Select Committee on Economic Affairs

Corrected oral evidence: The Economics of Higher, Further and Technical Education

Tuesday 17 October 2017

3.35 pm

Watch the meeting

Members present: Lord Forsyth of Drumlean (The Chairman); Lord Burns; Lord Darling of Roulanish; Baroness Harding of Winscombe; Baroness Kingsmill; Lord Lamont of Lerwick; Lord Layard; Lord Sharkey; Lord Tugendhat; Lord Turnbull.

Evidence Session No. 2 Heard in Public Questions 14 - 21

Witnesses

I: Shakira Martin, President, National Union of Students; Hannah Morrish, Student Choice and Higher Education Lead, The Student Room; Martin Lewis OBE, Executive Chair, MoneySavingExpert.com.

Witnesses

Shakira Martin, Hannah Morrish and Martin Lewis.

Q14 **The Chairman:** Mr Lewis, Ms Morrish and Ms Martin, welcome to the Economic Affairs Committee. Mr Lewis and Ms Morrish, could I begin by thanking both of you for your help through your websites in enabling us to gather evidence, which was very much appreciated?

Do not feel that each of you has to pitch in on every question. The first is a very broad one. What do you see as the purpose of university education?

Hannah Morrish: From talking to students—our membership—much of it is motivated by career prospects, interest in the subject and, largely, social life. It still remains the most popular choice after school; 98% believed it would improve their career prospects and 79% said they had a keen interest in their subject.

Shakira Martin: Thank you very much for having me. I am Shakira Martin, president of the NUS. What are the purposes of university education? The NUS believes that the purpose is for all people to have access to education to reach their full potential without facing any barriers to the type of education. We also see in education parity of esteem. Given the changes going on with the reform of further and higher education and conversations about parity of esteem, it is about giving people options to make decisive choices to better themselves and become competent citizens in society.

The Chairman: To what extent do you see universities equipping people with the skills that the British economy requires?

Shakira Martin: There are a number of skills that education as a whole provides to equip people. It gives people the opportunity to work around others they may not have grown up with, and to see different aspects of the diversity that makes our society so great, but it also gives skills to be able to communicate with different audiences and different types of people.

Martin Lewis: I would echo what has been said. From an individual perspective, it increases personal skills, career capacity and educational level, and broadens outlook on life. It can be very enjoyable and a good social meeting place. From an economic and societal perspective, it improves the skills in the economy and brings social and cultural cohesion that is much needed in our society, bringing together people who would not have been brought together in any other way. It is valuable for all those reasons.

The Chairman: Do you think there is too much emphasis on the economic and job prospects and not enough on the benefits of providing a broad liberal education?

Martin Lewis: A broad liberal education is only a subset of the wider social and cultural benefits. Going to a place and being with people you would not otherwise meet is not just a liberal education; it is something else.

The Chairman: A bit like the House of Lords.

Martin Lewis: Exactly. It is very broad and diverse. There is a lot of focus on that, but that is what happens when you try to marketise education and make it into a commodity, which is what happened in 2012. I am the oldest of the three sitting on this side, and when I go into universities now I see a shift in the attitude of students from the time I went to university. They are far more business-like.

I worry when I keep hearing talk about the benefit of education that is all about career and earning-enhancing benefits and misses out the other lifestyle gains—I mean that in the broader, not tacky, sense—that you get from university: the broad perspective and increasing the various avenues that are available and open to you. I agree with the premise, but the way we design and communicate the finance, which is something I will come to later and is perhaps my biggest bugbear, leads to pressure to go to university to earn enough to pay off the £9,000 of fees. It does not work like that in practice but it does in perception, and that is an issue.

Baroness Kingsmill: You slightly avoided the question, which was about universities. Do you think the benefits you are talking about are specific to universities, or are they in other institutions and, if so, which other institutions?

Martin Lewis: There are many other benefits. I do not think that an apprenticeship, although it is really good and strong for a career, has quite the same life-broadening aspect as going to a university. That is a purely personal viewpoint, as opposed to one based on research, but by the nature of it you are in a narrower field, and the key to going to university is that it is much broader.

I do not decry any of that. We need to make sure that everybody gets equality of opportunity and the right life chances for them. What worries me at the moment is that the language and the political conversation about universities put people off for the wrong reasons. I am not worried about people being put off university for the right reasons, when it is not the right choice for them. I am only worried about them being put off for the wrong reasons. The continued conversation about £60,000-worth of debt and, "Why would my child go to university when they will be burdened with £60,000 of debt and then have a low-paid job that will never repay it?" is a fundamental misunderstanding of the structure of the system, which is misnamed and tremendously confusing.

I may as well carry on while I am at it. Since 1991, we have educated our youth into what we call debt—it is not really a debt but we call it that—and we have never properly educated them about debt. Is it any surprise that we now have an overindebted society when we have told them, "If you want to go to university, you have to borrow; if you want a house, you will have to borrow"? They do not distinguish that from credit cards and payday loans. The damage to our wider society from calling them by the wrong name and miscommunicating them, and from the spittle in the other House, which is to make political capital without thinking about the actual impact on the individuals who are going to university and are naturally risk averse, especially those from the poorest backgrounds, has been horrendous, and it is about time it changed.

Q15 **Lord Sharkey:** I declare an interest as a council member at UCL. A survey this year showed that 34% of students believed their degree provided poor value for money. Do you think higher education provides value for money for students?

Hannah Morrish: From what members have told us, and arguably in the wider society that uses The Student Room, we have seen a decline in satisfaction as tuition fees have increased. Students are making what they see as a larger investment and they expect a return on it, not necessarily once they have graduated but when they are there. They look at their timetable and see the number of contact hours, which for an arts student is very limited in comparison with, say, a STEM student.

Students are disappointed. We have seen that from the research we have done. Satisfaction has moved up in this year's cohort, but there is potential concern about the value for money they are getting in contact time, support and workplace skills. Largely, students enjoy their university experience, but as tuition fees increase and there is a continuing conversation about debt and whether there is value for money, and whether these young people will progress vocationally, it puts more and more pressure on them to make the right decisions.

Shakira Martin: It is important to talk about students in a more holistic sense. When we talk about students, we often refer to 18 to 21 year-olds. We need to recognise that everybody in this room can be a student. Value differs depending on the type of student. The reasons why part-time mature students and others go into further and higher education differ. My real issue is about inaccessibility to education, and about student poverty in the broadest sense, which affects students coming out of university. A university or educational experience is not one that can be picked off the shelf and put back, with people given a receipt to get a replacement. Depending on what type of students they are—where they come from, their demographic and the type of institution in which they are learning—their understanding of value for money is accordingly different. I do not believe we should bung it all together. We should look at this in a broader holistic sense to recognise the diversity among our student population.

Lord Layard: Do you feel that further education and non-university vocational education have been neglected by the Government relative to universities? If that is true, is the FE and vocational education sector a top priority for the next bit of money available?

Shakira Martin: One hundred per cent. I am proud to say that I am the second NUS president in 95 years not to have gone to university. I come from a further education background. When it comes down to educational reforms, I realise that very often our politicians and Ministers have not come through that route and, therefore, they do not understand the vital life chances that further education provides. I never endeavoured to go to university, but by accessing further education I now have the ability to apply to university.

There is urgent need for investment in further education, especially around the post-16 skills reform, and for parity of esteem. We cannot have parity of esteem without investment so that both institutions are equal and we give students the option to make decisive choices about the type of education that is beneficial to them.

Lord Sharkey: Do you think students have access to sufficient information to make a proper and informed choice about which institutions may provide best value for money?

Martin Lewis: I spend my life talking about value for money; that is my job in the broadest sense, and I am not sure I have enough information available to me to decide whether a university course would be value for money. I certainly think that an 18 year-old who has had all their education put on a plate for them, by definition, whether it is at school or at a sixth-form college, is not in a particularly easy position, and makes instinctive rather than researched decisions.

This goes back to the point that part of the problem about value for money is that when you put a price tag on something you change the way we perceive it. When we talk about value for money, inevitably people think primarily about whether it will work for them afterwards in a financial sense. Some of it will be about whether they have enough contact hours, whether the laboratories are good enough and whether the facilities are good enough. Is the student bar cheap enough? In truth, all those things will come into the idea of value for money, but it is an incredibly difficult thing to judge.

My audience tends to be more parents than students, and one of the most common things I hear from parents is, "Nine thousand pounds, and they only have eight hours of lectures and classes a week. That is absolutely disgraceful". I have never studied the economics of how much it costs to have highly qualified academic teaching and all the other elements of a university, and I am on the board of LSE, down the road from you. It is a very difficult thing to assess, but in every customer service survey I do we get a number of people who are dissatisfied. That is in every sector, not just the student sector. You will never get 100%.

Hannah Morrish: From sharing a platform with young people day in, day out, it is definitely a case of drowning in information and starving for wisdom. There is a huge amount of information about making choices in education and vocational options, but there is a lot of pressure. Imagine yourself as a 17 or 18 year-old student who has just gone through a number of educational reforms: GCSE reform, A-level reform and now the move to a linear system. There is so much pressure at the end of their two years. At the same time, they have to juggle researching what they need to do. They have parental or carer influences. It is hugely difficult sometimes to make a decision.

From research we have done, we see that those who initially may be disappointed about their university experience not matching up to what they thought it would be have cited, off their own back, that it may have been down to lack of research or lack of understanding of the criteria, or what they should have been looking at when investing in a university education. There is a need to do more to coach young people through the process.

Shakira Martin: I agree with the points that the others have made, but the answer to your question is no. Students, advisers, families and services do not have enough information to be able to give impartial, unbiased advice and guidance. The scrapping of Connexions had a hugely detrimental impact on young people and students. A number of disadvantaged students, many of whom are the first in their family to go to university, do not have parents who can help them understand what it means in principle. I am becoming concerned about the reforms being made across the educational sector.

I am really happy to see the industrial strategy, but young people do not even know what an industrial strategy means. I have been waiting for the career strategy for 24 months—the same amount of time it takes for an elephant to give birth. I am pleased that it will be announced in the autumn, and I look forward to reviewing it, but making changes and reforms without the career strategy being implemented first, and understood across the educational sector, will have a detrimental impact on the choices students make, especially those from working-class and disadvantaged backgrounds who cannot afford to make mistakes when making those choices.

Martin Lewis: When I try to explain how people should make a decision, it is very easy when things are commodities with a price tag and a set way of operating. I was just writing down the granularity of the decision about university and which one to go to. You have the institution; the halls of residence you might choose; the individual department; the course within that department; the specific lecturer, professor or teacher; the class teacher; the location of classes; and the timetable. I am sure there are 20 other variables I have not named. That granularity will always make it a near impossible task to understand the true nature of how good an institution will be. That is why I think the focus has to come from the top down, to make sure that when things are not right they are fixed, rather than relying in the first place on trying to avoid places that are not very good. There needs to be regulation to ensure that nowhere is not very good and everywhere is brought up to scratch as much as possible, rather than relying on information that tells people not to go there because it is not good. I do not think that will ever work.

Lord Lamont of Lerwick: Mr Lewis, you referred to a price tag. How easy is it to judge without a price tag?

Martin Lewis: The problem with the price tag is that it is a load of baloney and balderdash; it is absolutely meaningless. We say, "You pay £60,000 to go to university". That is completely untrue. You may have a £60,000 or £55,000 total tuition fee and maintenance loan. If you will forgive me, since we are on television I will do my normal peroration. Would you mind if I do something fun with you? As you know, you pay 9% on everything above £21,000. If I earn £31,000, how much do I repay a year? It is 9% of the £10,000. As a former Chancellor, I am sure you understand it.

Lord Lamont of Lerwick: I am listening to you.

Martin Lewis: It is £900. My student loan is £20,000, and I repay £900 a year on earnings of £31,000. If my student loan is £50,000, I repay £900 a year. If you put tuition fees up to £1 million a year—let us not do it, but assume we did—I would repay £900 a year. I would do that either until I had repaid what I borrowed plus interest or until 30 years, when the amount I paid wipes. The only difference that the amount I borrow and the interest rate makes is whether or not I clear it within 30 years. That is the only variable that it affects; it does not affect my annual repayment. Currently, it is estimated that 77% of people—going up to 85% once we increase the repayment threshold, which I am campaigning for—will not repay in full in the 30 years. Therefore, the amount they have borrowed is utterly irrelevant.

This is a graduate contribution system, not a tax, because it is hypothecated and has to be charged abroad. It is a graduate contribution system and it should be called that. How much do you pay? You pay in proportion to your financial success, which is important, after you leave university. That is the amount you pay. Any other explanation of it is misleading, dangerous and damaging.

If you ask me whether it is value for money, my answer would be that, looking at it purely on a financial basis, it will only be value for money if it costs me a fortune. That is the bizarre contradiction in the system. That mis-explanation, which puts off and scares so many people and leads to radical complication and confusion about how the system works, is so damaging.

Today, someone who knew I was coming here asked me, "If my loan totals £200,000 when I leave university, who pays it?" The answer is that it is a loan by the Government effectively, so no one pays it; the Government do not get the money back, but the amount that is not paid is arbitrary. I can tell you now how to reduce the number of people who do not repay in full to 50% or 40%: cut the interest rate to zero. We could make the Government a lot more money by increasing the interest rate to 100% and nobody would ever repay in full, so that figure would look absurd. It is a totally arbitrary issue. We should set the interest rate at the cost of government borrowing. That would be fair when we sit there.

Let me tell you the biggest thing that makes me say that value for money is such nonsense in this discussion. I hear petrified recent graduates say that the Government have increased the rate of interest to 6.1%. They have not. The rate of interest has moved with inflation and it has not been a government-based increase. Each month, people get a statement telling them that £400 of interest has been added to their student loan. They ask, "Should I pay it off?" I ask how much they are earning and it is £23,000 a year. I say, "No. If you paid off £10,000, you would still pay 9% of everything you earn above £21,000 for 30 years". The best advice for most students is to rip up their student loan statement because it is psychologically damaging and completely misleading. That is the system we have. Everything else that you are framing around this, if you will forgive me, is balderdash and baloney, as I began with. How can you judge value for money if the price tag is wrong?

Shakira Martin: I have a different view from Mr Lewis.

The Chairman: Surely not.

