

Freedom of Information Act 2000 (FOIA)

Decision notice

Date: 20 December 2024

Public Authority: Department for Education
Address: Sanctuary Buildings
Great Smith Street
London SW1P 3PT

Decision (including any steps ordered)

1. The Commissioner's decision is that, on the balance of probabilities, the Department for Education (DfE) doesn't hold the information the complainant has requested about the money made from the interest rate margin between the government cost of borrowing and the interest rate charged on student loans. However, because DfE didn't confirm that it doesn't hold the information within 20 working days of the request, it didn't comply with section 1(1)(a) and 10(1) of FOIA.
2. It's not necessary for DfE to take any corrective steps.

Request and response

3. The complainant made the following information request to DfE on 4 June 2024:

"Can you please tell me how much money the Department for Education/HM Treasury has made out of the interest rate margin between the Government cost of borrowing and the interest rate charged on student loans?"

4. On 26 June 2024, DfE responded to the request. It handled the request as a 'normal course of business' enquiry rather than under FOIA and provided a narrative explanation to the request.

5. The complainant requested an internal review on 3 July 2024 and DfE provided one on 31 July 2024. It advised that it was now handling the request under FOIA and confirmed that it doesn't hold information on any profit/loss made from the difference between the interest margin between the government cost of borrowing and the interest rate charged on student loans.

Reasons for decision

6. This reasoning focusses on DfE's compliance with section 1(1) and 10(1) of FOIA in its handling of the complainant's request.
7. Section 1(1) of FOIA obliges a public authority to (a) confirm whether it hold information an applicant has requested and (b) to communicate the information if it's held and isn't exempt information.
8. Section 10(1) obliges the authority to comply with section 1(1) promptly and within 20 working days following the date of receipt of the request.

9. In their complaint to the Commissioner, the complainant said,

"... The reason I don't believe the department is because having the information would be a part of the departments accounting function and would be required by the department internally in order to assist with decision making on spending, budgeting etc.

The department must know the cost of borrowing from HM Treasury, the must know the cost of lending to students, they must know the number of students being granted loans, the numbers of students who have and haven't paid back student loans etc."

10. The Commissioner put this argument to DfE and asked DfE to address it. In its submission to him, DfE explained the following:

"I can confirm that the Department for Education (DfE) does not calculate the difference between the government costs of borrowing and the interest rate charged on the loans, and, therefore, does not hold such information. The DfE accounts for the cost of the student finance system via the Resource Accounting and Budgeting (RAB) charge. The RAB charge is the expected government subsidy on student loans issued in any particular financial year. The RAB charge is calculated as the present value of student loan outlay less expected future repayments in accordance with relevant International Financial Reporting Standards (IFRS) and HM Treasury (HMT) guidance on interpreting those standards.

HMT determines the discount rate, based on analysis of real yields on UK index-linked gilts (i.e. relevant measures of the cost of government borrowing), which is specifically appropriate for central Government.

Interest charged on student loans is added to students' loan balances. Interest added to students' balances brings down the RAB charge – reducing the government subsidy on student loans – only if it is forecast to be repaid. This depends on macroeconomic factors, in particular average earnings, given the income-contingent nature of repayments.

In the most recent financial year for which accounts have been published (2022-23), the department's RAB charge was £5.5 billion, or 27% of the £20 billion of loans issued that financial year. £4 billion of repayments were received.

27% of total Plan 5 loan balances issued in academic year 2023-24 is forecast to be subsidised (RAB charge). The level of subsidy, as measured by the RAB charge, is an important and conscious investment in the skills capacity, people and economy of this country and one that is even more important in the current circumstances. The DfE, HMT or wider the government therefore does not make a profit from the student loans system.

Since August 2023, new borrowers issued their student loans on Plan 5 terms benefit from interest rates charged on student loans to RPI only. This means that no-one who takes out a loan on the new Plan 5 terms will repay more than they borrowed over the lifetime of their loans, when adjusted with inflation.

The new loan plan requires students to repay when earning over £25,000 (increasing with inflation from April 2027) and has an extended loan term of 40 years.

We set out the points above in our response to the requester of 26 June 2024, clearly stating that the DfE does not hold this information because we recognise a broader measure of the benefit/cost to government from providing student loans (the RAB charge), in line with relevant International Financial Reporting Standards. The RAB charge figure shows that the department does not expect to make a profit on student loans.

Information on student loans spending/income setting out how DfE budgets for interest can be viewed in the Department for Education Consolidated annual report and accounts and Annex 2 to Chapter 8 of the consolidated budgeting guidance .

The Government does not expect all loans to be repaid in full and therefore expects to subsidise a proportion of the total student loans book. The government, therefore, does not make a profit from the student loan system.

The original response sent on 26 June 2024 stated that the government was then forecast to subsidise 27% of the total outlay for full-time Plan 5 student loans issued in the financial year 2023-24. The forecast was updated in the 27 June 2024 publication 'Student loan forecasts for England', which shows that the government is now forecast to subsidise 29% of the total outlay for full-time Plan 5 student loans issued in the financial year 2023/24."

11. DfE's submission concludes by confirming that, because of its explanation above, it wasn't necessary for it to carry out any searches for the information – it doesn't hold the information and has never held it.
12. The Commissioner considers that DfE's submission has satisfactorily explained why it doesn't hold the specific information the complainant has requested. He accepts DfE's position. However, DfE didn't confirm it doesn't hold the specific information requested within 20 working days of the request. It therefore didn't comply with section 1(1)(a) and 10(1) of FOIA on this occasion.

Right of appeal

13. Either party has the right to appeal against this decision notice to the First-tier Tribunal (Information Rights). Information about the appeals process may be obtained from:

First-tier Tribunal (Information Rights)
GRC & GRP Tribunals
PO Box 9300
LEICESTER
LE1 8DJ

Tel: 0203 936 8963

Fax: 0870 739 5836

Email: grc@justice.gov.uk

Website: www.justice.gov.uk/tribunals/general-regulatory-chamber

14. If you wish to appeal against a decision notice, you can obtain information on how to appeal along with the relevant forms from the Information Tribunal website.
15. Any Notice of Appeal should be served on the Tribunal within 28 (calendar) days of the date on which this decision notice is sent.

Cressida Woodall
Senior Case Officer
Information Commissioner's Office
Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF