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MONEY BOX LIVE

Presenter: PAUL LEWIS

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LEWIS: Hello and welcome to this special Money Box Live on student finance. *(Audience applause)* Well, as you can hear, we're not in the studio. We're in the lovely spa town of Harrogate in North Yorkshire; guests of Harrogate Grammar School Academy. Founded in 1903 with just 44 pupils, it now has more than 1700 and more than 500 of those are in the sixth form. And despite its name, it's a comprehensive, non-selective state school. And our questions come live today from this audience of mainly sixth formers, though they've allowed a few parents and teachers in, and we're in the school's new Forum Lecture Theatre. Our topic today is of course, as I said, student finance because the sixth formers in England applying for university places in 2012 will be the first to pay the new higher fees of up to £9,000 a year. Of course there are other money worries for young people. After today's unemployment figures, will they get a job being one; affording a home to buy or even to rent another; and of course managing to avoid other debts will be a third. Here's what some students told me earlier they wanted to get from today.

STUDENT 1: Some more information about sort of the finance and how we're going to get through university with money being such a key part of the course.

STUDENT 2: I hope to find out how exactly I'm going to manage to fund everything - you know how I'm going to sort of budget my life at university and how I'm going to benefit from money and not having money in that sense as well.

LEWIS: Amelia, money is obviously an issue. What's your particular concern?

AMELIA: My particular concern is those with learning difficulties, and I'd like to know how we'll be able to benefit or not benefit from the cuts in funds for those going to uni.

LEWIS: And Tom, are you hoping to go to university like everyone else?

TOM: I want to go to London College of Communication to study advertising.

LEWIS: It's an expensive place to live. How are you going to manage?

TOM: Well I'd obviously need a job, but it's scary really.

LEWIS: Four of you talking to me earlier. And to try to answer those questions and of course live up to your expectations of answers, I have with me first Keith Houghton who is Head of Student Funding Service at Kingston University. Mo Onyett is Student Money Advisor at the University of York and she's also a trustee of NASMA, the National Association of Student Money Advisers. Both of them of course experts in student grants and loans throughout the UK. If you want to escape the UK, especially England and its new fees, Mark Huntington is the founder of A Star Future and an expert in undergraduate opportunities abroad. A growing number of young people planning to do just that to avoid the new fees. And finally Christine Ross is here. She's Head of Financial Planning at SG Hambros and can talk about other financial matters such as student bank accounts, saving and budgeting. Our first question today is from Henry Clark. Henry?

CLARK: As a student in year 12, who would eventually like to go to university, I'm just wondering in general what are the changes going to mean for me?

LEWIS: The changes to the grants and loan system?

CLARK: Yes.

LEWIS: That's a big question and let's start with an answer. We'll start with Keith Houghton.

HOUGHTON: Well the first thing to say is the only thing that's really changed in the system is the numbers. The actual application system and how it's all paid to you stays exactly the same. What it does mean is that when you start university, you will get a package of support from the government, which is a mixture of grants and loans. Grants you don't have to pay back; loans you pay back once you've completed your course, you're working, you're earning at least £21,000. And the amount you get will be partly determined by household income, pretty much as it is now.

LEWIS: And household income, you mean parental income?

HOUGHTON: Parental income for most people, yeah.

LEWIS: We'll come onto that later. And Mo Onyett, just tell us about this £9,000. Three years at that, plus of course your living expenses. A huge debt. Should students be worried or potential students be worried about that?

ONYETT: Well I think what they need to be looking at is not the numbers as they are presented before them, but really the repayments they would be expected to make on those loans once they've actually finished their course. We've said students are not going to have to repay until they're earning £21,000 a year or more, so what they need to be doing is looking at the fact that the repayments are likely to be the same each month no matter how much they've actually borrowed. They might have to repay for longer if they've borrowed more, but essentially the monthly repayments will be in line with what they're earning as opposed to in line with what they've borrowed.

LEWIS: So is it right really to look on this more as a graduate tax because for many people they'll be paying an extra 9% on income above £21,000 for most of ... well 30

years of their working life?

