

Public Accounts Committee

Oral evidence: Investigation into student loans issued to those studying at franchised higher education providers, HC 455

Monday 26 February 2024

Ordered by the House of Commons to be published on 26 February 2024.

[Watch the meeting](#)

Members present: Sir Geoffrey Clifton-Brown (Chair); Ben Lake; Anne Marie Morris; Ms Marie Rimmer.

Gareth Davies, Comptroller & Auditor General, National Audit Office, Emma Willson, Director, National Audit Office, Adrian Jenner, Director of Parliamentary Relations, Linda Mills, Deputy Director of Parliamentary Relations, and David Fairbrother, Treasury Officer of Accounts, were in attendance.

Questions 1 - 83

Witnesses

I: Susan Acland-Hood, Permanent Secretary, Department for Education; Julia Kinniburgh, Director General Skills, Department for Education; Susan Lapworth, Chief Executive, Office for Students; Chris Larmer, Chief Executive, Student Loans Company.

Report by the Comptroller and Auditor General

Investigation into student finance for study at franchised higher education providers (HC 387)

Examination of witnesses

Witnesses: Susan Acland-Hood, Julia Kinniburgh, Susan Lapworth and Chris Larmer.

Q1 Chair: Good afternoon, everybody, and welcome to this PAC investigation into student loans issued to those studying at franchised higher education providers. Welcome to this session on Monday 26 February 2024. Universities and other higher education institutions are autonomous, with a high degree of financial as well as academic independence. They are free to conduct their commercial activities alongside teaching and research, and may create partnerships, also known as franchises, with other institutions to provide courses on their behalf.

In the 2021-22 academic year, 114, or 28%, of 413 higher education institutions had contracts with franchised providers. The NAO report found that, since early 2022, the Student Loans Company, otherwise to be known hereafter as SLC, and the Office for Students, otherwise to be known as OfS, have detected several instances of potential fraud and abuse, potentially associated with organised crime, involving franchised providers. The report highlights systemic weaknesses in the regulatory framework and makes recommendations for how controls could be tightened. In June 2022, the Committee reported that higher education providers face long-term systemic pressures on their financial sustainability and viability.

Today, we will be examining the evidence of fraud and abuse in respect of student finance for study at franchised higher education providers. The value of detected fraud associated with students at franchised providers has increased almost sevenfold over the past five years. We will also look at how well DfE—that is the Department—OfS and SLC have protected students' interests, including the role of recruitment agencies.

It is now my great pleasure to introduce our witnesses. We have two people who are attending the Committee for the first time: Chris Larmer, the chief executive of the Student Loans Company, who joined SLC in 2021 as its executive director of operations, and Susan Lapworth, who is the chief executive of the Office for Students. Susan has been chief executive of the OfS since 2022. You are particularly welcome, as it is your first time.

We welcome Susan Acland-Hood, who is the Permanent Secretary at the Department for Education. She has been Permanent Secretary since 2020. Julia Kinniburgh has been director general for skills at the Department for Education since December 2022, having previously been



HOUSE OF COMMONS

director general for the strategy group from April to December 2022. You are all very welcome.

Hopefully, Ms Acland-Hood, you have been warned that I might just ask two or three questions on student loans in general. If I could just do that, that would be really helpful. Could you tell us how much student loan debt students have on average when they leave university?

Susan Acland-Hood: On average, undergraduate borrowers under the most recent plan—those from 2012 to 2023—will, on average, start their repayments when they graduate with an average debt of £45,600. Those on the new plan, who have a slightly longer repayment term but a lower repayment threshold, and where we have changed the arrangements around interest rates during study, are forecast to start their repayments with an average debt of £42,900. The Committee will know this, but it is really important to set in context for those watching that the student finance system operates a loan that is income-contingent, so nobody pays the loan until they reach an income at which they are able to pay it.

Alongside that estimate, a new student starting with a loan on one of the new terms, and who completes their course in the summer of 2026 and starts a job with a salary of £26,000 a year, would be repaying about £7 per month in the 2027-28 tax year. When you start repaying it and the amount that you repay are contingent on your income.

Q2 **Chair:** That is slightly different from my figures. How much interest, charged at what rate, will the average graduate pay over the lifetime of their loan?

Susan Acland-Hood: It differs between those who are on the current plan 2 loans. Undergraduate borrowers from 2012 to 2023 who are on plan 2 pay an interest rate of RPI plus 3% when they are in study, and the interest rate that they pay is variable with their earnings, so RPI only up to £27,295 per annum.

Q3 **Chair:** Could you just repeat that last figure?

Susan Acland-Hood: For the plan that applies to students between 2012 and 2023, they pay RPI plus 3% while they are in study, and the interest rate that they pay after they graduate is variable with their earnings. It is RPI only up to £27,295 per annum. It is then graduated up to RPI plus 3%, which kicks in at earnings of £49,130 per annum.

However, we have changed that for plan 5, which is the new system that is coming in, which is a flat RPI plus zero, so no real interest rate on student loans either in or after study. For all of those, we also have an interest rate cap that prevents students being asked to pay RPI where RPI is extremely high. The current interest rate cap, which is in place and in effect at the moment, is 7.6%.

Q4 **Chair:** Will the students in the current plan be automatically transferred to the new plan? Otherwise, the current lot of students are going to be at



a huge disadvantage compared to their peers coming after them.

Susan Acland-Hood: No. Effectively, the new plan asks students to start repaying earlier, so they repay it at a lower repayment threshold. It also asks them to repay for longer. It operates differently. We do not think that it is right to change students who took out a loan on one basis to a different basis. You stay on the plan that you start on, but the 7.6% cap is applied to everybody.

Q5 **Chair:** Let me just ask the third question and then I may come back, because I am not sure that we have quite got to the bottom of this. What assessment have you made of the affordability of student loan debt—for example, in the context of the cost of living or the affordability of housing—when setting repayment terms such as the interest rates and the length of loans? This is a huge burden that we are saddling youngsters with. I know from one of my employees that it makes a huge difference, when you are applying for a mortgage later on in life, if you are still saddled with this huge debt.

Susan Acland-Hood: We make really thorough and detailed assessments, both when we set these terms and when we change them. Full impact assessments are done at each point, where these are looked at. We start with the fact that this is an income-contingent system, so the manageability is baked into the fact that you do not repay until you are earning enough to, and only at a rate that is reasonable compared to your income.

One of the reasons for making the shift from the previous plan 2 arrangements to the new plan 5 was that Ministers were concerned about the effect of that RPI plus 3% interest rate shift. Students on the new plan, as I say, have to start repaying a bit earlier and may have to repay for longer. The principal disadvantage of the above-RPI loan interest rate is that it is regressive, so it penalises those who are going to take longer to repay.

Q6 **Chair:** The figures that I have show a much bigger total repayment than you were indicating in your answer. Can we just go over again, for the average person on average earnings, what the total repayment of loan is after a three-year course?

Susan Acland-Hood: I was giving you the figures for the average amount of debt that a student would have when they finish their course and enter repayment.

Q7 **Chair:** Yes, but that is not the real total amount that they are going to repay, because it is going to be interest plus the repayment. It is the interest element and repayment that they have to repay when they get to a certain salary level, is it not? Do you have that figure?

Susan Acland-Hood: For the new plan, for plan 5—

Q8 **Chair:** Can we stick to the existing students?



HOUSE OF COMMONS

Susan Acland-Hood: Okay. I will just say it quickly, though. For plan 5, it is, in effect, the same, because there is no real rate of interest. For plan 2, there will be a range, because of the fact that the interest rate varies according to your earnings.

Q9 **Chair:** Can you give us an idea of what the range is? What I am trying to get at is, of the total repayment, how much, on average, is repaid and how much is written off.

Susan Acland-Hood: I have the figure for the new plan, which is that about 61% of borrowers are expected to repay their loans in full under the plan 5 loan arrangement. It was lower than that for the plan 2 loans, but I am afraid that I do not have the figure with me, so I would have to provide that separately.

Q10 **Chair:** This is quite complicated stuff. Could you give us a general note on what the total repayment related to the average salary is? I am particularly interested in the present round of students in plan 2, because the figures are quite revealing. Rather than pursue it now, if you could give us a note, that would be really helpful. Thank you for that.

If I could now move on to the main session, what assurance can you give us that you are taking the fraud and abuse of student funding seriously?

Susan Acland-Hood: We take fraud and abuse of all kinds incredibly seriously across the Department. One of the core tenets that I live by is that fraud is everybody's business, and everybody has to be curious, interested and active in trying to prevent fraud and abuse of all kinds. The student finance system is one of the areas of the Department that is, as it were, most obviously a place where, as there is wherever you have large disbursements of amounts of money going to individuals, you have a fraud risk that you have to be aware of. With the SLC, we have invested considerably in fraud prevention activity.

The thing that I wanted to say right at the top of this hearing was that we are worried not just about fraud as you might classically define it. One of the things that is really challenging about the higher education landscape, franchised provision and opportunities to do things differently is that, while there is some really good franchised provision, there are also some risks wherever you allow for things to happen in a more innovative and different way.

There are three risks that are different but related to each other. There is an individual fraud risk, where somebody is trying to defraud the taxpayer of money that could be paid out in, typically, student maintenance payments—individuals who claim to be studying when they are not or who are trying to defraud the system.

You then have a related set of risks around something that is a bit more like misuse or mis-selling—people trying to persuade students, who themselves are more genuine than the fraudulent ones at this end, that they should engage in higher education, but where the principal aim is



HOUSE OF COMMONS

about gathering tuition fee payments. There may be less curiosity and interest, to put it mildly, from providers in whether what they are delivering is of really good quality.

Then you have a set of concerns around poor quality provision, which might not be from any bad intent, but is not serving students as well as it should be.

