

Student Loans

EDUCATION

Series closed - See Education Policy

Part 1: March 81

Part 3: Jan 90

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>12.1.90</del>							
<del>23.1.90</del>							
<del>23.2.90</del>							
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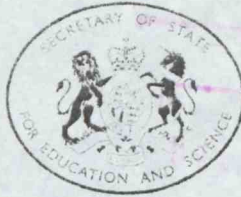
Series closed

**SERIES CLOSED**

**SEE**

**EDUCATION : POLICY**





ELIZABETH HOUSE  
YORK ROAD  
LONDON SE1 7PH  
01-934 9000



*CCP*

*NBB*  
*Rec 4/4*

The Rt Hon David Waddington MP  
Home Secretary  
Home Office  
50 Queen Anne's Gate  
LONDON  
SW1H 9AT

- 4 APR. 1990

*Dear David,*

**STUDENT LOANS**

Thank you for your letter of 22 March, in response to mine of 19 March.

I accept your view that it would not be right to provide in the Bill that the Company may hold National Insurance numbers. My officials will be making further contact with the Data Protection Registrar. He will, I hope, regard the amendment which we tabled in the Lords, giving additional protection to borrowers in respect of personal information concerning them, as a positive move to which he can respond.

Copies of this letter go to the Prime Minister, Geoffrey Howe, Malcolm Rifkind, Peter Walker, Peter Brooke, Tony Newton, John Belstead, Norman Lamont, Malcolm Caithness, Bertie Denham and Tim Renton.

*Yours ever,*

*JH*



EDUCATION  
Student Loans  
VTS



PRIME MINISTER 2

Note

This was discussed briefly  
in Cabinet and it was agreed  
there was no point in delaying  
No announcement that the Government  
will reverse the  
amendments.

STUDENT LOANS BILL

I have been checking with John MacGregor's office how he  
proposes to handle the announcement of the Government's intention  
to reverse the two defeats in the Lords on Monday on the Student  
Loans Bill. Rec 6 24/3

Having consulted the Business Managers, he feels it would be  
unduly provocative to make such a statement before the Third  
Reading of the Bill in the Lords tomorrow. He will therefore be  
announcing the intention to reverse the amendments either on  
Friday or Monday.

Rec 6

ant

Paul Gray

28 March 1990

CONFIDENTIAL



*File M  
c: / ewon / eep*

10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

27 March 1990

*Dear Stephen,*

After the meeting of E(EP) this morning, the Prime Minister held a discussion about the handling of the Education (Student Loans) Bill in the light of the two defeats suffered by the Government in the House of Lords on 26 March. Those present were the Lord President of the Council, the Chancellor of the Duchy of Lancaster, the Secretary of State for Education and Science, the Secretary of State for Scotland, the Lord Privy Seal, the Chief Secretary to the Treasury, the Solicitor General and Mr. Wilson and Mr. Monger (Cabinet Office).

In discussion it was noted that it would not be possible procedurally to reverse the defeats during remaining stages of the Bill in the House of Lords. They would have to be reversed in the House of Commons, but this seemed unlikely to cause great difficulty.

The Prime Minister, summing up the discussion, said that it was unsatisfactory that the House of Lords had again made amendments with expenditure implications to a Bill agreed by the House of Commons. The Government should proceed with its policy and invite the House of Commons to reverse the amendments. This should be done as quickly as possible, and care should be taken to avoid trouble on the issue in the Commons.

I am copying this letter to those present at the discussion and to Sir Robin Butler.

*Yours,  
P.G.*

PAUL GRAY

Stephen Crowne, Esq.,  
Department of Education and Science

CONFIDENTIAL

*M*





GR

P. hope to see

P.

✓  
BY 27/3

1. Mr Wilson

2. Mr Gray

G W MONGER

March 27, 1990

the Solicitor  
General

Draft letter for Mr Gray to send to  
Principal Private Secretary,  
Department of Education and Science.

After the meeting of E(EP) this morning, the Prime Minister held a discussion about the handling of the Education (Student Loans) Bill in the light of the two defeats suffered by the Government in the House of Lords on 26 March. Those present were the Lord President of the Council, the Chancellor of the Duchy of Lancaster, the Secretary of State for Education and Science, the Secretary of State for Scotland, the Lord Privy Seal, the Chief Secretary of the Treasury, and Mr Wilson and Mr Monger (Cabinet Office).

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The Prime Minister, summing up the discussion, said that it was unsatisfactory that the House of Lords had again made amendments with ~~financial~~<sup>expenditure</sup> implications to a Bill agreed by the House of Commons. The Government should proceed with its policy and invite the House of Commons to reverse the amendments. This should be done as quickly as possible, and care should be taken to avoid trouble on the issue in the Commons.

I am copying this letter to those present at the discussion and to Sir Robin Butler.





DEPARTMENT OF SOCIAL SECURITY  
 Richmond House, 79 Whitehall, London SW1A 2NS  
 Telephone 01-210 3000

*From the Secretary of State for Social Security*

*cefv.*

The Rt Hon John MacGregor MP  
 Secretary of State for Education  
 and Science  
 Department of Education and Science  
 York Road  
 London

22<sup>nd</sup> March 1990

*John John*  
*at head*

*W.B. de M. de M.*  
*Rec 6*  
*2/3*

**STUDENT LOANS**

Although your letter of 19 March to David Waddington was not copied to me, the contents have been brought to my attention in view of your proposal to use the National Insurance number as a unique identifier in the administration of the student loans scheme.

At the outset let me confirm, of course, that there is nothing in Social Security legislation to prevent any organisation from adopting the NI number as an identifier. If you consider that the use of the NI number is essential to your purpose, therefore, I would not wish to stand in your way. In general, however, we are reluctant to encourage organisations to use the NI number as an identifier, because experience has shown that people will draw the conclusion that DSS has sanctioned the use and that the organisation is able to use the number to gain information from social security records. You will appreciate that we regard it as vital that the public should not perceive there to be any breach of confidentiality regarding the often sensitive information they give us. I am glad of your assurance that there would be no attempt to use the number to trace defaulting borrowers, and I think I would have to ask you to state explicitly and publicly that there would be no reference to social security records whatsoever.