ONYETT: I'm not sure that we can really call it a graduate tax. I think we can look at it as a graduate contribution. They are potentially going to be making payments throughout their working lives. But in the same way that tax is deducted from their wages, it will be deducted at source, and so in that sense it is a bit like a tax.

LEWIS: Yes and of course the same of students who've left now, but they pay when it gets to £15,000 earnings. Hannah Bowman's also got a question, I think a bit more practical one, about these arrangements.

BOWMAN: I'm just struggling to understand how we apply for the grants and loans; and when we do get them, does the money come to us and then go to the universities, or does it go straight to the universities?

LEWIS: Keith?

HOUGHTON: It's an online application that you make through the Student Finance England page on the Directgov website. It's been streamlined quite substantially in the last few years, so if both your parents are employed, they're not self-employed, and they get a P60 every year, they put their income details on and they don't need any evidence off at all. If you've got a passport that's in date, you don't need to send any evidence off at all. You put your passport number on the application system. The one thing that is very important to note is once they've got to the end of the process, they'll send you a letter that gives you a list of what you're entitled to, and that will have a form in it that you must sign and send back or they won't pay you. Any money that you get - so either a loan for living costs or the maintenance grant - will get paid to you, and you get about a third of that at the start of each term. Money for tuition fees gets paid directly to your university.

LEWIS: Right, so that £9,000, which is the biggest amount, goes straight to the university?

HOUGHTON: It does.

LEWIS: It doesn't touch your bank account. But the rest of course is yours and you have to take account of it. Henry and Hannah, does that answer your questions? Any more points you'd like to know?

BOWMAN: No, that's it.

LEWIS: Advice? Henry? That's a comprehensive answer then. Thank you both very much for those questions. And I think that practical one about where the money goes is perhaps the most interesting one in a way. Alyssa Middleton is next. Alyssa, what's your question?

MIDDLETON: This is in response to the 28 universities coming out saying that they're going to lower their fees. If I've already applied and found out a choice that I was considering is lowering their fees, is there any way I could possibly change my application to include that university?

LEWIS: Now these are the universities that have lowered their fees because the government has sort of changed the rules, Keith - is that right - so that they think that they can ... they now want to have lower fees, so they have less onerous obligations on them?

HOUGHTON: Yeah, that's right. What these 28 universities have decided is they want to lower their average fee to £7,500 or below, so that they can bid for an extra 21,000 student places amongst them. But for students who've done what your sixth form advisers will have advised you to do and made an early application, it's too late; you cannot change your application. You can only change the application you've made to UCAS within 7 days of getting your welcome letter from UCAS.

LEWIS: Yeah, that seems a bit unfair in a way, doesn't it, because this has all happened rather late and yet people who've done it in good time ... Are you one of

those, Alyssa?

MIDDLETON: Yes, it went off at the end of September.

LEWIS: Right, so Alyssa was well in time. And now for the ones who did it at the right time, it's too late, and for other people they might be able to change.

HOUGHTON: But the important thing to remember is that the fact that a university is charging a lower price for a course doesn't necessarily mean that that course is going to be exactly the same as one that you've applied to because a course in history at the University of York will probably be very different to a course in history at Kingston University. So rather than looking at the price the university says they're going to charge for the course, look at the subject content and whether or not the university is the sort of university you'd want to go to.

LEWIS: I suppose it's also true, isn't it - Mo, I don't know if you can comment on this - that if the fee is £9,000 or £7,500, for many people they'll still be paying the same amount for 30 years and then they won't have paid it all off and it'll be written off? So the size of the fee shouldn't really worry people too much.

ONYETT: Yes, I mean that is true. It is really looking at the practicalities of the repayment rather than the size of the initial fee.

LEWIS: Yes, so don't be sort of over tempted to the cheapest universities. Go for the course that you think is best for you. Right, well thanks very much for that Alyssa. Matt Price has a slightly different question, I think. Matt?

PRICE: Yeah, I'm more concerned about the actual management of my money whilst I'm at university, and I just need a place where I can go to get advice on working out how much I'm going to need to live on. I mean I know it's going to differentiate between areas - I need more in London because of the area, whereas in comparison to other places I might not - but just a place really to gauge how much I'll

need.