You will hear us talk about those three things throughout this conversation, and they can be related to each other. Sometimes, where you have that poorer-quality provision or that risk of misuse, you also have individual fraud risk. They can be related, but they are not the same. We have a set of provisions that we have in place to deal with, as it were, pure, classic fraud—"I am trying to get money for a thing that is not real and does not exist"—but we are also really concerned collectively, across the Department, OfS and SLC, with the risks that arise from poor-quality provision and that set of issues that you could characterise as misuse or mis-selling.

We have to protect against all of that while making sure that we do not do things that inhibit good-quality providers, and particularly good-quality providers that are trying to provide for groups of students who might otherwise find it difficult to access higher education and to enable them to go and do innovative courses in places where traditional universities may not reach or serve well. That is how I would characterise the challenge that we have been trying to meet.

Chair: It is a balance that you have to keep. We will come back to a lot of that.

Q11 Ben Lake: Thank you for appearing before us this afternoon. If I may begin by asking you, Mr Larmer, a little bit about how you use data to try to identify potential risks to public funding, I would draw particular attention to paragraph 2.5 in the NAO report, which sets out that, "SLC routinely monitors student funding applications. Between January and June 2022, this identified links between patterns of applicants' behaviour and information from banks and the police which SLC suspected indicated organised criminal activity to fraudulently obtain student funding".

In terms of your recent experience of using this data, how are you finding it? Is it useful? Is it effective? Are you content that you have the data needed to identify potential risks and fraudulent activity?

Chris Larmer: I will take that in two parts, if I may. The first part is linked to the Permanent Secretary's overview. Individual fraud level is the responsibility of the Student Loans Company and, similarly to what the Permanent Secretary said, we take it very seriously. It is a key strategic priority, not just for me but for everyone in the Student Loans Company.

On that particular element, we use a range of data, not just our own. We are also now part of the National Economic Crime Centre, so we get public and private sector intelligence to help with identifying individual-



HOUSE OF COMMONS

level fraud. On the individual type fraud, which is referenced in the report, for the year in question of 2022-23, we detected £4.1 million worth against the £8.6 billion that we paid out in maintenance loans. Any pound lost is considered very seriously, but, in context, that percentage would compare favourably, if that is the right terminology, within both the public and the private sector.

While my direct accountability is the individual fraud, I have an accountability with the rest of the team, and we all work together on this. If my team identifies anything that could be more from a partner or more systemic, or even linked to organised crime, we have a role and a duty of care to make sure that we share that information. The reference in paragraph 2.5 is that, after we had joined the National Economic Crime Centre, on top of our other business-as-usual intelligence, we received more intelligence that indicated that there could potentially be some organised elements, which we then referred to the Department and to the OfS.

Q12 Ben Lake: If I have understood you correctly, access to this additional private and public data by virtue of membership of the NECC would give you quite a lot of assurance and confidence that you have the tools needed to detect fraud at the individual level. There are no other data or powers that you would want to seek to try to help you do that job.

Chris Larmer: From my perspective, there are four key elements, because this is around tackling the fraud. The first one is data, which is what you have quite rightly highlighted. It is not just the data, but the analysing and then the investigations of that. It is a holistic piece. That goes back to the investment that the Department has helped us with, together with growing what we call the financial crime prevention unit within our business to what it currently is, which is 55 FTE positions.

That is the data bit, but you have quite rightly alluded to the second part, which is partnerships. I would start the partnerships with the Department and OfS, but it is wider and includes the NECC. The report also quite rightly mentions acting with the power of the whole Government. We have very close links with the Public Sector Fraud Authority. We have regular meetings and report our data into there as well. Partnerships are key.

The third is culture, which is referenced in the nine steps that the NAO report alludes to. Similar to what Susan was saying, it needs to be in the culture of the organisation. However much I grow the financial crime prevention unit, which we have doubled, the 3,300 colleagues in the Student Loans Company all passionately want to do the right thing for the customer as well as for taxpayers' money. We have the training and then the referrals that, when we when spot things, add to the data.

The final bit, which most businesses need to be focused on, is the outcomes. We want to prevent rather than detect, if that makes sense. The more we prevent, the better. We detected £4.1 million last year. This



HOUSE OF COMMONS

year, it is to be validated, but we are indicating that we would prevent circa £30 million, which is around £20 million higher than it was like for like last year.

- Q13 **Ben Lake:** That is very useful. I would like to turn your attention to the NAO report, and paragraph 2.9 in particular. Ms Lapworth, the NAO details how, "In May 2022, a lead provider notified OfS, as required by its conditions of registration, that it had concerns about academic misconduct at one of its franchised providers, an unregistered institution". It then sets out a series of different steps by noting that it was not until October 2022 that DfE was informed about the termination of a franchise agreement but had not named the provider.

When the lead provider notified the OfS of its concerns, why was the Department for Education not also notified at that juncture?

Susan Lapworth: This is a case that we look back on and conclude very clearly that we would work differently on in future. This is one of the key learning cases through this period, and we have all learned lessons from it.

When the provider first notified us, the extent of the issues that eventually unfolded was not at all clear. There was a new leadership team in place who were gripping the issues. They had done some preliminary investigation and commissioned a further independent investigation. That is the sort of behaviour that we want to see from lead providers owning the issues.

Over the summer, as we got towards August and September, that lead provider concluded that it was going to terminate its relationship with the delivery provider, and that it was undertaking much more extensive work to understand the scale of any academic misconduct. At that point, the provider talked to the SLC, and there were conversations that Chris will be able to pick up. The scale of those issues then became clearer as we rolled through the autumn and into the spring. At that point, DfE colleagues were brought into the loop.

- Q14 **Ben Lake:** That is very useful. Would I be correct to assume, therefore, that, this being such a key learning case, as you put it, if a similar concern was raised by a provider to the OfS in the future, there would be some new procedure or sharing of that information?

Susan Lapworth: Yes, absolutely. There are some legal constraints on how the OfS can share information, so we need to work within the legal parameters, but the work that we have done recently has now put us in a place where we have really clear information sharing protocols about these issues, from us to SLC and vice versa, and then both SLC and OfS into DfE. We are all confident that we would not end up in this position again. I do not know that we would have made different decisions about this case, but we lost the opportunity to think about making different decisions collectively.



HOUSE OF COMMONS

Q15 **Ben Lake:** Mr Larmer, if I am correct in my understanding, the SLC continued with a certain amount of maintenance payments after the OfS was notified of concerns about this provider. Is that because you would require an instruction from the DfE to cease maintenance payments?

Chris Larmer: Yes, and it refers back to what I was saying about the fact that we have to—and I believe that all three of us do—have that combined focus on the student and their student experience as well as taxpayers' money. From a maintenance loan perspective, we had to wait for the investigation to be complete. The lead provider had also told us that, in line with their student protection plan, they would be helping students to go to different programmes. If that is the case, the maintenance payments would carry on regardless.

Q16 **Ben Lake:** That is a useful clarification. Ms Acland-Hood, if you had been informed at an earlier stage, granted that there were certain reasons why this information was not passed on immediately, would you have seen a reason to intervene in any way, given what you know of the case now?

Susan Acland-Hood: We have talked about this a lot, and I might bring Julia in on this as well. If you will allow me, I will just talk through the chronology as we understand it now, having looked back on it. The original notification to the OfS in May was of a lead provider that was worried about something. I do not think that we would have intervened at the point where someone told us that they were worried about something.

The point in this chronology that worries me the most is that there was a moment over the summer where, when we looked back on it together, it was really difficult to tell whether what the lead provider had said to OfS and to SLC was not actually the same or whether it was just that people were asking different questions from their perspectives.

The focus of the conversation with OfS was about the fact that they were becoming increasingly clear that there was academic misconduct involving the students, and they wanted to draw that investigation wider, as Susan has said. At that point, they spoke to SLC, but what they said to SLC, as Chris has said, was that they were assuming that they would transfer the students and do what we call a teach-out. You sometimes split a relationship with a provider, but you look after the students. Under those circumstances, we would not interrupt maintenance payments.

What we lost the opportunity to do collectively was to put all of that information together and say, "Hang on. If these students are being investigated for academic misconduct, we have a concern about the students, not just about a shift of provision". What we have talked about together is whether, at that point, we would have put a block on all of those students' maintenance payments, and I am still not sure that we would, because the investigation to determine exactly which students had been involved in the academic misconduct had not been completed.



HOUSE OF COMMONS

We are a bit quicker in stopping tuition fee payments, because we tend to think that a provider will, first, cope and, secondly, be incentivised to move quickly if we put a hold on that, but, because a student's ability to live and pay their rent is impacted the second we interrupt their maintenance payments, we tend to make sure that we are being quite cautious about doing that, unless we know that the student has been personally involved in a piece of misconduct.

As Susan said, what we lost the opportunity to do was to collectively look at that information and make that decision together. I cannot swear to you that we would not have stopped it, but I do not think that we would. We would have said, "We are really worried about this, but let us check exactly which students are involved", particularly given that tuition fee payments were not flowing, "and then we will deal with the outcome once we know the impact".

The SLC has been able to recover quite a considerable amount of the maintenance payments that were paid out during that period to students who then turned out to be involved in the academic misconduct work, but it gives me cause for concern, because, with different facts, we might have been in a position where we would have made a different decision.

That is why, in response to this—again, Julia might want to speak about this—we have put much more detailed information sharing protocols in place. We have a set of tripartite meetings that are happening very regularly to share earlier information, including information that previously people might not have shared, because it was in that slightly immature, "We are not quite sure what is going on yet" stage. This case has made us just pull all of that much further forward.

Julia Kinniburgh: If I may add to that, as Susan says, my team who would have taken this decision have looked at this and cannot categorically say which way they would have gone, but we definitely lost an opportunity to look at it at that moment. We are very clear that we do not want to lose that opportunity again. That is why we now have a clear information sharing protocol across the three organisations.

We also have an intelligence and data sharing group that now meets weekly at the moment to make sure that we are looking at cases particularly. We already had a group that has been meeting since 2016, which looks at the structural questions of fraud and misconduct across the piece, but this new group is looking at the cases, to make sure that we are eyeballing them collectively.

It has definitely been a point of learning for all of us. We took action very quickly once we discovered it in the February, and have been successful in recovering all of the tuition fee, which is around £6 million. To date, the SLC has recovered half of the maintenance fee from the August onwards. That recovery is still under way, and Chris might want to add something about that.



HOUSE OF COMMONS

Q17 **Ben Lake:** So this intelligence sharing group is something that has been established since this case.

Julia Kinniburgh: Yes, because of the lessons from this.

Q18 **Chair:** I am grateful for your explanation about what lessons you have learned. Nevertheless, if I could take you to paragraph 2.12, where this is set out, the lead provider agreed to repay £6.1 million of tuition fees, as you said, but, "DfE officials estimated that the students at the franchised provider had received an estimated £13 million in maintenance loans to which they should not have been entitled", so it is still only about half that you have recovered. "The OfS has clawed back £172,600 grant funding paid to the lead provider relating to these students", so it is still quite a serious incident and there is still quite a lot of money outstanding. What more are you doing to show that you really are investigating these instances seriously to act as a deterrent to others thinking about committing similar frauds?

Julia Kinniburgh: We have taken several other actions as well. Others may want to come in. First of all, we have been very clear with lead providers that they have a clear responsibility here. We have a responsibility across the system, but the responsibility rests with them to ensure that their franchised providers do not have any fraud, but are also not mis-selling in the way that the Permanent Secretary described.

The OfS has written to them. They have also met with the chairs of audit committees and vice-chancellors. The OfS has also taken more regulatory action with certain providers. We have done all of this in full view of the sector, so they are very clear on that. The OfS has also been clear that its next round of quality assurance is going to look specifically at franchised provision, so we have been very clear that this is a very serious incident.

The work that we did to also make sure that the £6 million of tuition fees was paid back sent a very clear message that this will come straight back to the lead providers if misconduct is found. We have taken a swathe of actions. I do not know, Susan, if you wanted to add anything else from an OfS perspective.

Susan Lapworth: We have significantly stepped up our regulatory activity in relation to a number of providers that feature in the NAO report. We have required additional independent audit activity to make sure that the internal controls of those lead providers are working effectively in relation to their delivery providers. Reinforcing the key point that Julia made, the lead providers are responsible for the safe work of these partners.

We have also imposed additional mandatory reporting requirements across the lead providers and, indeed, some of the delivery providers. They now have to tell us quickly about any changes to partnerships—for example, new or terminated partnerships. They have to tell us if they receive whistleblowing allegations about their partners. They have to tell



HOUSE OF COMMONS

us if they have any concerns about data that they are returning to us or, indeed, to the SLC.

We have also included some of these providers in our escalating work on quality more broadly, so they feature in that investigatory work. Where we have particular concerns, we have opened formal investigations into some of these related matters, one of which you might have seen in public last week. We are stepping up our regulation in response to the risk pattern that we have identified here.

- Q19 **Chair:** Mr Larmer, while all these measures will, hopefully, act as a deterrent in the future, the one thing that acts as the biggest deterrent is recovering as much as you can when you discover fraud. Can you tell us a little bit about what you are doing to recover fraudulently claimed maintenance funding already paid to students in this case?

Chris Larmer: If I can go to the case that Mr Lake referenced, you are quite right, Sir Geoffrey, to reference the £13 million, which was the original estimate. That was for all of the students who could potentially be involved in this. They were not all involved in this. Certain students were withdrawn and did not proceed. The amount that was due after we were notified was £1.8 million, of which we have so far recovered about half, £860,000. We also have £80,000 in repayment plans.

- Q20 **Chair:** When something as serious as this goes wrong, is it reasonable to recover only half, or should you be going harder at these people to recover a greater percentage?

Chris Larmer: Apologies, Sir Geoffrey. I should have said that that is what we have recovered so far. There will be a proportion that we will continue to recover. If any of those students go into a different higher education course, we offset that, so we would recover more in the future. If any of them then end up in PAYE, we would recover the funds under the income-contingent model, and so, over time, we could recover the full amount.

The other part is the tuition fees, which Julia and the Permanent Secretary mentioned, where we recovered all £6.1 million. If you think of the overall exposure of this, £7.9 million, we have just under 90% back so far, but I would expect that we will recover the majority over the coming years.

- Q21 **Chair:** That is really helpful, thank you. Ms Acland-Hood, why has the value of detected fraud involving franchised providers increased almost sevenfold between the year 2018-19 and 2022-23, when the number of students at these providers has not?

Susan Acland-Hood: You never quite know whether you are detecting more fraud because there is more fraud, or whether you are detecting more fraud because you are doing more detecting. I know that that is an obvious point to make, but it is an important preliminary point.



HOUSE OF COMMONS

There are two principal reasons, but I might want to turn to Chris and Susan to develop the answer. It is true that the number of students at franchised providers has not risen as quickly as the level of detected fraud, but the number of students has risen, so it is a growing sector.

The second thing is that we know that the franchised part of the sector is a place where we are trying to encourage providers to do new and different things. Wherever you try to sponsor non-traditional modes of delivery, you have a slightly heightened risk of people doing things that are not quite what you want them to do.

As I said at the beginning, the challenge that we set ourselves is trying to keep enough space in the system for people to provide new models of delivery and to do things a bit differently, but to try to get the safeguards around that right, so that we do not have excessive risk of people doing things that are improper in that space.

What I will say, because it is true, is that we have had some lead providers who have not taken their responsibilities around making sure that they are really thinking hard about quality governance and safeguards in their franchised provision as seriously as those that they take in their directly delivered provision. Some of the things that Susan spoke about to make sure that we are really communicating both in word and deed with providers about that responsibility are an important part of this.

There is then also something about the investment that we have made in Chris's detection capabilities and the fact that we do some of our detection through pattern recognition, effectively. Once you start to find some, you are likely to find more that looks similar, because one of the ways in which you do it is by saying, "We found some here. What else can we see that looks a bit like that?"

Q22 Chair: Mr Larmer, do you have any estimate of the amount of undetected fraud?

Chris Larmer: Could I just add to that? I agree with everything that the Permanent Secretary said.

Chair: She will be having a word with you afterwards if you do not.

Chris Larmer: Just to build on that, we all share the concern at what appears to be a disproportionate increase in the franchised element of the individual-level fraud that we have come up with. Just for the purposes of the Committee, it is £2.1 million against the billions paid out. Our data, which we have shared to the wider team, is that that is not a universal franchised provider trend, and that is important. It is a small number of franchised providers that has created that growth.

Q23 Chair: Nevertheless, the number of students in that small number has increased considerably, so the risk is growing.



HOUSE OF COMMONS

Chris Larmer: I totally agree, and it cannot carry on growing. What I am trying to give the Committee some assurance on is that, through our data, we can now identify that it is a small number of franchised providers, which we have shared, and actions are being taken to address that, so that it does not continue to grow. Hopefully, that helps.

Q24 **Chair:** As it is a small number, it should be easier to get on top of, presumably.

Susan Acland-Hood: Yes.

Q25 **Chair:** At least we are agreed on that. Do you have any further investigations into fraud and abuse ongoing?

Chris Larmer: Yes. It is intraday, at an individual level. We have 55 colleagues in the financial crime prevention unit actively managing that. In terms of any that have not been detected, the best way in which I could demonstrate that through data is what we know that we have prevented. What we collectively want to do is to prevent rather than just detect. While not validated figures, to date in 2023-24, circa £30 million has been prevented, so that has not gone out, compared to circa £10 million in the previous year.

Q26 **Chair:** Reading the report, it slightly occurs to me that all of you are going harder at the way that you detect fraud within franchised institutions than at protecting taxpayers' money in terms of fraud due to fraudulent student loans, for example. Am I wrong in that impression?

Julia Kinniburgh: We are tackling it across the board. The report is focused on the franchised, hence we are talking more about the franchised. We care as much about fraud outside of franchised provision as we do within franchised provision, if that was your question.

Q27 **Chair:** Of course, the two are related. If a franchised provider is not providing the right service and, therefore, student loans are being taken out fraudulently, it is taxpayers' money that is at risk.

Susan Acland-Hood: Yes, absolutely. The work that Chris's unit does is focused on student loan fraud wherever it occurs, and starts from intelligence about individuals who are committing that fraud. It is pursued as vigorously and is completely provider-neutral. The provider element of it is more that, once you have tracked it down, if you are seeing patterns that relate to providers, we are sharing those and making sure that we are picking those up from the provider view as well as from the individual view, if that makes sense.

Q28 **Chair:** Why are the course outcomes poorer for those franchised higher education providers?

Susan Acland-Hood: I might bring Susan in on this, but the headline is that it is partly because of the types of students who we see attending franchised provision. That, in turn, is partly due to the reasons why franchised provision exists in the system, which is to try to make sure



that we have opportunities in places and for students who might not otherwise have the opportunity to go to higher education.

We see franchising as really important in providing HE in cold spots, where there is not a lead provider nearby, and in being able to put together different kinds of courses and provisions. For example, the University of Northumbria in Newcastle has partnered with the local NHS trust to deliver the first 18-month nursing apprenticeship in the UK. The University of Central Lancashire has partnered with the L3Harris Airline Academy at Gatwick to enable students to become professional pilots while studying for an aviation degree.