Shakira Martin: For me, it is important to recognise that education is a right, not a privilege, and money should not determine the barriers and be a barrier to the type of courses and institutions that students need to go to. There are the terms and conditions of the student loans, especially when we are talking about working-class and disadvantaged students, whose parents do not know how to read, understand and interpret those pieces of paper. I am very uncomfortable that students can take on terms and conditions, and between starting and finishing their courses interest rates could go up and they do not even recognise it. They are happy to have the privilege and opportunity to go to university, and they do not consider these things until they hit them at the end. Education is a right, not a privilege, and is a public good.

The Chairman: In your evidence to the Committee, you indicated that you thought there was a public benefit from education.

Shakira Martin: One hundred per cent.

The Chairman: But also a private benefit. You did not say "100%". If there is a private benefit, is there not an argument that there should be a contribution to reflect that?

Shakira Martin: I do not really like the word "private".

The Chairman: It was your evidence.

Shakira Martin: I said that education is a public good; it benefits society, the economy and the individual. Let me give an example. I am sure that every day many of you cross the bridge over there to get to Parliament. Architects, welders, electricians and designers contributed unconsciously to our ability to walk over that bridge safely. Not only does that bridge get us to our destination safely—it is a public good in what it does—but it is good for the individual in breaking the cycle of deprivation, becoming a civic person and feeding back into society, so the private part was more individual.

The Chairman: At paragraph 9 of your evidence you say, "Education is a public and a common good; its benefits are shared by both the individual and the rest of society".

Shakira Martin: Yes.

The Chairman: But you do not think that the individual should make a contribution.

Shakira Martin: Education is a public good and everybody benefits from it. Given that we are the fifth richest country in the world and pay the lowest corporation tax, I believe that everybody should benefit and taxpayers should contribute.

Lord Darling of Roulanish: Do you accept, therefore, that, if it was free, inevitably there would be a cap? As you probably know, there is a cap on student numbers in Scotland, which many people would say is causing a lot of injustice.

Shakira Martin: The important thing is not the number of students who go into education; it is about education being an option and people having a choice about whether or not to go. Money should not be a barrier.

Lord Darling of Roulanish: If you cap the numbers it is a barrier, especially to students from low-income backgrounds in part of the United Kingdom. It may be a right, but it is a pretty theoretical one if you are not getting in. That seems to me to be as objectionable as, from your point of view, pricing somebody out of it.

Shakira Martin: I totally understand what you are saying. To be clear, as a policy we believe in free education. I personally believe in free education. However, when I speak to students across the country, especially those in Scotland, they say tuition fees are one thing, but student support and the change to maintenance loans from grants is having a detrimental effect on students. This goes way beyond tuition fees. Scrapping tuition fees alone will not solve the problem; it is about supporting students to be able to succeed and excel in education. Scotland is a prime example to show that even without tuition fees there is still an issue. The issue is about student support and the fact that we need maintenance grants back.

Martin Lewis: I do not think we disagree that much. I would like to pick up a couple of points. We have to be very careful when we start to talk about things being free and whether the individual contributes. Even if going to university is free, that individual will contribute through taxation, so there is always a shared benefit. The question is whether we structure it as a payment through taxation or as a part-payment that the individual will make. That is the bigger debate, and we have to be careful not to get confused about that.

Be careful on interest rates. Interest rates have changed every year since 1991 and they will continue to do so. The rate students pay is fixed at a set proportion to RPI. It was higher in 2012 and it has moved. We have to be very careful about the idea that it has changed. What did change, and was, I agree, absolutely outrageous, was the breach of promise on the repayment threshold. It is important for the Committee to understand that, even though we have now reversed it, it was not a piece of elastic to say, "We are going to freeze the repayment threshold" when it was promised that it would go up. I have letters from David Willetts to parents, with no caveat, saying that it was going up, as well as personal promises I was given when I was head of the Independent Taskforce on Student Finance Information that it would go up.

That breach of promise has killed faith in the system. The most common question I now get is, "Is this locked in? Will it change? How on earth can I work out what I am going to pay?" When I sign a contract, those contractual terms should not be retrospectively changed without agreement by both parties. Obviously, it should be agreement by an individual party, but you could easily set up a panel that says there should be no negative changes, so that an agreed positive change could be made. You could have a distinguished panel of people to decide what is positive from the student and graduate perspective. I think that is the underlying cause.

A student wrote a Twitter letter that was retweeted by between 70,000 and 80,000 people. He was talking about the repayment threshold, but many people do not understand what that is. They were talking about negative changes and interest rates, but what was changed and was an absolute abomination was the freezing of the repayment threshold when there had been a promise that it would go up. That is one of the things I would ask the Committee to look at.

There must be a lock-in of terms, if we call it a debt. No other debt organisation could do what the Government did. Even though it was not technically in the terms and conditions, the FCA regulations, as with SAM mortgages, would say, "Your main marketing terms dictate your product and how you must operate, and the terms and conditions do not override that. You must follow up your main marketing terms". We do not have that. If we call them student loans, they should be regulated by the FCA and follow the same laws. We are inconsistent. That does not just knock people's faith in student loans; it has knocked the faith of some young people who are students in the entire political process. It has been incredibly damaging, and putting it back has not fixed the damage of broken faith.

Lord Turnbull: I agree that "loan" is a very poor description. If it is a contribution, why does it follow that it is fixed for all time? I buy electricity, and the price varies. I have a contract that tells me how it is set; otherwise, someone gets a contract that fixes something in 2000, and the world is completely different in 2010. Are the Government completely unable to change it, if you recognise that it is a contribution? The Government change national insurance contributions all the time in relation to affordability, so, once it ceases to be a loan, your argument about not changing the terms does not work so well.

Martin Lewis: You are absolutely right; there is an inconsistency in my argument, because it is called a loan and it is a contract for a loan. If we restructure it as a graduate contribution, it is important that we say the following things—I am giving an example rather than a specific case, so it is totemic: "You will stop paying after 30 years. Your contribution will be 9% of everything above £21,000, but the £21,000 can change". We may or may not say the 9% can change. What is important is that, if you have variable terms, they are openly declared, promoted and marketed as variable terms, not letters from the Minister saying, "This will go up in 2017", without any caveat and leaving that to the small print at the very back, which is not fair to students and parents.

I totally accept your argument. My personal preference is for most of the terms to be fixed, frankly because I am the guy who tries to explain this to people, and, if you say it is all variable, it gets very complicated to explain and that knocks faith in the system. That is not a small point. I have said to the Minister that, if we are to have variable terms, we should be open, transparent and proud about what is variable and what is not. Lock in 30 years. That is very important. Lock in 9%. Do not lock in £21,000 if you are going to vary it. I agree with you, but I think it is about transparency of the variability, as opposed to variability in its own right.

Q16 **Lord Lamont of Lerwick:** Can I move to another area, away from the finance itself, to the effect of the 2012 reforms on teaching quality and your opinions about that? The Higher Education Policy Institute's 2017 survey showed that average scheduled teaching time at universities had declined. I do not know whether you have any comments on that in particular, or on the general effect on teaching quality.

