

14th April, 2026

Dear Chair and Treasury Select Committee

Re TSC Inquiry: Student loans and taxation of graduates

I am delighted that you and the Treasury Select Committee are looking into this important issue of student loan finance and how to ensure the system is both fair value for taxpayers, graduates and ensures that going to higher education is a pathway that everyone can take who has the potential, irrespective of background.

As a former Education Secretary, and first in my family to go to university, I wanted to reach out to the committee and would be happy to give oral evidence if that is helpful.

As Education Secretary in 2017, I had flagged my concerns that the student loan system we had was not resilient for the long term, nor likely to continue working in its social mobility objective of enabling university to be a viable pathway for young people from all backgrounds including the most disadvantaged. I should say that these concerns fell on deaf ears at the Treasury.

I'm writing to the committee because in spite of the lack of appetite back in 2017, I nevertheless had the Department for Education look at a workable proposal for an alternative approach. It is this alternative I would encourage the committee to look at alongside the very sensible questions your inquiry poses regarding the operation of the current system.

I attach a transcript of an article that I wrote in 2018 that sets out the potential reform as I saw it back then. It obviously reflects the policy detailed position then but the proposal remains essentially fit for purpose. Moreover, I believe the opportunity to have a joined-up approach for employers who take talent from both higher education and other routes, alongside a more progressive approach for graduates and a more effective value-for-money approach with universities has become even more compelling and essential.

It is time to stop tweaking a failing system that is predicated on a 'market' approach to higher education which experience shows has simply has not operated in practice - arguably neither on the demand nor the supply side. I recognise the Committee is perhaps taking a more limited approach in relation to an inquiry into the current system, but I encourage the Committee not to miss the opportunity to, if nothing else, understand why significant change was not embraced earlier, and also go encourage the Treasury to think more strategically on this issue.

With best wishes,



Rt Hon Justine Greening

2018 Student Loan Reform Article:

Justine Greening: How to reform tuition fees and student debt – with a Higher Education Fund

[April 3, 2018](#)

Justine Greening is MP for Putney, and a former Secretary of State for Education.

I was the first person in my family to have the chance to go to university. I know how much it transformed my prospects and, in many ways, my life, so for me like so many others, making sure the system works for the students in it now really matters.

Of course, understanding the Higher Education funding system we have in our country is like taking a degree in itself; it's pretty complicated. Many people will confess they don't really understand how it works; yet the debate over tuition fees and the taxpayer loans that students need to fund them has been one of the most controversial political issues of our time.

The Current System

Let's start with how the system currently works. Overwhelmingly, degrees cost students £9,000 per year in fees. That fee money is provided up front by the taxpayer and then is owed back to the taxpayer as a loan repaid by the student.

Most students also have to have another loan of cash from the taxpayer to fund living costs – that's called the maintenance loan. It used to be a grant.

Not all students need a loan to pay the fees and living costs. Some families are wealthy enough to simply cover the fees (not many), but many more better off families understandably help out with living costs for their children at university. So students from more disadvantaged backgrounds, who don't have parents who can help out with living costs, often end up leaving university with more debt than their better off peers, which isn't good for equality of opportunity.

The more complicated bit is how students then pay back the money they've borrowed from the taxpayer.

The way it works is that graduates have an extra 'Graduate Contribution' that is taken out of their payslip to pay off the taxpayer loan, but in order to be affordable they only start paying it when they're earning above a certain income threshold (£25,000 from April 2018). Then they pay nine per cent of the extra earnings above the threshold. It's like an extra surcharge on top of income tax and national insurance and is collected at the same time by HMRC to pay off their taxpayer 'loan'. Most graduates won't pay enough Graduate Contribution over 30 years to pay off their loan. The taxpayer writes off the rest.

Amidst the complexity, this approach has meant proper, sustained funding for our world-class universities and real investment in high quality degree courses, which is why the OECD has praised our system. Crucially it's meant that, unlike Scotland, we have been able to remove any cap on student numbers. Now if you get the grades, you can go to university. That is a huge boost for social mobility and we've seen record numbers of disadvantaged young people now getting to university for the first time.