They do different things, but they are often serving more deprived student communities. About 59% of students from England studying at franchised providers are from neighbourhoods classed as high deprivation, compared with about 40% of students at all providers. They are also more likely to be mature students and from minority ethnic backgrounds.

One of the things that we look at is performance. One of the things that the regime allows us to do now, which it did not in 2018, when the alternative provision reports were written, is to look at those outcomes for students, particularly in terms of continuation and progression rates and so on. We see a mixture in the franchise. The OfS sets a set of benchmarks that says, "Based on the students that you have and the courses that they are studying, what would you expect those numbers to be, and are you meeting those benchmarks?" We see a mixture in franchised provision of people who are above and below their benchmarks, but, when you take out all of that student demographic data, they are lower than their non-franchised provision, if that make sense. We can give you some statistics on that.

Q29 Chair: Just before you pass that to Ms Lapworth, your Secretary of State told the House of Commons in July 2023 that you would work with the OfS to consider franchised arrangements, so that they could lead to a better outcome for students. What you have just told us, presumably, is feeding into that work. When would we be expecting a conclusion to be announced on the floor of the House of Commons?

Susan Acland-Hood: I will hand to Susan in a minute. We are not waiting to do that work. The OfS has made it really clear that the focus of its quality work in the coming years is going to be tilted towards franchised provision in order to make sure that we are looking really hard at quality in franchised providers, and that has already begun. As I say, we look really actively with the OfS at the outcomes against those benchmarks for franchised provision now. There may be more to do, but I would not want people to go away with the impression that we were not taking active action in the world now on the quality of franchised provision.



Susan Lapworth: There is quite a lot of variation in the outcomes for students studying through franchises—some really strong and some less so. I would not want to give the impression that every franchised course has weak outcomes, because that is not what we see at all in the data.

The OfS has done a lot of work over recent years to really strengthen its regulation of quality, and student outcomes are one important part of that. As Susan has described, we generate indicators that show us continuation, and that is the proportion of students who go from the first year to the second year of their course. We look at the proportion of students who get right to the end of their course and complete it, and at numbers who go on to further study and professional employment broadly.

We then set a numerical threshold in relation to each of those indicators for particular types of courses in terms of what we would expect to be the minimum level of performance. If we look at full-time students doing first degree subjects, we set that line at 80%. We are saying that we would expect any course to, in principle, be able to get above 80%. We also need to understand the context in which that performance is happening, but the line gives us a really good place to identify things that are of regulatory interest to us.

If we then look at the difference between performance for franchised courses and courses across the sector, we can see that, for the sector as a whole, those continuation rates are about 90%. When we look at the same sorts of courses in the franchised context, it is a smidge over 80%, so getting quite close to that numerical threshold that we set, with a 10-percentage-point difference.

If we then look at the providers that feature in the NAO report, we see quite a lot of variation. Some have continuation that will run at 88%, so well above our threshold and not prompting concern. Others are in the 60% to 70% range, so below that threshold, on a first glance, and prompting regulatory questions. Where the performance is below those thresholds, that is where we are more likely to go and have a look.

As Susan has said, we might expect weaker performance in some of those franchises, because we know that, historically, performance can vary on the basis of student demographics and the subjects that they are studying, so we construct benchmarks. That allows us to say, "If you look at this particular group of students in this particular course and with this particular provider, and we compare their performance to the performance of similar students across the sector, what would we expect?" It is a comparison.

When we look at the providers that are featured in the NAO report, we see variation again. Some of them are delivering performance for those franchised students that is above the benchmark, so doing comparatively really well, and others whose performance is below the benchmark.



HOUSE OF COMMONS

Again, that gives us a handle on whether there are regulatory questions that we might want to go and ask.

We have been escalating our casework on those student outcomes cases over the past year. That work has covered some of these providers, but, as colleagues have said, for the next cycle, we are going to prioritise looking at the outcomes for students who are studying through those franchised arrangements, to make sure that we are having a really good look at what is happening for them and at the detail of the outcomes in particular partnerships for particular providers.

Chair: We will want to come back to those outcomes and what you are looking at.

Q30 **Ms Rimmer:** Good afternoon, everyone. I recognise the important role that you play, your hard work and the tasks that you have, so please be sure that I do respect that. Could I talk to the Permanent Secretary, Ms Acland-Hood? Why have you not yet introduced attendance standards and guidelines for higher education providers on the use of agents and financial incentives?

Susan Acland-Hood: I might draw Julia in on this. We have been talking to the sector about agents. Universities UK has worked to introduce the UK agent quality framework, which is designed to make sure that agents are being well used in the system. Agents have a positive role to play but need to be operating responsibly and acting in a way that is genuinely in students' interests.

On the back of more recent reports, we have also started a rapid investigation into the use of agents, both domestically and internationally, in order to protect students' interests. Alongside that, Universities UK has committed to reviewing the agent quality framework and updating the admissions code of practice to make clear how that applies, particularly to students studying foundation degrees, which is one of the focuses of recent attention.

There have also been commitments from others in the sector that they will make sure that they abide by the updated agent quality framework when it is produced. Julia, is there anything that you wanted to add?

Q31 **Ms Rimmer:** Can I just go back? I noticed that you commissioned the GIAA to do a review, and its report was issued in August 2023.

Julia Kinniburgh: That was separate.

Q32 **Ms Rimmer:** Did it come forward with any recommendations, or did you learn anything from that initial report from the GIAA? Have you done anything? Could you tell me about that? You have also commissioned an independent report.

Julia Kinniburgh: The GIAA report was off the back of the cases that were discussed in the NAO report. We commissioned the GIAA to look at the system that we have around fraud, and particularly fraud around



HOUSE OF COMMONS

franchised provision. We commissioned that prior to the NAO report. In fact, it fed into the NAO report.

The findings from the GIAA were not dissimilar, as you might imagine, to those from the NAO report, and have led to some of the actions that we talked about previously, including around data sharing, because one of the elements that the GIAA raised was the need to make sure that we had clear data sharing.

Q33 Ms Rimmer: When did you commission the GIAA?

Julia Kinniburgh: That was in February 2023. We have taken some actions already from the GIAA, which are around data sharing. It also asked us to make sure that we had a systematic look at and understanding across the piece of different roles and responsibilities, so we have been undertaking that work as well.

The agents review is separate and subsequent to that. The agents review is something that we announced relatively recently, off the back of recent reports and concerns raised about the use of agents.

Q34 Ms Rimmer: How recent is that?

Julia Kinniburgh: That was in January. We are planning to look at the use of agents, focusing particularly on whether there is any mis-selling of courses from agents to individuals, particularly things that may promise individuals guarantees on to courses. We are planning to focus on how agents are employed by universities, looking particularly at whether we need more transparency in that area, so that there is clarity.

As the Permanent Secretary said, we have been talking to Universities UK, which has also been clear that it wants to take action in this space. It has committed to reviewing the quality agents framework that it has. It has also committed to, first, ensuring that its members all sign up to that framework, and, secondly, making sure that it is improved.

The other element of the work that it has said that it will undertake, which we have been talking to it about, is also making sure that, particularly in terms of people ending the foundation year and entering into an undergraduate degree, there is comparability between that for domestic and international students.

There is a swathe of work on agents, which is absolutely aligned to this work, but it is separate to the GIAA.

Q35 Ms Rimmer: You have some work ongoing on agents. On 14 December 2023, you announced an independent review on student loans, which will report in January 2024. Is that right?

Julia Kinniburgh: Is it December 2023 to report in January 2024?

Q36 Ms Rimmer: Wait a minute; I am not quite sure on that. I will come back to it. Can we move on to Susan Lapworth? What assurances do you



HOUSE OF COMMONS

have that recruiting agents, and the providers using them, are complying with applicable consumer protections for students?

Susan Lapworth: We understand the questions that are arising about recruitment agents and are pleased to see the work that DfE colleagues are undertaking, as well as the additional work that Universities UK is doing.

In some of the work that we have done, we have seen recruitment agents being used by some of these providers. We have seen, for instance, weaknesses in the internal control environment for the lead providers, suggesting that they do not have the grip that we would expect over the recruitment activity of those delivery partners, including where agents are used.

We have monitored the actions that those lead providers are taking to resolve those internal control issues. More broadly, we are always clear for these sorts of providers, as well as for all providers that we regulate, that they are subject to consumer protection law. The CMA has published very helpful guidance for this sector about how to comply with consumer protection law.

More recently, we have entered into a partnership with National Trading Standards, which is able to enforce consumer law. We are referring cases to them to show that we are serious when we say that compliance is not optional in this sector. The work that we have done is joining up.

For these cases, the key conversations are those that we have referred to earlier, which we have been having with the vice-chancellors of the lead providers, where we have asked them to account for the weaknesses that we have found in their management and governance arrangements and their control over partners, and to make sure that the actions that they are taking are pretty robust and will properly address those issues. Lots of our conversations have focused on those issues.

Q37 **Chair:** Can I just come in here? Ms Kinniburgh, in relation to this question, I want to turn to paragraph 2.18. In July 2023 you published a consultation response stating that providers should have safeguards to protect student interests during recruitment. That paragraph then goes on to say that it "has not yet been updated". When will it be updated?

Julia Kinniburgh: The July 2023 consultation response was the response to the HE reform consultation that we had. In that consultation response, you are quite right that we publicly committed to consider whether we should take further action to impose additional controls. We have taken various additional controls since July.

Q38 **Chair:** Tell us what they are.

Julia Kinniburgh: There is the work we have put in place around protocols for information sharing. We now have an intelligence group that currently meets weekly across the three organisations. We have taken



various actions since that point. As Susan Lapworth was saying, we have also continued to have conversations with vice-chancellors, particularly those who are responsible for franchised provision. We continue to work through whether there are further steps that we want to take.

One of the particular elements in the July consultation response said we would consider the delivery of franchised provision by organisations that are not directly regulated. That is also one of the recommendations of the NAO report. That is one of the areas that we are actively considering right now.

- Q39 **Chair:** I will take you to the following paragraph, paragraph 2.19 on page 36. It says, "The overall framework does not set out what is meant by 'engagement' or 'attendance', with lead providers determining themselves whether students are meaningfully engaged in their course".

Considering that the whole student loans system is based on meaningful attendance, why do we not have guidance on what that is? None of us can agree what it is. Surely it is about time that we agree what it is.

Julia Kinniburgh: We agree with that. In fact, we are in the midst of drafting and discussing that. We have what we call mission groups with the higher education sector. We have been discussing with those groups a draft of what the definition of attendance and engagement may look like. I would hope that we will finalise that relatively quickly and be able to share that because, as identified by the NAO report, we think that is an area where it would be sensible to take action. We will want to consult because there are lots of ramifications from that, but we are putting together a draft, which in future we would want to consult on.

- Q40 **Chair:** Just roughly, how long is all that likely to take? This seems to be so fundamental.

Julia Kinniburgh: It will be relatively quick. It is not many months away.

- Q41 **Chair:** Will it be weeks or an odd month or two?

Julia Kinniburgh: Yes, a month or two. It will be before the summer.

Chair: It will be before the summer.

Julia Kinniburgh: I would hope so.

Chair: That is good. We like that sort of answer.

- Q42 **Ben Lake:** Ms Acland-Hood, I want to ask you a little bit about the financial sustainability of higher education providers in England. To begin with, how would you assess the situation and the sustainability of the sector when compared to the situation when the Committee last reported back in June 2022?

Susan Acland-Hood: I will bring in the OfS because it looks actively at the financial sustainability of the sector. The last published report from



the OfS was in May 2023. That report states that the overall aggregate financial position of the sector is sound, but it recognises—this was the case when we last spoke about this with the Committee—that there continues to be significant variation between individual providers both across the sector and within what we describe as peer or mission groups. Even within providers doing relatively similar things you see significant differences in the state of their financial health.

Susan, do you want to come in and say a bit more about the latest assessment?

Susan Lapworth: Yes, that was the position that we published last May. At the end of January we gathered in the main run of financial returns for the next cycle. We have not finished looking at those yet so we do not have a final nailed-down picture. Broadly, when we look in aggregate, we see significant variation. If anything, that variation has increased. There are risks in the operating environment for everybody, but they are adding pressure in particular to some institutions.

If we look at the aggregate picture again, the financial performance in the most recent year, which is the 2022-23 year, was weaker than the year before and weaker than we have seen in the long-run history for the sector, but it was consistent with what the sector had forecast last year. That is helpful; the sector is being realistic about that most recent year. The forecasts are telling us that the sector thinks financial performance is going to decline further in the current year; it is going to get a bit worse. A greater number of providers are forecasting deficits and weaker cash flows. You can see those risks starting to squeeze. The forecasts are suggesting a recovery, albeit a slower recovery than perhaps had been anticipated previously.

The key thing that we are focusing on just now is that the picture that I have just painted for you, including that slow recovery, is underpinned by assumptions about growth in students. That is growth in students from the UK but also internationally. We see achieving the forecast growth to be key to sustainability for a number of providers.

That perhaps brings us back to the particular conversation we are having about franchises. For a small group—it is a small group—the income from these franchise arrangements is material to their sustainability. You can perhaps see why there has been the growth that we have seen in this part of the sector recently.

Q43 **Ben Lake:** There is a lot to unpick there. You mention that the most recent year's performance is slightly weaker, but the sector's forecasting was quite close to the reality. The sector has forecast a further decline in performance for forthcoming years before then a slight improvement. What are the reasons for the decline in performance?

Susan Lapworth: The picture that I have given you is in aggregate. The forecasting in aggregate looks not too bad. We see quite a lot of variation



in, let us say, the optimism bias in some cases. Again, that variation is really important.

We can see some providers being squeezed in terms of student recruitment. They are not able to bring in the number of students that they might have hoped within the UK market. We can see the ongoing squeeze on income that comes from having fixed tuition fee income for UK students. We can see rising costs over time because inflation has been running high. We can see backlog maintenance starting to stack up in the sector. The cost of being able to resolve those things is getting higher. We can see that some are doing well in terms of international recruitment and others perhaps less so.

That combination of factors would not surprise anybody in this conversation, but, again, it is playing out differently for different sorts of providers.

Q44 Ben Lake: That is very useful. Some of the aggregate performance and the forecasts suggest that we might return to an improved situation in a few years' time. What are the causes for optimism there? Why do they think we will start to see an improvement in performance?

Susan Lapworth: It is that key point about assumed growth. It is about having an increased number of UK students available to enter higher education. There are some assumptions about international growth that may or may not be reasonable. We press those quite hard.

Q45 Ben Lake: I was going to say that you previously mentioned that providers' forecasts in the past have found international student recruitment to be quite optimistic. In terms of the overall forecasting of an improved performance in aggregate, how important is the growth in international students to their overall assessment?

Susan Lapworth: Again, it varies across providers. During the last cycle we looked really carefully to identify those providers with significant income from international students. They tend to fall into two categories. You have one category of providers that are pretty financially strong and could withstand changes in international recruitment. You have another group with perhaps less financial strength overall that could potentially be exposed to quite a lot of risk if the numbers were to reduce.

For that second category, we have been having conversations to make sure the governing bodies of those providers have really understood the risks, have understood what they would do if students did not arrive in the numbers that they would like and have done real scenario planning and testing of their assumptions. I am sure those conversations will continue during this year.

Q46 Ben Lake: I appreciate that this might be a little bit premature, but, from the assessments that you have seen so far, is the OfS confident in the veracity of some of these forecasts? Are they being overly optimistic or are you confident that they are pretty realistic?



Susan Lapworth: We have not done the detailed work on individual providers yet, but that is one of the things we test when we reach our view on an individual provider. How credible were last year's forecasts compared to this year's performance? We will have sharper conversations with institutions where the forecasting has been too optimistic.

- Q47 **Chair:** Mr Larmer, can I come to you on paragraph 1.7? When I and other members of the Committee read this, it made our blood absolutely boil. It is the bit that clearly you know only too well. It is about the amount of deductions that can take place when lead providers have franchise arrangements. You pay the student loan to the lead provider, but the lead provider, as the report says, can deduct between 12.5% and 30%. 30% can be deducted.

The poor student who is taking out the loan does not even know anything about it. That is completely unacceptable, is it not? Even the worst credit cards only take 19%. That is completely unacceptable. They do not know the deduction even exists.

Susan Acland-Hood: Just to be clear, that is a deduction from the tuition fee amount, not from maintenance or other loans that would otherwise go into the student's pocket. In a sense, it represents the value that the lead provider should be adding in making sure that the provision is of good quality. I would agree with you. Amounts at the upper end of that are interesting.

- Q48 **Chair:** It is not interesting. I would put it to you that it is unacceptable. It is particularly unacceptable that the student is not being made aware of this. If I take out a mortgage, my financial provider has to provide every piece of information under the sun, including how much the introductory agent is being paid and how much that is worth over the term of the mortgage. Why are we not having more transparency in this area of student loans?

Susan Acland-Hood: It is an interesting question. I was also going to bring in Susan because this comes to the point about the lead provider's responsibility in respect of franchised provision.

Julia Kinniburgh: Transparency is absolutely one of the things that we are looking at, both in terms of franchised provision and agents. You are right. The figures in the report are figures that the NAO has been able to get from various conversations with us, but we do not have in the public domain those figures from lead providers. You are absolutely right. It is one of the things that we want to be conscious of. We want to make sure there is transparency throughout the system on this practice.

At the moment, it is for the lead provider to think about the arrangement that they want to have with their franchisee, but it is questionable for that not to be transparent and open. That is one of the things where we want to think about whether we should take further action in that space.

- Q49 **Chair:** I put it to you that it is not questionable; it is egregious and it is



HOUSE OF COMMONS

wrong. I wonder what you can do to put it right.

Julia Kinniburgh: That is exactly what we are thinking about at the moment in terms of the transparency requirements that we potentially could put in place and the role of the OfS.

Susan Lapworth: Yes, some of these figures have become visible to us as we have done the work that we talked about earlier. I agree that some of those numbers are quite shocking. Interestingly, there is also quite a range. Some are less shocking than others.

Like DfE colleagues, we are concerned about what this might be telling us about the amount of that tuition fee payment, the £9,250 a year, that is being spent on making sure the courses are high quality as they are delivered to students. Those are the sharp questions that we have been posing for vice-chancellors. If the lead provider is taking that kind of percentage from the fee and the delivery provider is generating a profit or surplus from the enterprise, that squeezes down the amount of money that is being spent on students.

That is of concern to us. That is why over recent times we have focused on looking at the quality of what students are getting, both in terms of outcomes, as we talked about earlier, and increasing our investigatory work to understand the quality of what students are getting as their academic experience.

Q50 **Chair:** I hear all of that. Ms Acland-Hood, should this information be in the public domain so that every student applying for every course in the country can see what these deductions are? Sunlight is the best form of disinfectant; so is transparency. There is too much secrecy involved here. Why can we not make these arrangements fully transparent?

Susan Acland-Hood: As you are hearing, a lot of us think that would be a very sensible thing to do. It is under discussion with Ministers now.

Q51 **Ms Rimmer:** The independent review on student loans has been announced. Will there be anything in that review, which reports back early in summer? Will that not cover these gaping holes?

What do each of you understand as your collective and individual responsibilities for detecting and preventing risks to public funds and fraud or abuse of student finance? In terms of the reason for asking that, I know you will understand because you are responsible for it, are you not? We have the Student Loans Company. It pays student loans to eligible students. It can detect suspicions of fraud, but it cannot stop giving out funds unless it is instructed by the DfE.

The Office for Students provides lead provider data to students, but the lead providers have franchised providers. The franchised providers do not need to register with the Office for Students. How can the lead provider get to the students to give them the information? They will not be aware of their protections or rights that the Office for Students have control of.



How do we do this? There are gaping holes. Things can fall through. It is not simple; it is not transparent or easy for students. I notice that a lot of these students are aged over 31 and come from the most deprived areas of our country. They will need more support, not less support, and yet they seem to be with the franchised providers, which do not need to register with the Student Loans Company.

Susan Acland-Hood: Let me try to take that. The thing that we announced in December 2023 was the OfS review. That is looking at the organisation of the OfS. It is not a student loans review exactly. That is the thing that we announced in December 2023.

You were also asking about each of our responsibilities and how they fit together into a network that works. I am really happy to do that and to go through it one by one. It is an axiom that everybody would state, particularly when dealing with fraud, that fraud is everybody's business. Anybody who thinks the answer to it is to sit narrowly on a tight definition of their precise responsibilities, rather than to reach across boundaries and try to make sure we are operating together to stop it, will fail.

Q52 **Ms Rimmer:** The present system that we have has allowed that to happen because it is complex. It is not simple; it is not easy; it takes time. The Office for Students cannot do anything about stopping loans without the DfE instructing it. That is very important.

Susan Acland-Hood: Yes, it is incredibly important. I completely agree with you. I was trying to say that we are really happy to talk through what our responsibilities are now, but we also all think we have a responsibility to lean in and do things together wherever we possibly can. That cultural responsibility is important as well as the letter of the responsibilities.

I would also say that we recognise that there are places where the responsibilities could be even clearer. We want to act on that and make them clearer, but in the meantime we are completely determined to do absolutely everything we can within the current framework.

Q53 **Ms Rimmer:** Can we get back to the question? I understand all that you have said to me. To each of you, where do you want to strengthen controls? How should the Office for Students and the Student Loans Company tighten their focus on strengthening the controls that are used?

Julia Kinniburgh: I will start with the DfE perspective and then perhaps pass to Susan and Chris. From our perspective in terms of the roles and responsibilities, we are very clear that we have the overarching responsibility for the fraud risk and the budget responsibility across the piece. That risk rests very clearly with us across the public funding, subject to Susan's point about everybody sharing that risk.

We then also have the responsibility to make sure there is clear co-ordination and collaboration across the three partners. As I have said



HOUSE OF COMMONS

previously, that is one of the areas where we do need to improve. We have taken steps already to improve that and we have learned those lessons from some of the cases that have been highlighted in the NAO report.

We also have the role and responsibility to instruct SLC to suspend payments. That reinforces why it is so important for that information sharing to work across the three areas. If that responsibility rests with us, as it does, we need to make sure the information flows across the three areas. That is reinforcing what I was saying earlier about why it is so important that we have information controls and protocols in place across the three institutions.

I will add one other element, which is not from the three of us. We are also really clear that the lead providers do have a role and responsibility in this system. I just wanted to emphasise that because when we are talking about the roles and responsibilities across the system we should not omit that.

They do have a responsibility. They have a responsibility to their students, as you have been rightly highlighting. They also have a responsibility to make sure their provision is not fraudulent in any way and there is no mis-selling within it. Again, some of the actions that we collaboratively and collectively have been taking recently are about really making sure that is very clear for them.

Q54 Ms Rimmer: Susan, would you like to tell us where you would like to see the controls strengthened?

Susan Lapworth: I agree with colleagues that being vigilant about fraud and the wider issues is everybody's business. As just described, we have been leaning into the three-way conversation as far as we possibly can within our current powers. Our focus is on regulating registered providers. Typically, in this conversation, that will be the lead providers, although increasingly some of the delivery providers are registering. We are getting closer to them too.

In regulatory terms, we are very interested in the internal control of the lead providers, particularly where the delivery providers are not registered. That is management and governance control. As I have talked about previously, we have done a lot of work to strengthen our regulation of quality, both in terms of the outcomes and the academic experience of students. That is now starting to pay off.

We could also strengthen our management and governance regulatory requirements.

Q55 Ms Rimmer: What about the relationship between lead providers and franchised providers? Do you want to see any strengthening there? Do we want to see a change? Why should there be franchised providers?



HOUSE OF COMMONS

Julia Kinniburgh: That is one of the key questions. Overarchingly, as we have explained before, one of the reasons for franchised provision is to make sure we have good higher education provision in potential cold spots or where it otherwise might not happen.

My Permanent Secretary gave the example of the health trust providing nursing provision. There is good franchised provision that meets a need and a gap. It provides, as you have said, for older people and those from lower-income households. It is important to make sure we have that. The critical element, though, is to make sure it is of high quality and, as you say, that those students are served equally as well as all other students in the system.

Q56 One of the fundamental questions posed by the NAO recommendations is whether we should think about all franchised provision being regulated. That is a question that we are asking ourselves. We have taken the recommendation that we received last month from the NAO and we are working through what that would mean and what it would look like. It is a very valid question.

Chair: Can I come in here? Excuse me, Ms Rimmer; I am really sorry to interrupt, but I want to ask particularly about the unregistered ones. There are abuses. Paragraph 2.14 says, "It has been publicly reported that providers who have had their registration rejected by OfS are now providing courses through franchise arrangements". People on both sides, lead providers and franchisees, are bending to get around the rules. That is really very unsatisfactory, is it not? If lead providers are not providing the right courses, they should not be allowed to get away with it by immediately appointing a franchise arrangement, should they?

Ms Rimmer: Only registered providers may award degrees.

Chair: Yes, exactly.

Susan Lapworth: Yes, that is right.

Q57 **Ms Rimmer:** Why should we have all this? We have lead providers using franchised providers. We have agents recruiting people in and paying rewards to get the students in. The number of students has gone up from around 50,000 to 108,000. There are eight providers involved in this. There are eight providers.

Why should we have franchised providers? If there are to be any, why are they not registered themselves? The lead providers are responsible for the quality of that education provision. It is not happening. If you look at the stats—

Chair: We will let them answer. Thank you, Ms Rimmer. Would you like to answer some of those questions?

Susan Lapworth: We agree completely that lead providers are accountable for what is happening in those franchised providers. When



HOUSE OF COMMONS

we strengthened our quality requirements, we made it really explicit that that was the case.

I talked earlier about the investigatory work that we have been doing. That encompasses all the courses that we have talked about. We are now in a position where we can reach through the lead providers and look at the quality of the courses in the franchise arrangements. We can look at those in exactly the same way as we would the courses that the lead provider itself delivers. The quality regime is now the right shape to deal with that.

What we can strengthen further is the way we express our management and governance requirements. We can really tighten those and be expressly clear with the lead providers about their obligations for good and effective internal controls over partnerships, where they exist. That will help us to deal with the issues that we continue to see in a small number of cases.

Whether everybody should register is a matter for Ministers and colleagues, but we would be happy to register more of these providers if the system were that shape. As I say, increasingly they are starting to register with us.

Q58 Chair: Nevertheless, Ms Rimmer was getting at the core of the problem about these franchised providers. If, having had their registration rejected by the OfS, Ms Kinniburgh, they immediately then turn to franchise arrangements that are less well regulated, that surely gives a route for abuse. That is why surely these franchised providers, particularly the unregistered ones, should be registered in some way.

Julia Kinniburgh: That is exactly what we want to consider and look at.

Q59 Chair: How long is that process likely to take?

Julia Kinniburgh: Registration with the OfS, which Susan can talk about better than me, involves many facets. It might well be that an organisation is not registered because they cannot pass the bar on all of those facets but still would be a good franchisee. We should not necessarily assume that they would not be a good franchisee because they cannot pass the bar on all the facets. Equally, if they do not pass those bars, it would be right for us to question whether they are right to be providing a service for students within the system.

As we are saying, at the moment we are regulating that through the lead provider. Susan has been very clear that she is going to focus on exactly that in the next swathe of quality controls that the OfS does. That is a greater emphasis. We have also been very clear with vice-chancellors that that is happening, and we have been reinforcing their roles and responsibilities.

That is not to say all of the points you are raising are not valid. We do want to look at that. That is exactly what we are considering with



HOUSE OF COMMONS

Ministers at the moment. I am afraid I cannot prejudge my Minister's decisions on that.

- Q60 **Chair:** I get that. Some of them cannot meet the bar, as you put it, on some of the major aspects of provision. How are they going to supervise the franchise arrangement if they cannot do it properly themselves? How are they going to be able to supervise the franchisee to whom they are giving these powers?

Julia Kinniburgh: The lead provider has passed the bar. I am sorry if I have misunderstood the question. The lead provider has passed the bar.

- Q61 **Chair:** No, not quite. That paragraph says that, where they have had their registration rejected by OfS, they are providing courses through franchise arrangements.

Julia Kinniburgh: That refers to franchisees.

Susan Acland-Hood: That is the franchisee, not the lead provider.

Julia Kinniburgh: That is our understanding.

- Q62 **Chair:** This is an agreed report, and it does say, "It has been publicly reported that providers"—I presume that is the lead providers—"who have had their registration rejected by OfS are now providing courses through franchise arrangements".

Julia Kinniburgh: I can understand the misunderstanding, but I think "providers" implies franchisees, not lead providers.

Susan Lapworth: All the lead providers must be registered because that is the mechanism to allow student loans funding to flow into the lead provider and then potentially to the franchisee.

- Q63 **Chair:** Can I just confirm with the NAO that that is your interpretation?

Gareth Davies: It is a provider seeking to become a lead provider and therefore register, but being denied that and then becoming a franchised provider. That is what is happening.

Ms Rimmer: That is right.

Susan Acland-Hood: Yes, but as a franchisee.

Chair: That is not terribly satisfactory. Ms Rimmer, I am sorry. I interrupted you again. I will try not to again.

- Q64 **Ms Rimmer:** Mr Larmer, would you like to tell us what you would like to focus on?

Chris Larmer: Of course, yes. I will just cover off my role and responsibilities, which was the first bit. In terms of the Student Loans Company, in that role I am personally accountable for the student element—we must not forget that student finance is an enabling



opportunity for our students—and, as you have said, for protecting taxpayers' money. I am personally accountable for that.

In terms of the roles and responsibilities around how we all work together, my direct accountability is what we talked about earlier around individual students' fraud and taking action on that. At times within my powers I can put conditions on certain individual students to make sure they do not get funding now or in the future. That is a decision that is not taken lightly, but that is part of the powers that I can have.

In my role at the Student Loans Company, I am not responsible for the policy, the regulation or the controls that higher education providers put in place. As the Permanent Secretary said, we all work together on this. I have a role in this as well. Hopefully you can see that through the report.

On sharing data, for instance, when I am doing an individual fraud assessment, if I see patterns that could indicate that we have challenges in some of the franchised providers, I will share those. We are the operational arm for the Department. As you would expect, we stand ready to help with the recommendations that are being discussed with Ministers. Hopefully that helps. Does that answer your question?

Q65 Ms Rimmer: Yes, it gives me some idea. Could each of you tell us what other organisations could do to help you to manage the risk of fraud and abuse of student funding? Could other organisations do anything to help you? Would you each like to tell us about any other organisations?

Chris Larmer: From a Student Loans Company perspective, other organisations already help us. The NAO report talked about a "whole-Government approach" and making sure we are all working together.

On proof of identity, we have a data sharing arrangement with HM Passport Office, which confirms the passport element. For EU students, if they have settled or pre-settled status under the EU settlement scheme, they only need to provide us with a share code to prove their immigration status. If they are applying for means-tested loans funding, i.e. proof of household, we work with HMRC to do that. NI number verification is needed for all applications. We do that with DWP.

That is what we are already doing to make sure we are working together across Government. Earlier I mentioned two ways in which we are working with others. One is the National Economic Crime Centre. That is hugely important to us because it links us with public and private, which is massively important. The second is the Public Sector Fraud Authority. Those would be some examples from me, but I will let the others give some examples.

Susan Acland-Hood: In addition to the partners here, Chris has given a really comprehensive account of the partnerships across both the public and private sectors. As the Department, we work really closely with the Public Sector Fraud Authority. Pattern detection is a really important part



HOUSE OF COMMONS

of effective fraud work. We try to draw that net as broad as we possibly can. Anybody who is involved in the disbursement of money can probably get a better grip on fraud by sharing information with other people involved in the disbursement of money. We will draw that net as broad as we possibly can for those partnership arrangements.

In relation to this particular set of topics, I would also highlight the role played by the institutions in the sector. That usually involves the individual institutions, but we have had some cases where we have had really important pieces of whistleblowing activity that have also been very helpful. Both institutions and individuals in the sector play a role.

I made the point right at the start that everyone thinks fraud is their business. Everybody is curious and active. We have the broadest possible coalition of people who care about this and will raise issues. Our commitment is that we will follow up on anything that is raised with any of us really assiduously in order to try to make sure we are safeguarding public money.

Susan Lapworth: There are a couple of other groups that I would add. Building on the sector point, there is an organisation called the Committee of University Chairs. That is the group of people who chair the governing bodies of the universities and lead providers. They are a really important constituency.

Ms Rimmer: Yes, absolutely. They are important for students.

Susan Lapworth: They can help us address governance issues that arise here, together with the people who chair the audit committees of universities.

The other group that I would add are audit firms. The professional auditors who are providing internal and external audit services are really key here. We engage with them routinely. In some of these cases, we have seen really thorough investigations on behalf of the external auditor, which wanted to be completely assured that all partnership activity was as it would expect before it would be willing to sign off the annual financial statements of lead providers. They are a really important group here too.

Q66 **Ms Rimmer:** You need to be meeting with the people who have most contact with the students in order to give the students assurance and to safeguard them. The closer you get to them, the more you can hear about their problems and hiccups and the better you will be able to resolve them. How often does this team sit down and talk together?

Julia Kinniburgh: We meet very often.

Q67 **Ms Rimmer:** How often do you meet to go through things that you are coming up against and help each other?



Julia Kinniburgh: We meet at least monthly and sometimes much more frequently than that.

Q68 **Ms Rimmer:** I do not just mean off the cuff. Do you have regular meetings?

Julia Kinniburgh: We do.

Chris Larmer: Yes. To be fair, the Permanent Secretary does not just meet with this group. She has an arm's-length-body meeting every month, which is a lot broader. That is really important because different parts of the wider team share best practice and help each other. That is another monthly example.

Q69 ¹**Chair:** I want to come in on the back of that very important last question, Ms Acland-Hood. When reading this whole report, it did occur to me that we are doing all sorts of things between your three bodies to make sure this whole thing works, but what are we doing to give students more information?

At the time of life when they are taking out these loans, they are not really thinking enough about finance and how the whole thing works. Everybody is told, "Do not worry. Just take out a student loan and all will be fine". It is not until a little later in life that they realise what they have done and what liability they have taken on. They are not being given enough information on this. What more can be done?

Susan Acland-Hood: That point about transparency and understanding is really important. We have put quite a lot of focus on trying to make sure the work done by the Office for Students with universities on their access and outreach arrangements also focuses on trying to make sure students are well informed about course outcomes.

We have a very good website called Uni Connect—again, Committee members should feel free to have a quick look at it; you can look at it in a minute on your phone—that allows students to see really clearly, at a glance, in a comparable way, the outcomes from the courses that they might be considering, including things like average earnings 15 months after graduating. They can compare the course to similar courses at other providers and so on. It gives students quite accessible and quick sources of information to help them make their decisions.

There is always more that we can do. We now have requirements on providers to point students to Uni Connect as part of their advertising of courses, but there is always more we can do to try to make sure—

Q70 **Chair:** Ms Acland-Hood, forgive me. Of course, the quality of the courses, the outcomes and the earnings potentials are vitally important, but I am

¹ [Correspondence from Susan Acland-Hood, Permanent Secretary, Department for Education, re Investigation into student loans issued to those studying at franchised higher education providers follow-up, dated 8 March 2024](#)



HOUSE OF COMMONS

talking about the amount of liability that we are expecting and encouraging students to take on by undertaking these courses. In a lot of cases, they do not really understand the liability that they are taking on.

I have not looked at this particular website, but does the website give proper information about how these student loans work, when they are going to have to be repaid, how much they are likely to have to repay, and some of these issues that they ought to be looking out for, such as the deductions? Hopefully, they are all going to be published, so they will be able to look out for these things. That might also help you in discovering some of this fraud.

Susan Acland-Hood: There is always more we can do. I am sure we can do more. Chris, I do not know whether you want to talk a little bit about the information that you give students about student loans as they take them out. Again, the SLC has done a lot on that.

Chris Larmer: Those are all good points. We do not do so much at the start of the loan. The areas we do are once they are on the journey and have taken out the—

Chair: It is too late by then, Mr Larmer.

Chris Larmer: The communication goes before that from a policy perspective.

Julia Kinniburgh: On GOV.UK there is a clear guide around how student loans operate and the repayment schedules. That is clearly accessible for people. We try to make sure we are pointing students to those. I am sorry to interrupt.

Chair: That is really helpful, thank you.

Chris Larmer: Once they are with us, we try to guide them through the actual journey, while they are in university, related to finance. We have specialist teams. Unfortunately, some will go through challenges such as hardship, et cetera. We have specialist teams to help with that.

There was one other bit that I was going to draw out. Marie, I thought your comment was absolutely right. It is about listening to students and making sure we are understanding them. We have a customer panel at the Student Loans Company. We are involving them in the student finance element that we deal with. That is important.

Going back to what we were talking about before around cross-Government working, we are also part of the cross-Government customer experience forum. We are learning from other areas.

Q71 **Ben Lake:** I want to ask very quickly about this point that Ms Rimmer made and that Sir Geoffrey also picked up on about how some lead providers that have failed to have their registrations approved by OfS may then provide courses through franchise arrangements. Ms Lapworth,



do you have any evidence that providers are using the franchise model to evade scrutiny of their data and governance standards?

Susan Lapworth: It is the case that we have refused registration to around 20 providers since the OfS started. A really small number of those refusals are now operating as franchise delivery partners. We do see that.

Q72 **Ben Lake:** How many are we talking about? Of the 20 that have been refused, how many have gone on to deliver as franchise delivery partners?

Susan Lapworth: I can identify two that fall into that category. There is a second category, though, of providers that entered the registration process—they started to seek registration—and then withdrew their application before we made a decision about it. That can happen for all sorts of reasons. They can decide that their business model does not need registration or they might merge with another provider, but sometimes it is because they have concluded from the questions that we are asking that we may refuse registration and they exit the process early on. Again, some of them come back around as franchise delivery providers.

That does happen, but the opposite also happens. Over recent times, since the NAO looked at the data, we have seen more delivery providers seeking registration and becoming registered. That is a positive thing. They will have met our tests to be registered. That gives us some confidence. It means we can regulate them more directly in the way that we were discussing earlier.

It is an emerging picture. We keep an eye on those that did not get registered for whatever reason. One of the reasons that we have imposed additional mandatory reporting requirements on lead providers is so we can see those patterns as they start to emerge and we can make sure we are paying attention to any issues that arise.

Q73 **Ben Lake:** Thank you. That is very useful. If I can now turn to the very important matter of establishing an anti-fraud culture across the organisations within the departmental group, I note that paragraph 2.24 of the NAO report says, "GIAA concluded that neither SLC nor OfS have a formal fraud enforcement role and highlighted the challenges in gaining assurance over the legitimacy of funding applications". It strikes me that this culture is very important. I am keen to understand how you are going about establishing this culture across the departmental group.

Susan Acland-Hood: Some of it relates to the things we have already talked about in terms of the weekly discussions about cases, the conversations that we are having and the changes that we have made to the information sharing protocol so that information can be shared much more automatically in those cases.

It is also right to say that we are also looking at formal roles and responsibilities and whether there are things that need to be



strengthened. Even in some of these cases, you can see people trying to use whatever powers they have to take action.

The reason that we are looking at whether there is more we should do is because in some cases it feels like people are stretching the current framework as far as they can in order to try to do the right thing. It would be good if the framework did not have to be stretched, if the framework made it easier to take action where it needs to be taken. I recognise the point that Ms Rimmer has made. In some of these cases, there are a couple of stages of the process. Someone has to tell us something, and then we have to take action.

On those three buckets that I talked about right at the very beginning, on full-on fraud our arrangements are reasonably secure. For individual-level fraud, the SLC has a set of powers. It has very good information sharing arrangements. We are good at pulling the lever and stopping the payment. We are quite good at recovery as well.

I worry more about the set of things along that spectrum, which get into something that you might describe as misuse or mis-selling. It is a bit harder to get your hands around that. That sometimes has a relationship to individual fraud, but it is not quite as clear-cut. Both the issue is not quite as clear-cut and our framework is not quite as clear-cut. That is where we are really trying to focus our collective energy and attention.

I hope you have heard from us today the intent and the extent to which everybody is leaning in to try to solve that problem. As we do the work, we are also looking at whether we need to make clearer any of the framework of people's powers or responsibilities to ensure that, even if you did not have people sitting in these seats who really wanted to do everything they could, they would nevertheless have to. That is the question that keeps me up at night, if that makes sense.

Q74 Ben Lake: I will move on now to ask you about the need for providers to self-certify their student attendance data. I was particularly taken by the reference in paragraph 2.19 of the NAO report. It says that SLC sees attendance as "including self-study and exam preparation" while DfE views it as "students participating in their course in good faith". It goes on, "GIAA noted that regulations do not make clear where the responsibility to impose requirements on providers, such as a definition of student attendance, rests".

That is quite a concern. If I have understood things correctly, this data is quite important in terms of releasing funds through the SLC. Permanent Secretary, is this a satisfactory set-up?

Susan Acland-Hood: No. That is why we have started the work that we have on attendance and engagement. I would say a couple of things about this. It is in the nature of university-level study that there is a much higher component of independent study and independent learning.



HOUSE OF COMMONS

It is not as straightforward as working out, for example, whether a primary school child is attending school.

What constitutes effective attendance and engagement with the course will vary by course, by institution and by level of expectation. You have to think about Open University students and what that means. A lot of courses have very different requirements that suit different students for the extent to which they require physical presence and indeed very different rhythms around things like the submission of work.

It is not satisfactory, but it is also not the world's easiest problem to solve in a sensible way. That is why we are working really closely, as Julia described earlier, with the mission groups on some work to try to do this in a way that strengthens their regime and really makes sense for that quite wide range of different delivery models.

It is referenced and welcomed in the evidence that UUK gave to the Committee. It recognises that we need to do this both quickly and thoughtfully.

Q75 Ben Lake: I have sympathy with you. As is noted in the NAO report, different providers will have different ideas of what engagement and attendance will mean.

Susan Acland-Hood: That is not just because they are flaky; it is because they are doing different things.

Q76 Ben Lake: I agree. Of course, there is also the problem that, if we rely or in any way depend on providers to provide this assurance, given what we have already heard about how lucrative some of these regimes can be, there is an incentive to be a little bit lighter on judging whether or not students are engaging.

Susan Acland-Hood: Yes. We need neither to design the system around the worst actors in it nor assume that everyone is an actor in good faith. Again, that is the balance to strike.

Q77 Ben Lake: We have already heard a lot this afternoon about how the different organisations have been working closer together in recent years. That is to be welcomed. If I may ask a final question, are there any other benefits or advantages that you may not have mentioned today of this closer co-operation, specifically the sharing of information between the SLC and OfS? You have already mentioned these weekly meetings—I was very pleased to hear that—but are there any other benefits or advantages that you want to share with us about this new way of working?

Julia Kinniburgh: The key advantage is having real transparency between the three of us, which enables us to take a collective view across an issue rather than a partial view. We have learned that from some of the case history, as we said earlier.



HOUSE OF COMMONS

As we are doing that, we are also identifying areas where we might want to think about whether the system is in the right place. Working together on the cases might show us that there is a systemic question that we want to answer, much like my Permanent Secretary was just describing. You get a double benefit from that joint working.

It is also about doubling down on the point that this is all of our problem. It is for all of us to solve this. It is our collective responsibility as well as our individual responsibility. Our main responsibility is to ensure that students have a very good experience and that the public purse is not defrauded. They are absolutely critical. That reinforces that. I do not know whether others want to comment.

Susan Lapworth: The only other thing I would add is the slightly broader point that these conversations have informed our view about where risk sits in the system more broadly. As a result of some of this work, we have been able to say to the sector, "Of course you can franchise within the current rules, but you have to recognise that that is a higher-risk business model. If you are going to do that, you need to make sure you have understood the risk and you are doing all the work you need to do to manage and mitigate that risk".

In a small number of cases, we have seen that not happening in the way that we would like. That broader articulation of where risk sits in the system is helpful to us, but it is also really helpful for us to play that back to the sector so everyone has a shared view of those issues.

Ben Lake: That is very useful.

Q78 **Chair:** We are running over time, as it were. This question is not meant to be critical. It is meant to draw out how we can possibly improve on what I think is a rather complicated system. I want to take you to paragraph 2.25 on page 39 and draw out some of the bits in that long paragraph. It says, "SLC"—that is you, Mr Larmer—"can act on suspicious fraudulent applications from individuals but is legally obliged to pay student loans payments for eligible students unless instructed by DfE".

It then goes on to say, "OfS has a statutory power to protect public money for the grant funding it distributes to providers, but it does not have any specific power to identify or investigate potential fraud relating to student loans". Finally, it says, "OfS has the powers to influence providers' behaviour which may indirectly relate to misused SLC funding".

It is a very complicated system. Complicated systems can sometimes give rise to things not working properly because individual parts of that complicated system either do not mesh properly together or do not fully understand what each other part is doing. I am going to ask the representatives from both organisations to answer this question. What would you suggest to the Permanent Secretary sitting here? What extra powers and funding might your organisation be given to improve the system?



HOUSE OF COMMONS

Susan Lapworth: As I have described, there is more we can do within our current powers, but that only gets us so far. One of the things that would be helpful would be to have the power to act pre-emptively to suspend payments and then to be able to investigate and decide whether or not to switch payments back on. We would need primary legislation to do that. As your question was hinting, we would also need the resources to be able to do that well in the real world. That would be my ask.

Q79 **Chair:** Are you actively discussing that with the Department?

Susan Lapworth: Yes.

Q80 **Chair:** Are you actively costing what extra resources you would need to do that?

Susan Lapworth: Yes. We have started that conversation and that work.

Chair: Thank you. That is really helpful.

Chris Larmer: Mine is a slightly different situation. Companies have already had those conversations, in as much as the financial crime prevention unit has grown. Through the regulation, from an individual perspective, we have the powers to stop payments at an individual level and to issue sanctions. From our perspective, a lot of that is shown in the progress. It is just that part around data sharing turning into actions.

Q81 **Chair:** Can I just stop you there? Again, this might be my misunderstanding of the report. I will quote it: "SLC can act on suspicious fraudulent applications from individuals but is legally obliged to pay student loan payments for eligible students unless instructed by DfE". As I understand it, if the franchise arranger or lead provider says, "Please pay this student loan", you have to do it even though you have suspicions of fraudulent activity. Is that not the case?

Chris Larmer: Yes and no, Sir Geoffrey. If we have proven fraud, we do not have to pay it. If we have not proven fraud and they are eligible in line with the regulation, yes, we need an instruction not to pay.

Q82 **Chair:** That has happened in some of these cases, or the two cases. This is a clunky arrangement, is it not? If you suspect the fraud and you have a very good suspicion but it has not come to the enforcement authorities, you cannot refuse. You are going to have to pay out unless you can get a quick instruction from the Department. Is that how it works?

Chris Larmer: Yes, that is correct. Sir Geoffrey, it comes back to that balance around making sure innocent students are not penalised in any wrongful way.

Q83 **Chair:** I am sorry I interrupted you, because it is really important that we do hear from you what additional powers and resources you might need to improve the system. I am sorry I interrupted you.

Chris Larmer: No, that is fine. To be honest, I had finished. The key part for us is that we already have those powers. The bit that is really helping



us now, which is part of the learns from this, is our data feeding into some of the wider provider-level type improvements that we can make collectively.

Q84 **Chair:** Ms Acland-Hood, I want to take you to paragraph 2.27, which for me is the absolute key to the whole thing: “Within the regulatory framework overseen by DfE, each organisation must fulfil their own statutory objectives set by Parliament”—this is the really important phrase—“but that alone will not ensure the framework works effectively”. Can we have your assurance that you are doing everything you can to make sure the whole of this arrangement works considerably better?

Susan Acland-Hood: Yes.

Chair: That is brilliant. That is a very concise and good answer. It is a very good point on which to finish. Thank you and all the other witnesses very much for your attendance and time today. We have gained a great deal from your presence. Thank you.