Hannah Morrish: I feel I have covered that to an extent. The student view is that sometimes there is a disconnect in the expectation of contact time. We see that in The Student Room. University education does not quite live up to what students expect. The whole premise of university is largely independent study and self-study, but moving from focused teaching time at school and college is very different, so it is about how universities can initially prepare them for that. It is very difficult to say.

We now have the TEF in place. That goes some way to support students in looking at and investigating universities that may live up to their expectations about teaching time, but largely university education is more than just teaching and contact time. That is important, but the other resources that support that education and more personal development are worth so much. The tuition fee also brings you the opportunity to move to the university campus and utilise everything available to you for your personal development: student groups, societies and networking. It is highly valuable. Sometimes we have to look at how we are packaging university and look at it as a whole experience.

Shakira Martin: I do not think there has been any significant change in teaching quality since 2012. I want to draw your attention to different types of student. Judging teaching quality means different things to different people. We need to realise that the link between teaching quality and job outcomes is not sustainable. When we look at diversity and the number of women and BME people going into industries with science, technology, engineering and maths, it does not add up. When we look at the gender pay gap, women achieve more in universities, but in the job market six months later they receive significantly less than their male counterparts. The link between teaching quality and job outcomes and how teaching quality is measured among the diversity and variety of our students is very difficult to judge.

My main concerns are about how people value their education and about student poverty. On the cost of living, NUS research shows that 71% of students are anxious about being able to afford to live. This is having a detrimental impact on the well-being and mental health of our students who will become the future generation of our workforce. If we do not address these huge barriers to student poverty, it will not only have a detrimental impact on our university experience; it will have a domino effect in our job market. That means we will have a workforce of people with well-being and mental health issues because of anxiety around student poverty and student finances.

Lord Lamont of Lerwick: Hannah mentioned the TEF. Do I take it that you are completely satisfied with that? There has been some criticism of its being narrowly focused, and that the contributions universities make to creating societies in cities and regions—public cultural contributions—have not been emphasised enough. I would have thought it was pretty self-evident that universities contribute in that way, so I am not quite sure I understand the point that is being objected to.

Hannah Morrish: Universities contribute huge amounts to society. They employ thousands of local people in the area; they contribute to research. If anything, universities could be much better at sharing what they do and how they contribute to society. Having a little page of PR on their website is not enough; they do so much more than that. Ultimately, the TEF is what it is. It still has a long way to go, but it is a positive alternative to the standardised league tables, which to an extent are very misleading because they are based largely on research. For the average applicant looking to research their opportunities, how much research funding a university gets, which is what puts it at the top of the league table, does not support their own personal experience and development. The TEF is another signposting system to support them, but ultimately more needs to be put into it.

Baroness Kingsmill: We have looked at one side of the equation, but do you think students themselves are demanding enough? They are paying for this; it is an expensive proposition. Do you think they expect and demand more, and are a bit more powerful about it? Does this financial relationship, in a sense, give them some power, as well as debt?

Shakira Martin: When I go up and down the country and speak to students on a daily basis, they overwhelmingly demand the support they need to be able to succeed in education. We might disagree over this part. The UCAS report showed that the change from grants to loans is disproportionately affecting disadvantaged students. The current maintenance loan does not even cover accommodation. This is imposing stress on students working in the gig economy under zero-hours contracts. In the recent general election, students showed that they are starting to pay attention to the type of education they want and the society they want to live in. I believe it is up to politicians and government to listen to the voice of students. When we voted in the numbers we did, we made a demand for more.

Hannah Morrish: Would you put your question again?

Baroness Kingsmill: Now that students have to pay £9,000 or whatever, plus their maintenance, do you think that makes them more demanding of the teachers? Do they expect a better performance from their teachers and better results? It is certainly a trend in the United States. They expect to be treated better, taught better and all that sort of thing.

Hannah Morrish: They probably expect a level of contact time and support, and availability of teachers when they need advice. Interestingly, a number of students have been speaking to us about the option to transfer between universities and how they want that to be simpler and easier. If having done a year at one university they are more interested in something else, they do not know how to have that conversation and whether that option is available to them. A lot of young people these days would welcome the opportunity to transfer. That trend has been growing over the last couple of years. It may not be the kind of power you are expecting, but we are seeing that.

Baroness Kingsmill: I thought the financial relationship might give them a greater sense that they should have what they are paying for.

Hannah Morrish: Exactly, and that may mean transferring to another university.

Martin Lewis: There is a difficulty, if you will forgive me. I tend to talk about the relationship between consumers and corporations as an adversarial relationship. The job of one is to make money off the other, or the consumer’s job is to protect the money in their pocket. In an academic institution, there is overlap between the adversarial and pastoral relationship. It creates difficulties in being a demanding consumer when there is an academic who is overseeing and grading you. It is not the simple binary relationship that you have when you walk into a shop, and that makes it more difficult for the individual student to push on an academic level. It is probably easier in quality of service—how many hours you get and how good the cafeteria and the classroom are—but judging an academic, judging your teacher, is never an easy thing.

I mentioned earlier that I am a governor of the LSE, which in student survey ratings has not done particularly well. There is a little bit of me that says, as a former LSE student and student politician, that at LSE they are a nasty bunch, if you will forgive me. In a social science institution where everybody is politicised, you will never get a high student satisfaction ratio; you tend to get higher ones in an arts institution. That is my total bias, which I frankly admit, but there is great difficulty. You have to look at it in the same way as the problem of inequality and middle-class people. They are better at complaining than working-class people; they tend to be far stronger and are able to push the right buttons. The same issues go on in universities with individual students. Interlinked with pastoral care, that makes pushing for value for money a very difficult concept.

Baroness Kingsmill: Do you think, therefore, that perhaps it influences the awarding of grades? Is there grade inflation?

Martin Lewis: I have no expertise or knowledge about that, so I will not answer.

The Chairman: On that point, because you like numbers, in 2015-16, 24% of students gained a first-class degree, up from 17% in 2011-12 and 7% in 1994-95, which is the earliest year for which data is available.

Martin Lewis: That was the year I went, so it was more difficult then. Thank you.

The Chairman: Did you get a first?

Martin Lewis: No, I got a 2.2.

The Chairman: You should have gone later.

Martin Lewis: There is an easy correlation to make between that and the finances—but, alternatively, it might be that, if students are paying, they work harder, so it is very difficult to do that read-across.

The Chairman: Which do you think it is?

Martin Lewis: Like everything in life, it is probably a bit of both.

Baroness Kingsmill: From your experience of students, Ms Morrish, is grade inflation a real issue? Has it arisen as a result of funding?

Hannah Morrish: It is very difficult to say. It is quite interesting to look at the universities where there has been the biggest increase, but we do not know what goes on within campus walls. Every university has different structures and consistencies for marking. There is no way of knowing, but ultimately awarding more firsts can increase their position in the league table, and universities are in a highly competitive marketplace. You only had to look at the results in clearing this year to see the number of young people playing the game. A number of universities are dropping grades to bring in students, so there is a lot of pressure on the system. We took off the cap, and now both students and universities are under an extreme amount of pressure.

I want to go back quickly to the point about the quality of education. There is a very interesting article on The Student Room about why students do not go to lectures, all based on the input of young people who are attending university. There is a reliance in some institutions on PowerPoint when you already have that presentation on an online system called Blackboard, or something similar. Going to university should be about engaging as we are—having a conversation, learning, discussing and debating. Arguably, if people are just absorbing information, they might argue that the quality is not good enough. If someone is not bringing the subject alive because they are relying on PowerPoint, for whatever reason, it could make that experience not as developmental for students.