But that doesn't mean our system can't be improved, and it doesn't mean we should just assume it will continue to deliver more opportunities for more students, forever. As fees have risen, the level of debt has grown. While the gap has narrowed between the proportion of disadvantaged young people going to university and their better off peers, it still remains wide.

In announcing a major review of student finance, the Government has at least opened up the possibility of looking at what a better approach might be. Resolving this issue matters if we are to become a country where there is equality of opportunity, and it is far too important to continue to be kicked around like a political football by Westminster parties. Young people deserve better, and universities – often major employers in their local communities – need certainty.

In practice, you can mend the current system, perhaps by reintroducing maintenance grants and tackling punitive interest rates, or make more fundamental changes. For this, ideally there needs to be a broad consensus.

A Higher Education Fund reform:

A broader reform could bring real sustainability to Higher Education financing if the Government is prepared to think for the long term. It would involve reworking the parts of the current system that don't work, but also keeping the sensible elements that do work.

Firstly, maintenance grants should be reintroduced. To remove them was regressive and this mistake should be rectified. Under the current maintenance loan approach, students from lower income families less able to help them with living costs, come out with more debt, like for like, than their better off peers. That's unfair and cannot be allowed to continue.

Secondly the Graduate Contribution should stop paying *off* a "loan" and instead be paid *into* a Higher Education Fund (akin to National Insurance funding the NHS/pensions).

All graduates should pay for the full time period, not just the lower-earning 70-80 per cent. That would mean that, fairly, the graduates that earn the most from having a degree would pay the most into the Higher Education Fund. As a higher proportion of adults in the future are likely graduates, Higher Education Fund costs could be spread more thinly across more graduates.

Graduates should fund the Higher Education system they benefit from, rather than those people who don't. Most students do feel there is an issue of fairness about this; that their peers who do not go to university should not have to pay for those that do, especially when graduates are likely to do better in future earnings as a result of having a degree. I think that's right – broadly, those who benefit from university degrees should pay for them.

Employers could also contribute to the Higher Education Fund for degrees that are critical to their organisations, for example STEM degrees. Bursary strategy could fit into the HE Fund. A reform of the apprenticeship levy to become a wider skills levy could be a way to effectively channel extra funding and incentives to plug the skills gap and give employers some of the flexibility that they are asking for in the apprenticeship levy. It would require looking at the levy rate.

The impact of this would be a reformed system with a Higher Education Fund that:

- Is progressive not regressive: Graduate Contributions go to a Higher Education Fund, financing current students to get the same opportunities to go to university that graduates have had. This is the exact opposite of the unfair proposal by Labour at the last election to scrap fees and have university funding paid for by general taxpayers – it was hugely regressive.
- Tackles debt aversion: a Graduate Contribution based system means no annual interest statement with a loan and interest rate. Potentially over £100m annually saved by not having the Student Loan Company calculating, preparing and sending out those annual loan statements.
- Means better decisions for young people considering university: Not "are my (extra) future earnings worth taking out this student debt for?" which most won't pay off anyway – but instead "are my future extra earnings only possible if I have a degree?".

These reforms mean that those graduates from disadvantaged or from better off backgrounds who want to go into public service or socially valuable but relatively lower paid roles per se, will not do so with an impossible debt hanging over them. Likewise, those that do the best financially from their degree – again, irrespective of background – will contribute the most into the Higher Education Fund to continue to finance a world-class Higher Education system for current students.

Finally, and optionally, universities could be funded for the actual costs of delivering the course rather than the present flat £9,000 fee. The Higher Education Teaching Grant already bands different degrees on costings, recognising that some, such as STEM degrees, require extra money to cover higher costs. Universities themselves cross-subsidise from lower cost degrees to higher cost degrees. The taxpayer has no sight of this. Instead, doing this at the national level with a banding system (similar to the teaching grant system which already exists for the Teaching Grant to top up STEM degree costs) would also give taxpayers a better driver for ensuring value for money of the same sort of course at different universities and also in relation to the differing career and earning outcomes for graduates.

The major review into Higher Education finance is an opportunity to take a fresh look. It should be guided, above all, by changes that are fair – so those who benefit the most, pay the most – and that help deliver equality of opportunity. After that, value for money and a system that works with the grain of delivering what the UK economy needs are also important.