I am also rather puzzled that you should conclude that the NI number offers the most effective means of distinguishing between students and ensuring the bona fides of applicants, and that it has clear advantages over a unique identifier which you might devise independently. Unless you checked every NI number with DSS (and this would of course require reference to confidential social security records) you could not be sure that the number quoted was either valid or related to the individual. You might ask for some official document showing the number, but if this were necessary you might with more advantage ask for a birth certificate, passport etc and create an account number uniquely for student loans.



E.R.

Thus, although I am sympathetic to your proposal, I remain to be wholly convinced that using the NI number has advantages that would outweigh the potential difficulties for my Department.

I am copying this letter to the Prime Minister, Geoffrey Howe, David Waddington, Malcolm Rifkind, Peter Walker, Peter Brooke, John Belstead, Norman Lamont, Malcolm Caithness, Bertie Denham and Tim Renton.

*ever.*  
*Tony*

TONY NEWTON

EDUCATION: student  
Loans  
P<sup>L</sup>





~~CONFIDENTIAL~~

cc PU



QUEEN ANNE'S GATE LONDON SW1H 9AT

22 March 1990

ve John,

MBPm do the change.

- Review PG Rec 6 23/3

STUDENT LOANS

Thank you for your letter of 19 March seeking my agreement by 22 March to an amendment to the Data Protection Act.

I am afraid that I cannot agree to this change. The position as I understand it is that before granting loans the Student Loans Company (SLC) will need means of establishing that applicants are who they say they are; and that once a loan is granted they require reliable and quick access to the right file on the right person and a method of correlating new and existing information. These are far from unique problems; 130,000 organisations in the public and the private sectors - including, for example, the banks and the police - manage without reliance on other organisations' numbers.

There are two key difficulties about multiple use of Government Department numbers. The first is that it will arouse fears of movement towards a national identity or unique identifier scheme by the back door. For many years Governments have foresworn extensions beyond the very limited cross-use which currently exists - use of National Insurance numbers by the Inland Revenue. (I understand, incidentally, that the financial institutions to which you refer collect NI numbers because regulations require them to do so for Inland Revenue purposes). I am far from persuaded that the student loans case justifies such a controversial step.

The second difficulty is the Data Protection Act requirement that information should not be excessive for the purpose for which it was placed on computer. As the Minister who took the Act through the House, I think it is important for both presentational and substantive reasons that the public sector should operate to the same rules as we have imposed on the private sector. The Act is currently under review to see if we can simplify the procedures, but we are committed to the data protection principles - including the one dealing with excessiveness - by the Council of Europe Convention which we have ratified. We must take them seriously. For his part, the Registrar is the person responsible for enforcing the Act, and it is inevitable that data users or prospective data users will sometimes find the legislation or his interpretation of it an obstacle to what they want to do.

The Rt Hon John MacGregor, OBE., MP.  
Secretary of State for Education and Science  
Elizabeth House  
York Road, S.E.1.

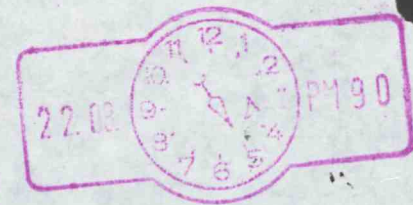
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EDUCATION  
STUDENT LOANS  
pt 3

~~CONFIDENTIAL~~



2.

There have been discussions between the Data Protection Registrar and your Department to see if there is a satisfactory way round the problem. These have not yet borne fruit, but the first contact was only made on 6 February and it is premature to conclude that there is no solution. You have offered to confine use of National Insurance numbers to the SLC's own purposes; that is helpful, but it would still open up pressure for other organisations to be allowed to do the same. There is another suggestion which has not yet been fully explored: to use information extracted from the birth certificate, for example, to establish the person's unique identity, and link that information with an SLC code number for use on the computer. You refer to difficult and expensive work on the SLC's computer system; but I would have expected the initial planning work by the SLC, like any other of the thousands of data users subject to the Act, to have taken account of the Act's requirements. As I understand it, the SLC wants to use an off-shelf system devised for use in another country; but I do not see how we could defend to other data users, or Parliament, an exception to the Act for that reason.

In the short time available my officials have discussed the position with the Registrar, and he is not ready at this stage to rule out the possibility of other solutions. Frankly, more work needs to be done by your Department and the Registrar. I suggest they should meet again as soon as possible to explore solutions consistent with the requirements of the Act. I know that your Bill has completed its passage through the Commons and is now well advanced in the Lords; but I am afraid I could not agree to an amendment going down at Report Stage to exempt from the excessiveness principle, let alone all the principles as suggested in your letter. I believe you think yourself that Third Reading (which would leave several more days for discussion and reflection) is unacceptably late.

Copies of this letter go to the Prime Minister, Geoffrey Howe, Malcolm Rifkind, Peter Walker, Peter Brooke, Tony Newton, John Belstead, Norman Lamont, Malcolm Caithness, Bertie Denham and Tim Renton.

~~CONFIDENTIAL~~



CONFIDENTIAL



*me MJ.*

*SUBJECT cc MASTER*

10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

22 March 1990

*Dear Ish,*

STUDENT LOANS BILL

The Prime Minister this morning held a meeting to discuss the implications of section 50 of the Consumer Credit Act 1974 for the Education (Student Loans) Bill. Those present were the Lord President, the Chancellor of the Duchy of Lancaster, your Secretary of State, the Lord Privy Seal, the Secretary of State for Northern Ireland, the Chief Secretary, Treasury, the Solicitor General, the Minister for Local Government (Mr Hunt), the Parliamentary Under-Secretary of State for Industry and Consumer Affairs (Mr Forth), Sir Robin Butler and Mr Wilson (Cabinet Office), Mr Vereker (Department of Education and Science) and Mr C T Newton (Department of Trade and Industry).