Baroness Kingsmill: That is useful.

Shakira Martin: To go back to your first question about quality, when I talk to students, they want to be part of the decision-making process; they want to be part of the committees shaping the reforms. They know what they want and the reasons why they go into education. They want to be at the heart of the reforms and involved in the institution and the changes they want. They also want a diverse curriculum. They recognise teachers' terms and conditions.

The Chairman: The question was about grade inflation.

Shakira Martin: I was going back to that point. When we talk about grade inflation and the number of people getting 2.1s and Firsts, ultimately I find it quite disrespectful when we look at the black attainment gap and the number of black and BME students achieving 2s and 2.1s. It is not enough. We do not believe that universities are becoming lax. There is much more that we need to do. We need to look at this in a holistic, broader sense, not just talk about those who are fortunate enough to go to university and come out with a 2.1. We should talk about disadvantaged and working-class students who are trying their hardest to get the best out of it, and sometimes that is not what our institutions are providing.

Q17 **Baroness Harding of Winscombe:** Can we change the subject and talk about the relative wage premium after university for graduates and non-graduates? I am interested in whether you think that, as we approach and maybe exceed half the age group going to university, the average wage premium for graduates will start to decline. Will it be increasingly less worthwhile going to university?

Martin Lewis: Without any research—I am sure you can make the assumptions yourself—as you homogenise something and it becomes de rigueur, it becomes less valuable; it is pretty simple. By definition, the more people who go to university, the less you would expect there to be a premium. It is clear that there are many graduates who are not in graduate-level jobs, and that might go back to making the right choices earlier. We know there are many people on courses that seem attractive. I will probably sound like a dinosaur and I am saying this from personal experience as an employer more than anything else.

Money saving is a discipline that I came up with—it does not exist—so when we are recruiting people there is not necessarily a degree that goes with it. If I want somebody of degree level, I tend to look at a good academic degree rather than a particular vocational course. A journalism course would be helpful as we are journalists, but I want proof of a good academic degree and rigour with a decent grade on the back of it. That is what we are looking for.

Many people go into vocational non-academic degrees, but that vocation clearly does not have the jobs they will need, so obviously some choices are going wrong. I will not run through all the obvious stereotypes, as people do all the time, but you all know what they are. You talk to 18 year-olds who go on courses that will not get them a job in the industry for the course they are doing. Is that really the right choice for them? If they are going into it because they are interested, great; if they are doing it because they want to work in that vocation, it will probably not happen.

Something is going on with the courses. There is lack of resources for careers advice in schools, which has been taken away over the last decade or so. That is destructive, and it has something to answer for. Whether a price tag on education is right or wrong—we will not go into that again—we are putting a price tag on it, and the lack of careers advice to help people make a big decision and understand what the right choice is, especially those who come from non-university backgrounds and whose parents cannot help them, is a real problem.

Baroness Harding of Winscombe: How much of an issue is it that students see so many students ahead of them in non-graduate jobs?

Shakira Martin: The issue is that there are not enough jobs for the number of graduates coming out, but to say that people go to university just to get a job at the end is not necessarily true. For example, part-time and mature students who study with the Open University do not necessarily take those courses to get graduate jobs. We need to address jobs in the labour market, but we also need to stop saying that the only reason people go to university, or get a degree, is to get a job, because that is not always the case.

Lord Tugendhat: Mr Lewis, you said that the more people go to university, the more the premium will be squeezed. I take that point, but surely there is another angle, which is that there are a number of activities—they will change from time to time—which do not require a university degree but which may be in very short supply and for which, therefore, the rewards will rise much more than the rewards for people who have been to university. There are two occupations I am thinking of:

plumbers and air traffic controllers. Those are particular skills. They may well be in short supply and, therefore, their rewards will rise faster than those for graduates. Perhaps students do not always realise that there are a number of occupations, some quite demanding, which do not require a university degree. I mentioned two, but there are others.

Martin Lewis: There will always be individual careers, but we are now getting to the stage where the notion of a graduate occupation does not really exist, because, when half a year group goes to university, an employer looking to fill a job will see lots of people with a degree. There are no absolutes and it always depends on the individual, but, in general, when you are recruiting and you have five candidates, and none has experience but three have degrees and two do not, for certain professions you are likely to say, "I may as well go for a graduate employee". The difficulty is that we have not necessarily made more graduate-suitable jobs, but more jobs have become jobs that want graduates because there are so many graduates that it is an easy filtration system for shortlisting: "If they have a degree we'll have them; if not, we won't". One suspects that that happens, but I need to put up my hand and say that my expertise is in student and consumer finance, not the job market.

Hannah Morrish: We need to rewind a bit to look at what goes on in schools, because that informs young people in their decisions. From what students and our members tell us, it is still very much the case that at school, whether you are 15 or 17, if you are academically capable you go into the assembly hall and talk about universities. If you are not so academically capable, you talk about apprenticeships or something else. We stream young people into the capable and not capable.

There is still a stigma around things such as apprenticeships, even though so much has been done. As information becomes more accessible, people are becoming more in tune with them, but traditionally the blue-collar jobs you mentioned, such as plumbing, are looked down upon, largely because we became so obsessed with universities.

Let us not forget that school league tables are informed by the number of students who go to university. It is marketing for those schools, but we put labels on young people and there is so much pressure on them. If we want to make a change and make it okay for young people to explore the other options you mentioned, we need to change what is going on in schools and league tables, because that is where the issue is.

The Chairman: Do you think we need to educate parents as well?

Hannah Morrish: Yes. We were doing some research on apprenticeships last year. Over 50% still thought that apprenticeships were for men.

Baroness Harding of Winscombe: Do you think it is possible to change attitudes so that mums want their children not to go to university but to take on a technical qualification and career?

Hannah Morrish: Yes, absolutely. There is broadening awareness. Unfortunately, the narrative shared in some areas of the British media about going to university, or about what young people's aspirations are these days, is not helping young people to have confidence in themselves, their opportunities and what they have to offer the world.

We should address what is going on in schools and the quality of information. Do not get me wrong. Teachers and schools are doing absolutely the best job they can, given the rigorous standards and all the educational reform that has happened in the last two to three years, but culturally this needs to happen across all bases—online and in schools. The media discussion needs to change as well, because there is real momentum around, "I am not good enough, and if I do not make the right decision now, when I am 15 or 17, I am stuffed".

Q18 **Lord Turnbull:** Can I come back to the Chairman's question? I do not think we got the right answer to it. Education is a public and common good; its benefits are shared by both the individual and the rest of society. Shakira, you said that education should be free; Martin said that the loan system was misconstructed, and is certainly badly labelled, but appeared to accept the premise that graduates should make a contribution. Which is it? Shakira, do you still say that university education should be free? Martin, would you accept that a system that is better than the present one, but which has a graduate contribution, is legitimate?

