commitments, I live in an expensive city and need to stay close to my office. I was unable to afford driving lessons at 17, and the high cost of living now means they remain out of reach.

At times, I find myself questioning whether I can realistically contribute to a pension while also managing student loan repayments. It is deeply discouraging to feel that, despite my hard work and strong career aspirations, I may never be able to repay my loan due to the high interest rates.

How am I supposed to catch-up to my peers who are already taking a step on the property ladder? How am I supposed to provide myself and a potential family stability? I am terrified of being trapped. If I had known the extent of debt burden, I may have reconsidered which would have likely reduced my career prospects but also removed financial anxiety I now hold. '

Middle manager who took out a Plan 2 student loan

'SLC repayments just make everyday decisions more of a pause for thought. This for me, feels like it is particularly prevalent when I am going through more stressful periods in my job of which my degree has been core to developing my skillset to be able to be in those stressful positions. For example, I would love to contribute to the local economy by getting a cleaner, getting a meals subscription service or shop in a more ad-hoc (and therefore local) way, but my current financial situation makes those everyday conveniences feel untenable.

It's unlikely I will ever be able to obtain the goal of home ownership, primarily because of the interest rates meaning I will never ever pay off my student loan. If I could save the circa £100 a month, I pay in student loans (which will only go up once my PG loan is due), then by now I would likely have the deposit for a home of my own, rather than needing to move almost every year. Those annual moves also come with the additional renters' taxes of moving costs and new furniture, as well as not having a sense of community or stability.

I would likely have reconsidered my decision to go to university had I realised the lifelong impact this would have. As a student from a lower-income family, I got maximum student loan, which seemed great at the time. However, this now means my balance (currently just over £70k) is demonstrably higher than my peers, continuing to perpetuate the disadvantage it was meant to address.'

Coordinator who took out a Plan 2 student loan

'The current system of interest accrual on student loans has had a profound and discouraging impact on my financial stability. By the time I graduated from my three-year undergraduate degree in 2018, I had already accrued £3,007 in interest alone. This early accumulation set the tone for what has since felt like an unmanageable and continuously escalating debt burden.

Between 2023 and 2025, the situation worsened significantly. During this period, over £8,000 in interest was added to my loan, while I was only able to repay approximately £2,000. This means that despite making consistent repayments, my overall debt continued to grow rather than decrease. As of April 2026, my total student loan balance stands at approximately £72,000.

Coming from a low-income background, I have never had the financial means to make additional repayments beyond the minimum required. This has left me disproportionately affected by the accumulation of interest, further widening the gap between what I owe and what I can realistically pay.

My experience of plan 2 loans feels like a graduate tax – something I will never be able to escape.'

Conclusion

This submission has argued that the current student loan system is not fair, transparent, or predictable. While formally structured as a loan, in practice it operates as a long-term, income-contingent graduate contribution, but without clarity or stability. Students, welfare professionals, and graduates have consistently painted a picture of financial uncertainty, limited understanding of how the system operates, and concern about how future policy changes may affect outcomes.

A key issue is the ability of government to change repayment terms after individuals have entered the system. While some flexibility is expected, the current framework allows for retrospective changes that are widely perceived as worsening borrower outcomes. This has clear implications for trust. Where individuals take on long-term financial commitments based on a given set of terms, the expectation that those terms will not shift unpredictably is fundamental to the system's legitimacy.

When viewed over time, these issues are compounded by questions of intergenerational fairness. Younger cohorts face higher costs, longer repayment periods, and less favourable conditions than those who came before them, while also entering a more constrained economic environment. Students are aware of this shift and often interpret it as a steady transfer of cost and risk onto those currently entering the system.

Oxford SU does not argue against the principle that graduates should contribute to the cost of their education. However, the evidence suggests the current model raises important questions about how that contribution is structured, communicated, and governed. There is a strong case for clearer principles, improved transparency, and appropriate safeguards, particularly where changes affect those already within the system. Addressing these issues would represent an important step towards restoring confidence in the fairness and long-term sustainability of student finance.