I would be grateful if recipients would ensure that the note is not copied without authority and is seen only by those with a need to do so.

Your Secretary of State said that the passage through Parliament of the Education (Student Loans) Bill had gone well so far but that an urgent problem had arisen in connection with the Consumer Credit Act 1974 which required a decision that day. Section 50 of that Act made it an offence for a person with a view to financial gain to send to a minor any document inviting him to borrow money. The original advice had been that this provision would not create any difficulty in relation to the student loans scheme. The legal advisers to the Student Loans Company however took the view that section 50 would apply to offers of loans to minors under the scheme and this view was shared by Professor A G Guest of the University of London. This was a serious problem. It was essential that the scheme should be available to students below 18: in Scotland in particular they were a substantial proportion - perhaps 25 per cent - of the student population.

There were broadly two options. One was to disapply section 50. This was his preference. The business managers in the House of Lords had said however that an amendment for this purpose might well be defeated. The other alternative was to make special arrangements for students while they were minors,

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*Am*



through a scheme which would offer unindexed loans. But this would entail continuing additional costs, perhaps amounting to £1 million per annum in forgone repayments by the next century. Moreover the latest legal advice was that even a scheme on these lines might attract section 50. The question therefore was whether an acceptable way could be found of disapplying section 50 and securing the passage of the necessary amendment through the House of Lords.

The Solicitor General said that he had had very little time in which to consider the problem but that he believed that the legal advice which had now been received was correct and that as the Bill stood at present sending a minor an invitation to take out a student loan under the scheme would be an offence under section 50. As a matter of law such an act would be "with a view to financial gain" even though this might not be the lay interpretation nor indeed the particular purpose of section 50. One straightforward solution would be to disapply section 50. Another solution would be to amend the Bill to provide in effect that sending out a document in connection with the student loan scheme was deemed not to be done with a view to financial gain within the meaning of section 50. This latter approach would have the presentational advantage of focusing debate in the Lords on the fact that the scheme was genuinely not for financial gain; and as such the amendment might be a little more difficult to oppose.

In discussion the following were the main points made:

a. It could be argued that the Government should not be in the business of lending money to minors when it was so strongly opposed to banks and other institutions sending out promotional literature offering loans and credit to people under 18. Indeed it was surprising that there had not been more prosecutions of lending institutions under section 50. Legalising borrowing by minors and urging them to take out loans was an unattractive policy even if it was for their own good and would be difficult to put across persuasively in the Lords. It might be better to give grants to students until they were 18, or perhaps invite them to bid for bursaries, and only make them eligible for loans once they reached that age.

b. On the other hand, the student loan scheme was very different from an unsolicited offer of commercial credit and it was wrong to draw parallels between them. Access to loans under the scheme would be an important and attractive benefit which should not be withdrawn from students under 18. Such an act might well be seen as discriminatory, particularly in Scotland. There would also be substantial public expenditure implications if students under 18 were funded wholly by grants.

c. A related concern was the position of a student under 18 who might take out a loan and then, once he reached his majority, regret it and wish to do something different, perhaps even leave university. It was however highly likely that the courts would hold that such a loan was



enforceable, notwithstanding a student's minority, since it would have been for his benefit.

d. The problem of lending to minors had not so far surfaced in the Lords. Tabling the amendment would draw attention to it and provide an opportunity for opponents of the student loans scheme to revive contentious issues which had already been dealt with. Moreover, if the amendment was lost this would make it much more difficult to operate the student loans scheme generally. It would therefore be important to make it clear to the Lords that rejection of the amendment would deprive many students under 18 of a university education and for others would mean that that education would have to be deferred.

e. The most attractive of the options was to provide that the student loans scheme was deemed not to be operated "with a view to financial gain". But the precise drafting and the procedural aspects needed urgent exploration. In particular it was for consideration whether the option of straightforwardly disapplying section 50 could be held in reserve for Third Reading in the Lords; and also whether there was any way of keeping open the possibility of amending the Bill in the Commons as a final fallback.

The Prime Minister, summing up the discussion, said that the group were agreed that the Government should table an amendment to the Education (Student Loans) Bill in the Lords on Report Stage, to provide in effect that documents sent out in connection with the student loans scheme were deemed not to be sent with a view to financial gain within the meaning of Section 50 of the Consumer Credit Act 1974; and that every effort should be made to get the amendment through. How best to draft it would need to be explored urgently. The Secretary of State for Education would need to keep in close touch with the Lord Privy Seal about the procedure and tactics for amending the Bill.

I am copying this letter to the Private Secretaries of the Ministers present and of the Secretary of State for Scotland and to Sir Robin Butler.

Yes,  
Paul

PAUL GRAY

John Ratcliff Esq  
Department of Education and Science



CONFIDENTIAL

celo



NBSA  
 (Take the work  
 in hand and see it  
 on 22/3).

Treasury Chambers, Parliament Street SW1P 3AG

REC  
 23/3

The Rt Hon John MacGregor MP  
 Secretary of State for Education and Science  
 Department of Education and Science  
 Elizabeth House  
 York Road  
 London  
 SE1 7PH

21 March 1990

Dear Secretary of State

**STUDENT LOANS AND THE CONSUMER CREDIT ACT**

Thank you for sending me copies of your letters to Nicholas Ridley of 19 and 20 March.

2. We do seem to be in something of a tangle on this issue. As your letter of 19 March makes clear, I did accept (when we discussed student loans on March 6) your assessment that disapplying section 50 of the CCA was the least unattractive solution to this problem. I was, therefore, rather surprised to see from your letter of 20 March that you now propose to opt instead for what you yourself concede to be the "inequity and inconvenience of setting up a parallel system for making interest-free loans to students under 18" - an option which you criticised at length in your earlier letter.