LEWIS: Yes, I remember when I was at university, I took out £5 a week and I thought I was quite well off. *(laughter)* Christine Ross, you deal with people's money. How do you manage ... Because it's the first time, isn't it, that you're on your own completely? No mum and dad there for most students. You've got to manage your money.

ROSS: You have. And, Matt, the first thing I'm sorry to tell you is there's no-one that's going to tell you exactly how much you're going to need. There is a sort of saying that somebody shouldn't spend more than they earn, so there is an argument that you know a student shouldn't spend more than the sum of their loans, grants, any bursaries and perhaps any part-time job earnings. I think the best thing you can do for some practical advice really, first of all is read as much as you can. I'll probably keep saying that the website Moneysavingexpert.com is fabulous and it's got a sixth former's guide on there to start an actual sort of teen cash portal as well, just to start to have a look about all these things. But I suppose start to think, maybe ask your mum, in the sense of what's it going to cost to eat all week, how often do I want to go out, who's going to pay my mobile phone? Check mum and dad's home insurance policy to see if any laptop or anything can be covered by them and not by you. But it is really starting to get a feel. And the first few weeks at university, you know you'll probably find that you use a disproportionate amount of your funds up, but it's learning from that and getting an idea of what things cost and then looking at ways to save money. The student overdraft from any bank account you're going to have is not part of your income. It's not cash flow. It's actually there for absolute emergencies. Some banks now even almost dole out the overdraft term by term, year by year. They don't let you spend all of it upfront. I'm sorry there's no magic answer, but it is a trial and see, but there's a lot of research you can do and that website is very helpful.

LEWIS: And of course you are getting, as we heard, you're getting a third of your year's grant at the start of term one, and that seems like a lot of money but you've got to divide that by the number of weeks it has to last.

ROSS: You have to divide it up. And also there's all those other incidentals that I guess you know when you live at home, you never really realise. Like washing your clothes. It doesn't sound very financial, but there's all those things. You've got to think how much the bus fare's going to be and how much is it going to cost me to eat. And the other thing - with the student accounts, don't just go for those because of the freebies that are attached. The railcard's useful, but you know so many free downloads from iTunes, well maybe that's something you can possibly do without. So you know look at the monetary amount to calculate how much these are actually worth to you and how much that'll extend your finances by.

LEWIS: And of course somebody has to pay the TV licence, I might add as well. Keith Houghton, are more people living at home with mum and dad because they can't afford it or of course they don't feel they can manage?

HOUGHTON: I mean that's been a trend for quite a few years now, but I think we are seeing it more and more. The other thing I would add to what Christine has said is once you're at university, there'll be people like Mo and myself there who are there, we're trained to actually help people with budgeting, managing on their money, and we don't judge.

LEWIS: No. And, Mo, I suppose you know anybody's advice is pay the things that have to be paid first - rent, electricity bill, things that can actually get you into difficulties. Is that what you say to people?

ONYETT: Yes, definitely. It's worth making a list of all the outgoings you're likely to have and then identifying your priorities.

LEWIS: *(laughing)* Well the priorities, maybe not your priorities. Yes, so rent and things like that. What would you say they were?

ONYETT: I would say that they are particularly rent and your general living costs. I wouldn't identify a wild social life as being something that is vitally important. However, in your first few weeks at university you are going to want to spend quite a

bit on socialising because you're going to need to get to know the people around you, get to know the area where you're living. So it's worth actually thinking about things like that before you go to university and perhaps planning for those first few weeks as well.

LEWIS: Okay, well thanks very much for that. And moving away from budgeting in the UK, I think Grace Miller's got a rather different question. Grace?

MILLER: Even though I have applied for universities within the UK, I am still interested in applying for universities abroad, especially in Holland. And I'm just wondering if I can't get a student loan, would I be able to get any financial help at all or would I just have to rely on myself to make money or my parents?

LEWIS: Yes, so you're thinking of studying abroad. Well we have just the man here: Mark Huntington from A Star Future. Mark?

HUNTINGTON: Well, firstly, if you do your full degree abroad, no matter where you go, the British Government is not going to help you at all. There will be no financial support available from the UK Government. Having said that, within the European Union there are firstly some countries that don't charge fees whatsoever, so it's completely free to study in Denmark, Norway, Sweden, for example. But then even countries like the Netherlands where they have a moderate level of fees of around 1700 euros, there is financial support available. It's coming from the Dutch Government rather than from the British Government. Anybody who has an EU passport who studies in the Netherlands is entitled to a tuition fee loan. That's currently for 1,713 euros. In contrast to the UK, that money does get paid into your bank account and then you are responsible for paying it on a monthly basis to the university. Anybody can get that. What you can't get is a maintenance loan. They won't give you any money to support yourself while you are there, so if you're planning on not working while you're a student, you're going to have to figure out how you borrow that money to keep yourself alive. However, if you do work 32 hours a month in the Netherlands, then there is a grant that kicks in. The Dutch Government will actually give you a grant. It's currently 266 euros and 23 cents a month. So you

put that together with your part-time earnings. For a job of 32 hours a month, that's likely to be around 300 euros. You'll probably have a monthly income then of somewhere around about 550 to 600 euros. Most Dutch students do actually work while they're at university; it's a perfectly normal thing to do. I would suggest that isn't quite enough to live on, but it does mean the shortfall will be somewhere in the region of 100 to 150 euros a month, which perhaps when you look at it from that point of view, you put it together with the tuition fee loan - the average Dutch student leaves university with a debt of around say 10,000 euros, something like that, which in comparison with the UK situation is quite a lot lower.

LEWIS: And Mark, you've explained that system very clearly, but there are 27 countries in the European Union. We already heard in answer to Henry's question about the complexities of our system. Are there really 27 complex systems to get to grips with and how do you ... I don't mean how do you do. How do these poor people do it if they're thinking of going abroad?

HUNTINGTON: There are at least 27 different systems within Europe. However, they all share a few things in common. Basically if a domestic student is entitled to a tuition fee loan, then a British student is entitled to it there. So if you went to a country which charges fees, you should be able to get the same kind of support. Now in most countries in Europe, that is actually means tested, so you don't really have an automatic right to it, but it is available to you. Maintenance loans though, you can only really get those if you've been resident in the country for 3 years before you start studying there.

LEWIS: And I'm going to ask Keith Houghton because I know he knows. We're one country, the United Kingdom, but we're actually also four countries.

HOUGHTON: That's right.

LEWIS: What about people who may want to go to Scotland or to Wales or to Northern Ireland? How do they stand? Do they have to pay English tuition fees wherever they go and vice versa if Scottish students come down to England?

HOUGHTON: Okay, we'll deal with an English student going somewhere else in the UK first. You would pay the fees that are in force in whichever country of the UK you'd be going to, so in Wales and Northern Ireland it's likely to be up to £9,000. Scotland haven't yet announced what they're going to be doing for next year. A student from Scotland, Wales, Northern Ireland coming to England will pay the English rate of fees, but for their live-in cost package you get the package of support whichever part of the country you live in and that's probably where some of the biggest differences actually occur.

LEWIS: And of course if you are people listening who are in Scotland, Wales and Northern Ireland, they pay much lower fees in their own country if they stay there.

HOUGHTON: In Wales they certainly do. Welsh students will only pay next year a maximum fee of £3,465 and the Welsh Government will actually give them a grant to cover the rest of the fees regardless of their household income. Fees in Scotland for Scottish students are actually at the moment free of charge, but I think the consultation - I'm looking at Mo for a nod or otherwise here - might well change that for next year.

LEWIS: Right. Mo?

HOUGHTON: No.

ONYETT: I honestly don't know.

LEWIS: Mo doesn't know. Well I mean it is complicated. I can't get my head round the English one, never mind all four. So thanks for that summary. So it is a bit more complicated for people listening outside England. And of course for any of you who want to go to a Scottish or Welsh university, you will end up you said paying English tuition fees even though it's in that country. Though there's some court case in Scotland, isn't there, about that ...

HOUGHTON: There is.

LEWIS: ... so we're not quite sure exactly what's going to happen there. So that's something else you won't know till you've actually started. So Grace, does that help you? Does that help answer your question?

MILLER: Well in the future, do you think that the fact that the UK Government doesn't help English students that go abroad financially, do you think that will change? Even though the world is becoming more international and surely you know the British label of British people not being able to speak different languages and things like that, surely in the long-run it would be beneficial for a UK student to actually take their skills further afield?

LEWIS: Yes, I mean that's a sort of policy point. Mark?

HUNTINGTON: *(over)* You're absolutely right and the British Government does occasionally make this point that it would be better if more British students did go abroad, and they are keen to encourage that. What they definitely are not going to do any time soon is give you the funding to do that for a full degree. You could potentially do it ... The system that the British Government will support is if you do an exchange as part of a British university degree, but that's literally it; and with the current funding changes or the current fee changes, that's not as good a deal as perhaps it was in the past.

LEWIS: And it's worth saying too if you do want to go to some European countries, you can actually do the courses in English, can't you? You don't have to learn Dutch, for example?

HUNTINGTON: Oh exactly. I mean in the Netherlands there are at least 200 degrees taught in English now.

LEWIS: Yeah, so that's another plus, I think. And thanks very much for that

question, Grace. We're going to go to Beth Cornell now. Beth?

CORNELL: Hi. My question is why is it when some parents don't approve of their children going to university and they've refused to support them financially that the student's ability to access a grant is actually linked to their parents' income?

LEWIS: Right. That's a bit of a big question there, isn't it? And I think Charlotte Dalrymple, who's a teacher, also has a question. Charlotte?

DALRYMPLE: Actually it's pretty much the same question that I have actually. What happens if a parent doesn't support their child's application when they have a high salary?

LEWIS: (*over*) Yes if they have enough money, but don't choose to do so. So I suppose really there's two questions. It's what happens and why does it happen? Why is it means tested on parents, Keith, and what happens if the parents just say, "Well, sorry, I think you should do something else. I'm not going to help you"?

HOUGHTON: It's been government policy for it to be done this way for longer than I care to remember. The Secretary of State about four secretary of states ago said that they wanted to get away from the idea of putting a means test and treating students as independent from the age of 18, which the part-time student support system at the moment already does. But full-time students, I think they had to draw a line somewhere as to where public funds were best put, and it does disadvantage quite a lot of people because they actually say that a student will be assessed on their parents' income if they're under 25 when they go to university and they can't show that they've been self-supporting for 3 years. In terms of the support that someone would get, the household income has to be above approximately £60,000 to mean that the student would get none of the means tested support whatsoever. The other thing to note is that sometimes parents for some reason don't necessarily want the student to see their household income details. That we see quite often. But in those cases, there is a way that a parent can give their household income details to Student Finance England without the student actually knowing what they are.

LEWIS: Mo, do you get lots of questions about this: why is it means tested on my mum and dad?

ONYETT: We do get lots of questions about that. I don't think I can begin to answer the question as to why, but what I can do is deal with the practicalities as to who might be eligible for support as an independent student and perhaps help those people who are considering whether they're going to be able to afford to come to university, how their student finance is going to be worked out.

LEWIS: Okay. And I can tell you that this has been going on since at least the late 1960s when I was at university. Christine Ross, parents who do want to support their children, what's the best way for them to do it, but perhaps in addition to what they're getting because what students get is little enough, isn't it?

ROSS: I'm asked frequently by parents who actually want to save in advance for their children and they use tax efficient savings such as Individual Savings Accounts, for example. But a lot of them of necessity leave that very late, so really what they're doing is an exercise trying to calculate how much their children might need. Some of them who are older parents have even used their pension schemes to do that. Because you get tax relief, you get tax back from the taxman for putting money into your pension scheme. They then draw their pensions and take their tax free cash from it. So I've even seen that happen, although it sounds slightly far fetched, as a means of raising money efficiently to help their children with education. It's an increasing worry for the people I talk to and some of them are even talking about it when their children are born. But it is something that is bothering parents; and moreover than that, they're worried about the children leaving university and further education with that debt and then wanting to move on to try and get on the housing ladder later on, and that particularly does concern parents.

LEWIS: And, Mark, I suppose this is more of a problem if you do go abroad because you get nothing from the Government. Parents have got to find it somehow, haven't they, or at least all students have got to work very long hours as well as study?