Martin Lewis: I think "accept" is the right word. I would like us to have 10% taxes and to be able to have all the public services we like, with unlimited amounts of free education at all levels up to any age you want. That is not a reality, so we have to look at where we prioritise spending. I try not to get involved in that particular debate, because my job is to look at the system as it works and as the politicians have decided it should be. Does it or does it not work? Is it sensible or not? We have an income-contingent loan system. If we are to have a loan system, an income-contingent one is the right way to go, although it is miscommunicated. The structure of the system we have works.

There are some major problems with the system right now. How much money do you give me? Do you give me half a billion pounds or £20 billion? If you give me £20 billion, I will make education free to everybody. They will not have to pay anything and I will give them all student grants. If you give me half a billion, it would go to the biggest problem we have right now for equality of opportunity and access, which is the outrageous lack of student support and the misconstrued parental contribution system. The biggest problem with student finance at the moment is that loans are not big enough, not that they are too big. The living loans for going to university are not big enough.

There are absurdities in the system. If I have two children at university, I have a parental contribution, which the Minister tells me is not a parental contribution—even though it is dictated solely by parental income, "It's not a parental contribution". Of course it is a parental contribution. It is just ridiculous sophistry. The parental contribution for my first child is £5,000; my second child goes to university and my income is reduced by only £1,130 for my £5,000 contribution. But I have triplets, so for the third one, I am now paying £10,000. It is only £1,130 each, so it is assessed only as £2,260 for the £10,000 contribution I must make. It is an absurdity. For divorced parents, it is an absurdity.

We need to start to be transparent in the first place. We should say it is a parental contribution. When you get your loan letter, I would like it to use the words "parental contribution". This is the softened version: "The full loan for someone in your circumstances is £10,000. Due to means testing, you are receiving only £6,000. It is done on parental contribution, and there is a gap of £4,000 for you to fill". That is a transparent way to do it, but we do not do that; we lie. There is a fear of telling middle-class parents that they are meant to put their hand in their pocket, because the Government do not seem to want to do that. They are willing to ask them to put their hand in their pocket; they just do not want to admit it. That lack of transparency is what breaks down the system. I accept it but I do not like it, because it is so badly designed due to horrendous political diktat.

Lord Turnbull: Ms Martin, you still maintain that we should abolish the student fee system. What would you put in its place?

Shakira Martin: I recognise my weaknesses and strengths. My strength is not economic, so I will not be able to tell you how it should go. My subject specialism is students and education. I want to be clear: just scrapping tuition fees will not solve the problem. It is about maintenance support. Scotland is a prime example. It has no tuition fees, and students are still struggling. It is important to reinstate maintenance grants. I believe we should have an urgent review of the funding system across the whole of tertiary education, with students at the centre, as part of the discussion, able to bounce ideas off one another.

As I said, it is not my specialism. When I go to university, I will come back and give you all the economic numbers and break it down, and I will be on the same line as you. Until then, I am very happy to get advice and consult my membership about the type of education system we need. I am excited about the funding review that the Prime Minister announced. For me, it is about students being at the centre and part of that decision-making process.

Hannah Morrish: I think I sit in the middle, based on what students have shared with us and the research we have done with them. It is healthy for everyone to have the ambition to minimise tuition fees as far as possible. We surveyed a large group of students, more than 10,000, many of whom were on free school meals. They see it as fair to invest in their own education, so they are not completely disconnected. They would invest in and pay something towards the education they are receiving. They informed us that if the tuition fee decreased, but it meant a compromise and a decrease in what they got for their money, they would not be happy about that. There are lots of things in play.

Lord Turnbull: The most bizarre feature of the system is that, excluding exceptional things such as medicine, the price is £9,000 per course. Am I right in saying that universities are able to sell for £9,000 a lot of courses they could put on for £5,000? As long as we persist with that, there will be a misallocation. They will not be encouraged to put on STEM courses but will put on lots and lots of middle-ranking, mediocre courses to get people in and get the £9,000. That does not do the students much good because a lot of the courses are not all that good. Do we not have to grasp the nettle that the single price for a year's university tuition is a big distortion?

Martin Lewis: I am not sure that supply and demand by changing variable pricing would be any better. Marketisation has simply failed. Let us hope it does not happen in energy as well when everyone homogenises to a price cap—but that is a story for another day.

I want to pick up one thing Shakira said, because it is wonderfully totemic of the biggest problem we have in the way the whole system works. She is arguing for student grants; people want them back. I absolutely agree that getting rid of student grants was massively damaging psychologically. The reason it was so damaging is the poor way we communicate the system. In practical financial terms—I am not ignoring the psychological impact at all—the only people it affected were the top 23% of graduate earners. You would have had to be from a poor background and among the top 23% of graduate earners for that to have cost you a penny. You would have to clear your loan in full in 30 years at a few thousand pounds less than the maintenance grant before you paid anything extra back because you did not get a grant but a loan.

This has caused widespread psychological anguish because people simply do not understand how the system works. We mis-explain it, miscommunicate and misname it. It is wonderfully totemic to have this argument about student grants, which anybody who does the numbers knows are one of the least relevant problems. I want proper funding for living. Whether it is a loan or a grant in this system is mostly irrelevant, except for city lawyers, bankers and the very high-earning graduates afterwards. They are the only ones to whom it will cost anything, yet I quite understand why the NUS argues this, because students, parents and, frankly, probably many Members of both Houses do not understand how the system works and its impact. We give it the wrong name, and we mis-explain it and use it as a political football in a most horrible way. I accept the system as we have it now, but I would get rid of it if we are to keep it as it is right now, because it does not work. It has become so weaponised that it is horrendous.

Lord Layard: If you look for a system that is very similar to the spirit of ours, but understandable, it would be for every student to pay 9% above a threshold for 30 years. That would be simple. Then the universities would be paid a per capita grant, say, £9,000 per student. That would preserve their freedom. We were wrongly told that fees were necessary to preserve university freedom. That is not true. A per capita grant does it just as well. Then you could add a means-tested maintenance grant. That would give you what you wanted.

Martin Lewis: I would probably have a non-means-tested maintenance grant.

Lord Layard: The problem is that international accounting conventions mean that that would increase public expenditure by a massive number of billions. How do you think we could restructure the system to preserve, roughly speaking, what we have now but for it to be understandable and coherent?

Martin Lewis: I do not do international accounting, so you will have to forgive me. The Government's balance sheet is not something I work on. We could take what we have now, lump together all its problems, and rename it a graduate contribution system. We could stop talking about interest and talk about a fixed uprating based on the Government's cost of borrowing, so there is an amount that is uprated; we could tell people what is and is not variable; and we could start to communicate it properly with the right language. We could get rid of the student loan company name because it is horrendous and we could stop talking about the way it works as debt.

It is not a bad system to start with, although there are other things that need to be fixed. It is important that the parental contribution and the amount for maintenance works right. I notice that my old professor is sitting over there, so I feel that I am being marked as I sit here. He will talk about the fact that the loan is relatively leaky and we would like more money to come into the system. We want to enable anybody who wants, regardless of background, to go to university and live at university. Remember, people from poorer backgrounds will struggle to get jobs at university in a different way; they do not have the connections; they have to work differently. The social capital will work very differently, but everybody could go.

Means testing parental income, when we do not have a way to mandate students to make their parents pay, seems very arbitrary. These people are old enough to vote, join the Army and get married. They can die for our country, but we still rely on their parents' income to decide how much they get for maintenance at university.