3. How sure are John Belstead and Bertie Denham that we really cannot get through an amendment which seeks to disapply Section 50? Is there nothing more than could be done to rally our supporters in the Lords?

4. It is even more worrying that we do not appear to be certain even of gaining wide acceptance to an amendment that offers interest-free loans to students under 18. Given the many difficulties that would flow from this option - many of which you have spelt out in your letters - for the costs of the loan scheme, its equity, and its timely introduction, are we certain that this is the only option that it is sensible for us to seek to promote in the Lords? There is also the problem - which I understand your

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legal advisers have now accepted - that while your second-best option would allow interest-free loans to students under 18, it would still make it difficult, if not impossible, for us to promote the loan scheme in schools and colleges.

5. Given these difficulties, should we not, at least, try to do all that we can to get an amendment disapplying clause 50 through the Lords? If we fail, then we can if there is no alternative, fall back on your second-best option at Third Reading. But if we succeed, it will make the subsequent handling of the scheme so much easier. I think we should try.

6. Copies of this letter go to the Prime Minister, Geoffrey Howe, Malcolm Rifkind, Peter Walker, Peter Brooke, John Belstead, Nicholas Ridley, Malcolm Caithness, Bertie Denham, Tim Renton and to Sir Robin Butler.

Yours sincerely

Norman Lamont

NORMAN LAMONT

approved by the Chief Secretary and  
signed in his absence

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copy



ELIZABETH HOUSE  
YORK ROAD  
LONDON SE1 7PH  
01-934 9000

The Rt Hon Nicholas Ridley MP  
Department of Trade & Industry  
1-19 Victoria Street  
London SW1H 0ET

20 MAR 1990

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BRG  
20/3

Dec Nield

flap

I wrote to you on Monday, 19 March, seeking your agreement to our tabling an amendment to the Education (Student Loans) Bill, disapplying Section 50 of the Consumer Credit Act. I have now discussed the issue with John Belstead and Bertie Denham. They are consulting our supporters but tell me that such an amendment may well be defeated in the Lords<sup>†</sup> If they confirm that, I have no option but to conclude that the amendment should not be tabled.

I have reached this conclusion with the greatest reluctance. Apart from the inequity and inconvenience of setting up a parallel system for making interest-free loans to students under 18, I shall have to put down a Government amendment anyway empowering me to do so - and there may well be opposition to that too. But officials and the Student Loans Company have already prepared contingency plans and I am now asking them to institute them urgently. Those arrangements will inevitably give rise to administrative complexities and additional costs. And I must warn colleagues that they significantly increase the risk of our not having the scheme ready for 1 October. But I have concluded that it is more prudent not to risk defeat in the Lords than to risk delay.

Copies of this letter go to the Prime Minister, Geoffrey Howe, Malcolm Rifkind, Peter Walker, Peter Brooke, John Belstead, Norman Lamont, Malcolm Caithness, Bertie Denham, Tim Renton and to Sir Robin Butler.

<sup>†</sup> They now confirm that in their view it certainly will be.

Yours etc,



EDUC - student loan pr3





ELIZABETH HOUSE  
YORK ROAD  
LONDON SE1 7PH  
01-934 9000

The Rt Hon David Waddington MP  
Home Secretary  
Home Office  
50 Queen Anne's Gate  
LONDON  
SW1H 9AT

CF - pc.  
RCCG  
w/d  
Prime Minister<sup>2</sup>  
You will wish to  
note this  
proposal.

Noted  
MF

RCCG  
19/1

19 MAR 1990

Dear David,

#### STUDENT LOANS

An important aspect of the student loans scheme is that the Student Loans Company should be able to use students' National Insurance numbers to identify students applying for loans and to track account holders within the Company's computer system. My officials have been in touch with Mr Howe, the Data Protection Registrar, to ascertain his attitude to the Company's use of National Insurance numbers. The Registrar has proved unhelpful, giving a preliminary view that the Company's proposal is likely to contravene the fourth data protection principle, in so far as holding the National Insurance number would be "excessive" in relation to the purposes for which the information is required. Mr Howe has indicated that he would be minded to refuse to register the Company as a data user because he was satisfied that, in using the National Insurance number, a data protection principle has been contravened.

I find this surprising and disappointing, not least because I understand that some financial institutions offering Personal Equity Plans already ask for National Insurance numbers on their application forms.

The Registrar's attitude will give rise to considerable problems for the Company and could jeopardise the introduction of the student loans scheme this autumn. Having considered the issue carefully I have concluded that the most effective solution would be to table an amendment to the Education (Student Loans) Bill to secure that the holding and use of data containing borrowers' National Insurance numbers by the Student Loans Company should not be taken to infringe any data protection principle. I write to secure your agreement to the tabling of such an amendment.



The Student Loans Company needs to use the National Insurance number for two main reasons. First, the Company must be able to identify students applying for loans, distinguishing between students with similar names and identical dates of birth. Over time, the Company will hold a very large number of accounts and deal with substantial sums of public money: it is therefore essential that it is able to ensure that loans are available to - and only to - bona fide applicants.

Second, the Company will be running a complex computer system. It is equally essential that it should be able to access that system quickly, identifying individual account holders at will. To do so, it must employ a key number, which must distinguish between students with otherwise similar details.

The National Insurance number meets the Company's requirements on both counts: it can serve as an unambiguous identifier both for students entering the system and for account holders within the system. The use of the National Insurance number would go no further: the Data Protection Registrar has been given assurances that the National Insurance number would not be used for tracing borrowers who were in default on their loans and would not be made available to third parties.

I have given careful thought to alternative solutions. But I have concluded that no other system of identification would offer the security and cost efficiency which the National Insurance number would provide. If the National Insurance number was not available, further difficult and expensive work on the Student Loans Company's computer systems would be required. Neither creating an alternative identity number from information provided by the potential borrower nor creating a system of identity checking within the system would be wholly satisfactory.

I have therefore concluded - with some reluctance - that the only practicable step is to table an amendment to the Education (Student Loans) Bill. If that amendment is to be debated at Report Stage in the House of Lords, it must be tabled by Thursday 22 March. I should therefore be grateful to your urgent agreement to the course of action I propose.

I am copying this letter to the Prime Minister, Geoffrey Howe, Malcolm Rifkind, Peter Walker, Peter Brook, John Belstead, Norman Lamont, Malcolm Caithness, Bertie Denham and Tim Renton.

Yours ever,  
JL

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EDUCATION: Student loans P73





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ELIZABETH HOUSE  
YORK ROAD  
LONDON SE1 7PH  
01-934 9000

*copy*

*NBRM at his  
steps*

*Free 19/3*

The Rt Hon Nicholas Ridley MP  
Secretary of State for Trade and Industry  
Department of Trade and Industry  
1-19 Victoria Street  
LONDON  
SW1H 0ET

19 MAR 1990

*Dear Nicholas,*

**STUDENT LOANS**

I was grateful for your letter of 28 February in response to mine to Norman Lamont of 23 February as I was for John Belstead's of 7 March. Both you and John expressed reservations about my proposal that the Student Loans Bill should be amended to disapply Section 50 of the Consumer Credit Act. But you, in your letter, said that you would agree to disapplication if you were persuaded that the student loans scheme could not be operated otherwise.

*has*

I am quite clear that, from the point of view of minors themselves, it is desirable to introduce an amendment disapplying Section 50.

In the light of discussions with representatives of the academic institutions, I have been reviewing the operation of the student loans scheme. I have concluded that, in order to minimise the burden on universities, polytechnics and colleges, the Student Loans Company should adopt an application process whereby the academic institution will certify a student's eligibility for a loan but will then pass the application form to the student who will thereafter deal directly with the Company. In that process, it will be necessary for the Company to send by post a formal loan agreement to each student to sign and return to the Company. The application process will also require a considerable publicity effort which, to be successful, will involve the Student Loans Company sending material to minors while still at school and on entering higher education. Section 50 of the Consumer Credit Act would prohibit the Company sending loan agreements and publicity material to minors.

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I have considered whether, to avoid disapplying Section 50, special arrangements might be made for students who are minors. The provision of unindexed loans would mean that the Student Loans Company could not be described as sending invitations or application forms to minors with a view to financial gain. But the differential treatment of minors is both impractical and unacceptable in principle. If a young person is sufficiently mature to enter higher education, it must be a reasonable assumption that the student is sufficiently mature to manage his or her maintenance arrangements. Moreover there is no reason in principle why a student applying for a loan at the age of 17 years and 11 months should be treated significantly more favourably than an applicant aged 18 years and 1 month. Both will benefit from the same educational opportunities and receive the same lifetime advantages: both should therefore be subject to the same support arrangements.

Beyond these issues of principle, there are practical considerations. Unindexed loans for minors would entail continuing additional costs for the Exchequer - perhaps amounting to £1 million a year in forgone repayments by 2010 and perhaps £2 million a year by 2020 on the assumption of 3% per annum inflation. Such unindexed loans would also require significant and costly systems changes within the Student Loans Company which could jeopardise the timetable for the introduction of the scheme. The change would introduce - for perpetuity - two separate loans systems.

Given the application process which has been adopted and the issues of principle and practicality associated with the introduction of unindexed loans for minors, I have concluded that the scheme would not be operable without the disapplication of Section 50 of the Consumer Credit Act. I know that Norman Lamont shares this view. If an amendment is to be debated at Report Stage in the House of Lords, it must be tabled by Thursday 22 March. I should therefore be most grateful for your urgent agreement to the introduction of such an amendment.

Copies of this letter go to the Prime Minister, Geoffrey Howe, Malcolm Rifkind, Peter Walker, Peter Brook, John Belstead, Norman Lamont, Malcolm Caithness, Bertie Denham and Tim Renton.

Yours ever,  
JH

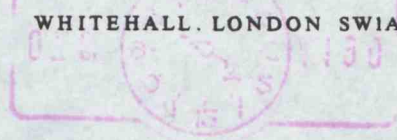
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*ECPL*



PRIVY COUNCIL OFFICE  
WHITEHALL, LONDON SW1A 2AT



*MBM de his des.*  
7 March 1990

*Dear John,*

*PC6  
7/3*

**STUDENT LOANS**

*filed*

I have seen copies of your letter of 23 February to Norman Lamont and Nicholas Ridley's letter to you of 28 February *top* which refers specifically to the problem for the Student Loans Bill which arises from the provisions of section 50 of the Consumer Credit Act 1974.

I share Nicholas's reservations about disapplying section 50 of the Consumer Credit Act so as to make it possible to extend loans to students who are minors. I am certain that there would be very considerable difficulty if we open up this controversial issue.

I am copying this letter to the Prime Minister, Geoffrey Howe, Malcolm Rifkind, Peter Walker, Peter Brooke, Nicholas Ridley, Malcolm Caithness, Bertie Denham and Tim Renton.

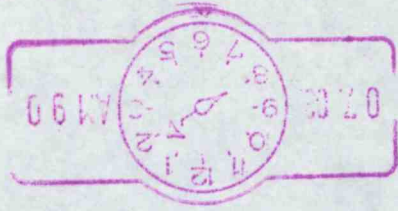
*Yours sincerely*

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BELSTEAD

The Rt Hon John MacGregor, OBE, MP

EDUCATION: Student Loans P13





CR/PV



the department for Enterprise

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The Rt. Hon. Nicholas Ridley MP  
Secretary of State for Trade and Industry

*NBRM at this stage.*

The Rt Hon John MacGregor OBE MP  
Secretary of State for Education  
and Science  
Elizabeth House  
York Road  
LONDON  
SE1 7PH

*Rec 6  
1/3.*

Department of  
Trade and Industry

1-19 Victoria Street  
London SW1H 0ET

Enquiries  
01-215 5000

Telex 8811074/5 DTHQ G  
Fax 01-222 2629

Direct line 215 5623  
Our ref PE2ANR  
Your ref

Date 28 February 1990

*at first*

*Dear John*

**STUDENT LOANS**

Thank you for copying to me your letter of 23 February to Norman Lamont.

I have some reservations about the proposal that the Student Loans Bill should be amended to disapply Section 50 from the operations of the Student Loans Company (SLC). Presumably this disapplication would extend to actions of Higher Education Institutions (HEIs) as agents of the SLC.

The purpose of Section 50 is, of course, to protect minors and the promotion of credit to minors is an emotive subject. Although there is no evidence of deliberate targeting of minors, some lenders are not as careful as they should be about ensuring that the names of minors are deleted from general circulation lists. When as a result minors receive circulars about credit this often causes deep offence. There has been correspondence between John Major, Robin Leigh Pemberton, David Waddington and myself about this problem and we are agreed that financial institutions should be asked to include in their codes of practice provisions requiring that circulation lists should be checked to ensure that only the names of adults were included. We have in mind that this proposal should be announced in the White Paper setting out the Government's reply to the recommendations of the Jack Committee on banking which will be published in the near future. It will be more difficult to persuade financial institutions to cooperate on this matter if the Government simply sets aside Section 50 whenever it is convenient to do so.



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A proposal to disapply Section 50 would also expose us to criticism which would not be easy to rebut. It can be argued that many minors are not able to make sensible decisions about whether to accept credit offers nor can they be relied upon to make good use of the money they borrow. Although the interest charged under the student loan scheme is only sufficient to maintain the value of the loan in real terms, critics will point out that in cash terms the amount required to repay the loan with interest could be much larger than the amount borrowed and that people who, as minors, have borrowed and spent money may, as adults, regret their actions.

Despite these reservations I would agreed to disapplication of Section 50 if I was persuaded that the loan scheme could not be operated within the constraints of Section 50. I understand that my officials have already pointed out to yours that Section 50 does not prohibit advertising of the scheme in the press and by posters (even if the advertisements are likely to be seen by minors and draw attention to the fact that minors are eligible) and that whilst the Section prohibits the sending of invitations and applications to minors there is no prohibition to them being handed out to minors on request. I have asked my officials to discuss with yours whether these limitations on Section 50 do not provide sufficient scope for the scheme to be promoted effectively within the existing law.

I am copying this letter to recipients of yours.



Recycled Paper



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ufo



ELIZABETH HOUSE  
YORK ROAD  
LONDON SE1 7PH  
01-934 9000

The Rt. Hon. Norman Lamont Esq MP  
Chief Secretary to the Treasury  
Treasury Chambers  
Parliament Street  
LONDON SW1 3AG

No need to  
make a book  
this time.

RLE 6  
26/2

Pine Minter

You will wish to be  
aware of these proposed  
changes. Contact for

colleagues to set this

out?

Yes no

PRCC 23 February 1990

23/2

Dear Chief Secretary

STUDENT LOANS

I have been considering, with Malcolm Caithness, whether we need to take further steps to secure the passage of the Education (Student Loans) Bill through the House of Lords. You will be aware of the objections which have been expressed by a number of peers, and which will have been reinforced by the concerted stand taken by the vice-chancellors, the polytechnic directors and other institutional spokesmen at a meeting with me earlier this week. Our conclusion is that we may need to announce some or all of a package of changes in order to secure the Bill's passage in the Lords; and there is also one other change which further consideration has shown to be unavoidable and which I conclude we must therefore make.

The following are the components of the package. First, we must be prepared to increase the Access Funds. The £5 million for each of the undergraduate and postgraduate Funds will be insufficient to cope with what we know will be heavy burdens on many students' accommodation costs. Projections of data from the survey of students' income and expenditure conducted by Research Services Limited in the 1988-89 academic year indicate that there may be as many as 90,000 students in scope of loans who would have been able to claim more in social security benefits in the 1990-91 academic year than they will gain in loan. Their benefit losses, net of the loan entitlement, will be approximately £29.5 million. This does not compare well with the Access Fund of £5 million. In addition we estimate that postgraduate students will lose some £10 million in housing benefit - twice the current Access Fund provision.

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The scale of students' benefit losses will of course vary widely according to individual circumstances. The most important factor is housing costs, which vary widely across the country. Using data from the CVCP and the Department of the Environment, we estimate, for instance, that students paying average rents for private accommodation in the south-east outside London would have been able to claim about £760 in housing benefit in the 1990-91 academic year - £340 more than they will gain in loan. In contrast, students paying average rents in the west midlands might have claimed £250 and will thus be better off with loans.

A good deal was made of these problems in Commons Committee; and although Robert Jackson was successful in persuading the Committee to reject amendments which would have forced our hand in this matter, I simply do not believe the arguments available to him will carry conviction in the Lords. I have concluded that we should be prepared to add £10 million to the total of the Access Funds for the 1990-91 academic year, to be divided between the undergraduate and postgraduate Funds but with a strong bias towards the former. This is a smaller sum than that which I bid for in last year's Survey. It implies an increase of £8.8 million in my programme, and corresponding increases for Scotland and Northern Ireland, in the 1990-91 financial year: it will not require any change to the Bill. But I expect to have to make some commitment of this sort if we are to get the Bill through the Lords.

Second, we may have to do something to help the disabled. We have been under strong all-Party pressure on this front; amendments were tabled in Committee and for Report, and were withdrawn only on the undertaking that we were urgently reviewing the matter. And you will know how strong the disablement lobby is in the Lords. I propose that Malcolm Caithness should be ready to offer two measures:

(i) to increase the maximum level of the basic disabled students' allowance within the mandatory grant from its present £765 to £1,000 a year in academic year 1990-91, with higher ceilings for defined categories of specialist equipment, viz. £3,000 for the duration of the course, and for non-medical personal helpers, viz. £4,000 a year, needed by a small minority of disabled students. I can do this within the envelope of last autumn's public expenditure settlement, provided that I raise most other specific allowances outside London by no more than 5% in line with the main grant rates. The increased basic allowance will not lead to a proportionate increase in expenditure, since by no means all disabled students will be able to claim up to the new limit for expenditure necessarily incurred in attending their courses. But, together with the higher ceilings for the targeted minority, it will help those in real difficulties, be seen as promoting access to higher education, and I believe be widely welcomed. My officials will be in touch with yours to show the arithmetic.

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# CONFIDENTIAL

(ii) to provide special repayment terms for disabled former students. The disabled face extra living costs as a result of their disability: the lobby argues powerfully that the repayment regime should take account of their reduced disposable income relative to their able-bodied peers. In general, I intend that the availability of deferment should be based on gross income; but for the disabled I propose a concession which will be targeted on real need by disregarding disability-related benefits when income is assessed for the purpose of deferment. The costs will be negligible: £10,000 in financial year 1992-93, rising to £107,000 in 1995-96.

These changes again will require no amendment to the Bill: the former would be brought about through the Awards Regulations, and the latter in the regulations to be made under the Bill after Royal Assent.

As you will have seen, the vice-chancellors and the other higher education representatives have told me that they will carry out only those functions within the administration of the loans scheme which they are required by law to perform. We may therefore wish to bring forward an amendment to the Bill which will secure their cooperation. Were we to use the institutions, we would undoubtedly be placing more burdens on them; and it may be that their objections could be largely overcome if we were ready to make a contribution towards their administrative expenses. Malcolm and I will come back to you if necessary.

Finally, I must alert colleagues to a serious problem which arises from the Consumer Credit Act 1974. The problem, in brief, is that Section 50 makes it an offence to send to minors, with a view to financial gain, documents inviting them to borrow money or to apply for information or advice on borrowing money. It is an essential part of the scheme that minors in higher education should be eligible for loans. And indexation of the loan counts as "financial gain" within the meaning of Section 50. The loans scheme is therefore simply inoperable within the provisions of Section 50. I have concluded that I must bring forward an amendment to the Bill, so that Section 50 of the Act will not apply to the Student Loans Company's operations. I have considered the alternative of making loans to minors interest-free and hence by-passing Section 50. But I have rejected this option: it would impose an additional cost and open the door to fraudulent applications in a way which I could not countenance. My proposed amendment would give rise to no additional call on public funds. Reluctantly, I must ask colleagues to agree to it.

I need your agreement to these concessions as soon as possible so that Malcolm may offer them if, and only if, he judges them to be necessary to secure the passage of the Bill in the Lords. While it is difficult to predict quite what may happen in Committee (provisionally planned for 8 March), Malcolm will need the maximum flexibility; and we may of course want to come back to you if unanticipated points arise during the Bill's progress in the Lords.

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Copies of this letter go to the Prime Minister, the Lord President, the Secretaries of State for Scotland, Wales, Northern Ireland, and Trade and Industry, the Paymaster General, the Lord Privy Seal, and the two Chief Whips.

*John Smead*

*G. P. Crowe*

pp JOHN MACGREGOR  
(approved by the  
Secretary of State and  
signed on his behalf)

CONFIDENTIAL



FCP14



SCOTTISH OFFICE  
WHITEHALL LONDON SW1A 2AU

The Rt Hon John MacGregor OBE MP  
Secretary of State for Education and Science  
Elizabeth House  
York Road  
LONDON  
SE1 7PH

*MBP*  
*RAG*  
*W/L*

23 January 1990

*Dear John,*

**STUDENT LOANS**

Thank you for copying to me your letter of 10 January to Norman Lamont in which you set out the consideration which you have been giving to the administration of student top-up loans, now that the banks have withdrawn their involvement. I have also seen Norman's response of 12 January.

I am sure you are right to plan on the basis of a scheme which will remain unchanged in terms of the delivery and recovery of loans via the Student Loans Company. In particular, I agree with your conclusion that recovery through the National Insurance system, although it has certain attractions, is not a viable option in view of our commitment to deliver the scheme by September 1990.

Now that the Student Loans Company is in public ownership and the network of bank branches to deal with individual loan applications has been lost, we shall have to rely more heavily on co-operation from the higher education institutions. The consultations which you plan to have with representatives of the higher education institutions about their enhanced role under the scheme will be very important. I will be arranging similar consultations in Scotland with representatives of the centrally-funded colleges and the colleges within the further education sector. Like you, I believe it will be necessary to consider whether we should be offering some financial contribution towards institutions' administration costs, bearing in mind that we have already imposed burdens on them in connection with the Community Charge and we also propose to add the burden of administering the Access Funds. I think it would be totally unrealistic to ask institutions to undertake, in addition, an expanded role in loans administration without some measure of financial recompense. My officials have already encountered some difficulty in their preliminary talks with institutional representatives in Scotland who are concerned about the cost of these tasks as originally envisaged. I very much hope, therefore, that Norman will be persuaded to reconsider his view on this question.

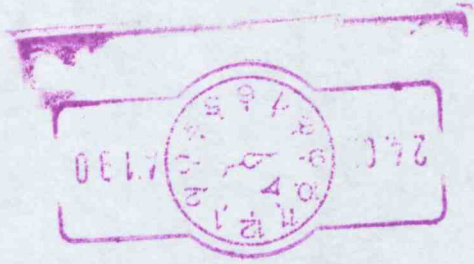
I am copying this letter to the Prime Minister, Kenneth Baker,  
Peter Brooke, Norman Lamont and Sir Robin Butler.

*Yours ever,*  
*Malcolm*

MALCOLM RIFKIND



EDUCATION: Student Loans  
A3





UNCLASSIFIED



*CEB*

*MPP*  
*RCB*  
*ml*

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon John MacGregor OBE MP  
Secretary of State for Education and Science  
Department of Education and Science  
Elizabeth House  
York Road  
London  
SE1 7PH

12 January 1990

Dear Secretary of State  
**STUDENT LOANS**

*with PG.*

Thank you for your letter of 10 January, conveying your decision to press ahead with the administration of student loans on lines very similar to those planned before the banks withdrew.