HUNTINGTON: Well absolutely, you do have to have the funding available to you beforehand, but at least in this kind of situation if you go abroad you certainly won't be penalised for paying upfront or anything like that. It certainly isn't a question that you know if you decide to get the finance that's available in the UK, that you know in that situation you don't actually know how much of that will ever be repaid under the current system; whereas if you're going abroad, you are going to just have to pay that money upfront.

LEWIS: And how do other people feel about being sort of means tested on their parents? Do you mind that it's your parents' income that determines what you get? Has anybody got a view? Yeah, there's a chap at the back there. We can rush up with the microphone, Ben. Thank you. A view on that?

STUDENT: Yeah, well considering that you're starting a new life with a degree, I don't understand why it should be assessed on your parents at all because as soon as you leave university, you're almost going to be separated from your parents and nearly everyone's on an equal footing. So considering that all the payments back are based on your earnings, why should the grants be based on your parents' earnings?

LEWIS: I think that's a question for a politician as much as the panel because that's the policy. As I say, it's been the policy for well a very long time - 40 or 50 years. But I certainly see the point. Do other people feel the same? How many of you think it should not be means tested on your parents' income? Hands up. A completely unscientific sample, but I think, my goodness, just about everybody. Anybody disagree? Anybody want it to be ... Yeah one or two think it's fair. Okay. And, Beth, does that help with the point that you made about parents? You know, are you happy with that? It doesn't really answer the political question, but at least it explains it. Okay, I think we've just got time to squeeze in one more question. Amelia Guinness has a question. Amelia?

GUINNESS: Hi. I would like to know whether people with learning difficulties will still get sufficient funding towards things like laptops and other equipment, etcetera?

LEWIS: Right, extra things they need because of their disability?

GUINNESS: Yes.

LEWIS: And not just those, but all disabilities. And I suppose given that universities are trying to save money, Mo, this is going to be a problem?

ONYETT: Well I can't comment on individual university policies, but what I can say is that universities do have a duty to support students with additional needs. There is also funding you can apply for through Student Finance England to help support you with additional costs that you might have in accessing your course, so you can apply for disabled students' allowance. It's really important for anyone who is applying for that, particularly if you have dyslexia, to know that you should have a recent diagnostic assessment that's been done since you turned 16, so that they can actually work out whether you're eligible for that support.

LEWIS: Right, so that's the kind of thing that I suppose you'd say anybody who's going to university go to somebody like you because there is somebody like you in every university who they can go to for advice?

ONYETT: Yes there is. I mean particularly on the issue of disabilities and additional support, there will also be advisers who are specialists in that area as well.

LEWIS: And Keith Houghton, is this a question you get a lot - people with disabilities? I mean is it a particular problem they need more money just to do what other people take for granted?

HOUGHTON: Yes, I mean the support that's available for those students makes sure that they can access the course and not have any barriers in the way of actually being able to do what a student who doesn't have that particular learning difficulty would be able to do. But there is plenty of support there, but you need to ask for it. It will also help the university if you've identified on your UCAS form because then the

disability office at the university will make contact with you or you can make contact with them and they'll know that you'll have these specific questions that you're going to ask.

LEWIS: Amelia, briefly does that make you feel a bit better?

GUINNESS: Yes, thank you.

LEWIS: Okay. Well thanks very much. I'm afraid that is all we have time for on air. There'll be another half hour on our website later in the week of this discussion, but for now let me give my thanks to Keith Houghton from Kingston University; Mo Onyett of the University of York and NASMA; Mark Huntington from A Star Future; and Christine Ross from SG Hambros. Thanks of course to the Harrogate Grammar School Academy, Head Teacher Richard Sheriff, and of course to our sixth form audience and especially those who asked questions. There'll be more on student finance on our website: bbc.co.uk/moneybox. In a few days you can hear the programme again, including the extra half hour, and a bit after that read a transcript. I'm back with Money Box at noon on Saturday and on BBC1 Breakfast around quarter to nine. Vincent Duggleby's here next Wednesday with our usual phone-in Money Box Live taking questions on small businesses. But for now, from Harrogate Grammar School Academy, non-selective, goodbye. (*Audience applause*)