The system should give equality of opportunity. If, afterwards, you get a high-earning job and contribute a lot on the back of it, it does not worry me that much, but it is about perception. For years, whenever I have done a radio phone-in or a TV programme about student finance, I have been speaking to petrified parents. Their child is £60,000 in debt. They ask, "What if she does not get a good job? She will never be able to repay it and it will be hanging over her for life". Where do you begin?

Lord Layard: What word do you want to use to describe the money that the university gets from the state? You cannot call it a fee if the person is paying back a contribution that is unrelated to anything.

Martin Lewis: But that is exactly what we have now. If it helps public accounting to call it a fee, call it a fee. It is all sophistry anyway. We have an allocated fee that goes to universities for student tuition. I have not described anything that does not happen right now; I am just using different words. If I want it to be a contribution, and you tell me that for international accounting it has to be called a fee—on which I bow and scrape to you—let us have a fee-based system to which you make a contribution.

Hannah Morrish: What we are all feeding into is that, on the face of it, everybody has the same options, but not everybody has the same choices. Access to grants and bursaries has a huge impact. There is no reason why those on free school meals cannot access what someone not on free school means can access, but ultimately the psychological impact and worry around repaying is far greater, especially for the first person in a family going to university whose parents do not understand the system. Forty eight per cent of those on free school meals, in comparison with 29% of those who were not, told us that the availability of a bursary made a real difference to their choice of university. That is a really important thing to consider. Thirty per cent, compared with 20%, choose to live at home and go to a local university, as opposed to the university of their dreams, because of affordability.

It is fair enough to talk about a debt of 60 grand, but we are not talking about healthy debt necessarily; we are talking about young people who do not have access to bursaries or other things and may traditionally have been receiving free school meals. They may be picking up credit card debt and unhealthy and unsavoury debt that is hugely worrying for them and has a psychological impact.

Martin Lewis: We are all saying that the biggest practical issue for students is living at university. The newspapers constantly go on about tuition fees. Students care about how much money they have in their pockets so that they are not starving and can focus on their academic work. We are all in sync on that—

The Chairman: I am sorry to interrupt you, but we need to move on.

Q19 **Lord Burns:** I am sorry to be late for the session. Unfortunately, I was detained elsewhere.

Could I move to the whole question of further and technical education? To what extent do you think that the expansion of higher education has been at the expense of further and technical education? This is a substantial part of what we are trying to pursue.

Hannah Morrish: To an extent, it has been swallowed up by higher education as the old polytechnics have become new universities. From my experience over the past four years of discussion on The Student Room, I have witnessed prejudice against newer universities, largely because they are potentially lower in the league tables, yet they have a great deal of expertise to offer. When they were absorbed into the university structure, they became more expensive. Some of those universities offer the best nursing and midwifery courses—the skills and vocations we need—but, now that the NHS bursary is being removed, we are seeing a direct impact on the number of applicants, which is increasingly worrying.

On the other side, there is a great deal of myth about new universities and former polytechnics, in the sense that they are not seen to offer what traditional research-based universities offer. Parents who want their children to go to university refer to league table positioning. Unless you are Loughborough, you are not high up there, so it directly impacts choice.

Lord Burns: Do you think there is an issue about labelling or classification? Would it have been better to give them a slightly different name for people who were concentrating on that area? Last week, Lord Adonis told us that he thought it was a mistake to reclassify polytechnics in the 1990s because it confused the whole situation—what the offer really is and what is in the interests of students to study.

Hannah Morrish: Because of that confusion, they have been absorbed into the league table environment. Unless you are looking at subject-specific league tables, it adds confusion, and people question the quality of the education they are getting. It is interesting that newer universities are doing very well from the TEF. It is also interesting to see how research-based, Russell Group universities—household-brand universities—have been impacted by the TEF. Ultimately, although we can look back and talk about polytechnics, it is really a matter of looking forward at the value they bring and the courses they offer. If we focus on some of the courses that were put into the university system, such as nursing and other NHS-focused courses, we now see a decline in applications. We used to have eight applicants for midwifery for every place, yet this year it was in clearing, along with nursing and physiotherapy. That is an issue.

Martin Lewis: It is not my area, so I think I should hand over to Shakira.

Shakira Martin: Thank you very much, Martin. This is definitely my area. In the past decade, further education has not been understood. I become increasingly worried when I hear the Government and policymakers talk about parity of esteem, yet they are not giving equal investment and attention to all the different options.

Further education provides something unique. It exists in and for itself, and that needs to be recognised. FE does phenomenal work for many people. I am a living and breathing example. I would not be here if it was not for further education. That is why I am so passionate in speaking about disadvantaged and working-class students. I have been at the bottom and made it here, so it is important for me to bring that humanistic aspect into the conversation. Very often, we get so caught up in the statistics that we do not see the humanistic element for students. Further education is a great route to higher education. For example, I and many students across the country never thought that higher education was something for us, but because of further education I and many thousands of others can endeavour to move on to university.

When we look at TV, we can see that those in Parliament and in power have not come through further education, so they do not understand. Seven million students across the country have been through this route and will be happy to advise politicians and policymakers about how to ensure that parity of esteem is not just something we pay lip service to but something we do for future generations of our society.

Q20 **Lord Layard:** I would like to ask about different courses from the full-time courses we have been mainly talking about. The number of part-time university entrants has dropped by 61% since 2010, which is a quite extraordinary change. First, what is causing that, and what do you think can be done about it? For example, the structure of fees and maintenance for part-time students is a really important issue. The second issue on the structure of courses is: what do you think about shorter degree courses? Thirdly, what do you think the future role of the massive open online courses is going to be?

Martin Lewis: I will start on the fees element, which is probably where I come in most, and the part-time problem. When you examine the maths behind it, the change in 2012 from the previous system, with lower tuition fees but relatively similar maintenance, repaying it on a higher repayment threshold, in some arguments, for the first 10 years was better for 2012 and prior students, because they had higher disposable income. That was beneficial compared with the old system, because you repaid from a prior threshold.

One can look at things in isolation for those who were part-time and did not get maintenance loans, because those loans skew everything. When I talk about how much people repay, all the maths I do is based on an average, living away from home outside London maintenance loan. That is when we talk about £50,000 of debt. The problem with tuition fees for part-timers is that, because they did not have maintenance loans, it was genuinely a far more expensive system than it had been before. It was a genuine big price hike. For full-time students, whether or not it was a price hike is debatable; you have to play out scenarios to work out for whom it was more expensive or less expensive. For most part-time students, who tend to be a bit older and more mature—not always; there are 18 year-olds who do part-time courses—it was a monumental price hike. When you put up the price of something by a rather large amount of money, fewer people want to do it. I was on a programme the other day with David Willetts where he admitted that it was his biggest regret about the changes in 2012. I presume he has probably said it to you.

The Chairman: He gave evidence along those lines to us.

Lord Tugendhat: I want to go back to something Ms Martin said when she was talking about further education with a good deal of passion. Would I be right in thinking that people who go into further education overwhelmingly do so in the place where they live, and do not travel? Mr Lewis referred earlier to the problems for people from disadvantaged backgrounds in living at university. Would it not be a good idea if there was more emphasis placed on encouraging people to go to universities near where they live rather than travelling long distances? One of the distinctive characteristics of British education is that so many people leave home to go to university, which is not the case in Australia, America or most of continental Europe. If people could be encouraged to go to universities near home, that might be a helpful development.

Martin Lewis: I am frowning because if we did that I think we would go back to Oxbridge being 80% public school. I would like everyone to have the freedom of choice to go to the best university they can and the one that is right for them, rather than saying that if you come from a disadvantaged background you can only choose a university that is near you, even if it does not have as good a course, because that is the financial imperative. I think that would be a retrograde step.

Shakira Martin: Recent area reviews based on work I did while vice-president for further education showed that people want to study in their local community. The area review process showed that lack of support around travel was having detrimental impacts. At Richmond upon Thames College, for example, 80% of students are from external boroughs. Some young people want to leave the environment they are in, make new friends and learn new aspects of life. There is something about university that gives young people the ability to live independently—all the social and civic skills. I would not say "soft skills", because that sounds as though we do not need them. Those are essential skills that we need throughout our lives. It is about options, and I do not think money should be a barrier to whether someone chooses to study in Cumbria or FXU in the south-west. It should be about choice, and money should not be a barrier.

Q21 **Lord Tugendhat:** To move on to the next question—I imagine I know the answer—do you welcome the pledge to raise the repayment threshold on post-2012 loans and index it to average earnings?

The Chairman: You may have answered that question.

Martin Lewis: I hired lawyers to see if I could get the Government to change their mind and organised letter-writing campaigns. I wrote to the Prime Minister and met the Chancellor and various other people to say this was the biggest abomination and letting down of young people and students we had had. It was a retrograde step, so, yes, I am quite glad. I think it was right, first, because the overriding principle is that you do what you promise you will do.

Looking at it in isolation as a policy move, if you are to give money to students, and put money into the bill, this is a progressive move. Cutting tuition fees from £9,000 to £7,000 helps only the highest earners because they are the only ones who would repay it in the time. Cutting interest rates helps only the highest-earning graduates. Increasing the repayment threshold helps lower and mid-earning graduates, and arguably is negative for higher-earning graduates because, as they repay more slowly, they will pay more interest, but as there is no penalty for overpaying they can stop that pain so it does not really hurt them in any case.

It goes back to what I said earlier. If you gave me half a billion pounds, or whatever this would cost—a limited amount of money—this is the first place where I would put cash. The second place would be an increase in maintenance and living loans.

The Chairman: Can I ask about the 6% interest rate? Your point is that the highest-earning graduates are the only ones who repay. They pay back a multiple of what they have earned. To what extent do you think there is a danger that they might be advised by people like you to repay the loan early or take out a commercial loan, which would be less expensive for them in the long run, thereby undermining the financial basis of the scheme?

Martin Lewis: There is no danger that I would advise them to do that. My guide is very distinct. Most people should not consider overpaying this loan, because the biggest priority, for young people anyway, is building a mortgage deposit. You should easily be prioritising that. The only people who should ever consider paying this early are those who are in the top 20%-odd of earners.

The Chairman: But if they all did that, the basis of the funding of the scheme is undermined.

Martin Lewis: The people who would do that in practice are only those who come from backgrounds where they had the cash in the first place to clear it, and therefore they are just taking a delayed decision, as I advise them to do. To be straight with you, if they come from a wealthy background my advice is that they take the hit on the RPI plus 3% while they are at university, until they understand what their graduate earning potential will be afterwards. If they have a high earning potential afterwards, and have the money and the mortgage deposit, they might want to clear it. If they do not have a high earning potential, they do not clear it. We are talking about a starting salary of £38,000 and then going above the average. The system is already skewed at the top end, because if you are Mark Zuckerberg you would clear it in a month and not pay any interest anyway. I do not think it is the biggest concern. A little bit of skewing will happen, but I do not think the Treasury accountants would be that worried.

Lord Darling of Roulanish: You have all mentioned living costs and talked about grants. Presumably you do not mean the sort of grants that were around 40 years ago where, unless you got the full amount, there was a parental contribution that in many cases was never paid.

Martin Lewis: That is what we have now with the parental contribution. In many cases, it is never paid; it is just a parental contribution to a loan.

Lord Darling of Roulanish: But, as I understood it, you were arguing—perhaps it was more Ms Martin than yourself—for grants to be restored.

Martin Lewis: No, I was not. I was saying that would not be a priority for me, because it is only for higher-earning graduates, but psychologically it is a priority. The problem is that psychologically it is a priority, because it is a mistake.

Lord Darling of Roulanish: Thank you for clarifying that. The second point is that you have argued eloquently about the rebadging, explanation and transparency of the loan system that we have at the moment. Do you have a view as to whether it was a good idea to increase the fee from £3,000 to £9,000? At £3,000, the argument was that you were making a joint contribution, along with the state, whereas at £9,000 it is really all you—or do you think that is neither here nor there in the light of what you said?

Martin Lewis: With hindsight, I think it was a mistake because clearly the Government got the sums wrong and people have not been repaying anything like as much. I would slightly take issue with you. We shifted the dial more towards the individual contribution. If you look at the entirety of maintenance in a shared system, was it a mistake? In the way it was done, it was definitely a mistake because it was not explained. It should have been better explained. They should have got the maths right in the first place. We should have renamed it at that time. I probably did not agree with it at the time. I thought you should have renamed it before you increased the fees. You did it at exactly the same time, and people just talked about it as a spin.

It has become a political football. I do not know anybody who has gained that much by increasing the fee to £9,000. I do not think the individual has gained particularly, and the economy has not gained from it, given the structure and the way it worked out. It was a mistake—but, to be fair, that is with hindsight. But universities got the TE grant. That could have gone up as well.

Lord Sharkey: If you are a devout orthodox Muslim, you will not take out an interest-bearing loan. When the fees were £1,000, even £3,000, it was supportable by families and extended families; they could just about manage it. But now it is £12,000 that cannot happen, and there is still a barrier for people who object for religious reasons to interest-bearing loans. Do any of you have experience of that?

Martin Lewis: I was involved in a campaign to have sharia-compliant student loans. They have not been brought in yet. I cannot remember the exact point we reached, but sharia-compliant student loans are possible. If you did not call them loans it would make life a lot easier, would it not? Sharia-compliant student financing is certainly possible, and the last thing we want to do is disfranchise Islamic youth from going to university. One suspects that that would be a mistake with much broader reach.

Lord Sharkey: But it has been a problem since at least 2012.

Martin Lewis: I talk to sixth-form students, and often the schools I go to have a large proportion of Muslim students. It is a question that always comes up. They are worried about going to university and disappointing their parents in case they have to get a loan, and whether they can afford it. It is absolutely a concern. I thought it had been brought in, or was coming in.

Lord Sharkey: The Government have promised that it will probably be brought in for the cohort going to university in 2020.

Martin Lewis: It has been delayed again. I am out of touch.

The Chairman: I thank you all on behalf of the Committee. This has been a very lively and interesting session, and we are very grateful to you for coming. We hope our inquiry will be completed by the beginning of next year. We are doing a pretty in-depth study of the whole sector, and it has been extremely useful to have your views. It is not just about finance. It was most helpful.