2. I am pleased to see that you have been able to look again at the alternatives but I am not surprised that the outcome of your review has been to conclude that the arrangements which officials devised at the end of last year (with the then cooperation of the banks) are likely to be the most effective ones for delivering the Student Loan Scheme on time.

3. I agree with you that we must now press ahead with the full establishment of the Company by acquiring premises and recruiting the necessary staff. The timetable has always been tight and we must ensure that we keep to it. I am grateful to your officials for keeping me informed about the details of staff appointments and letting them see copies of the draft employment contracts which are being discussed. While I accept the general principle that commercial rates of pay and conditions of service will have to be offered, if we are to attract the quality of staff we need from the private sector, I was pleased to hear that you share my view that the packages proposed should be no more generous than they need to be to achieve that end. Comparisons will inevitably be made between the conditions enjoyed by these staff and those available to other Government employees in Scotland. We need to be able to justify fully all of the elements of difference.



P102

4. I was less convinced by your suggestion that there might be a case for offering more resources to the universities, polytechnics and colleges for their role in the scheme. As you say, their duties will not be onerous and are unlikely to differ significantly from what they would have been had the banks not withdrawn. The benefits that students might have derived from being able to apply for loans at local bank branches - and the financial counselling that would have gone with that - will simply be lost. Equally, the removal of the minor contribution which the branches might have made to the processing and distribution of the loans will lead predominantly to a small increase in the tasks of the Student Loan Company rather than to more work for the educational institutions.

5. That aside, I accept the need to press ahead with preparations for the introduction of loans and agree that continuing to develop the arrangements which we have already established represents the best way forward.

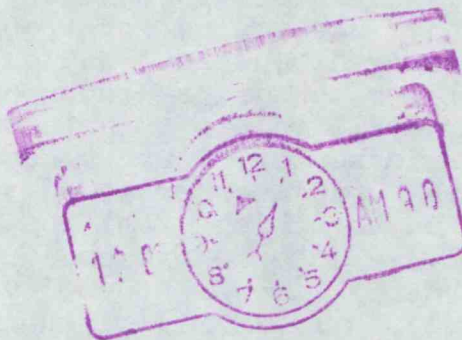
6. Copies of this letter go to the Prime Minister, Kenneth Baker, Malcolm Rifkind, Peter Brooke and Sir Robin Butler.

Yours sincerely

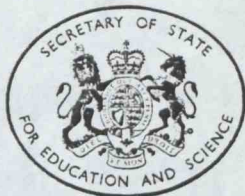
*Norman Lamont*

**NORMAN LAMONT**

Approved by the Chief Secretary and signed in his absence







ELIZABETH HOUSE  
YORK ROAD  
LONDON SE1 7PH  
01-934 9000

The Rt Hon Norman Lamont MP  
Chief Secretary to the Treasury  
H M Treasury  
Parliament Street  
LONDON SW1P 3AG

10 January 1990

STUDENT LOANS

Since announcing on 20 December that the banks had withdrawn from the student loans scheme, I have been giving urgent consideration to how we can best ensure that top-up loans are available to students in September this year.

I have concluded that we should press ahead with the present loans scheme unchanged in all essential details. Students will, of course, no longer have access to banks in making their loan applications. Instead, they will apply to the Student Loans Company through their higher education institutions. Otherwise, the scheme requires no substantial alteration. The Loans Company will process the applications and disburse the money to students; and will administer the repayments system, arrange deferments and chase defaulters. I have considered and rejected alternative means of delivering and recouping loans. I have looked particularly carefully again at the option of using the National Insurance system as a mechanism for repayment, not least because in leaders just before Christmas (some of them largely supportive) the Times, Telegraph, Independent and Financial Times urged reconsideration of this possibility; but for a number of practical and other reasons I have concluded firmly against it. I am therefore confident that the present scheme offers not only the best route to establishing the system this year, but is also the most effective and desirable means of delivering student loans whatever the time constraints.

Student Loans Company Limited was taken into Government ownership before Christmas. Officials of my Department and of the Scottish Education Department have been appointed as Directors: I am considering how and when we should widen Board membership to include others with relevant experience and weight. Good progress has been made in essential preparatory work. A contract has been

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Dec 1989



signed for the main computer system; a recruitment programme is under way; and negotiations are nearing completion on suitable premises. If we were to adopt an alternative course, this work would require considerable revision: the September 1990 timetable would then be unachievable.

I have also concluded that the Student Loans Company should act as a commercial operation, subject always to the necessity to secure good value for public money. There will have to be, of course, a financial memorandum between the Government and the Company - and possibly a full contract, after Royal Assent. The Company will also need to maintain the recruitment programme already initiated by Price Waterhouse recruiting staff on the open market, at rates determined by the market analysis undertaken by Price Waterhouse. I have interviewed the preferred candidate for the post of Managing Director, Mr Ron Harrison. He is a 54 year old Scot, with appropriate experience in industrial and financial companies both here and in Canada. I have agreed to his appointment and intend to make an announcement by means of a Written Answer later this week. The salary will be £55,000 together with a relatively modest benefits package and access to a car scheme. My officials have been in touch with yours as to details of this and forthcoming Company appointments.

I also expect to be asked this week to approve an offer on premises in Glasgow, including the provision of a Government guarantee to meet the Company's obligations under a lease. The appropriate steps have been taken to inform Parliament of the resultant contingent liability. Subject to my consideration of the terms of the lease, I propose to give such a guarantee.

The absence of the banks means that the higher education institutions will have an enhanced role to play. I propose to discuss with representatives of the universities, polytechnics and colleges their precise functions under the revised scheme. Those functions should not be onerous, but I shall be considering offering some resource to help meet administrative costs. We shall no longer be paying a transaction charge to the banks. I will come back to you about this matter in due course.

I am sure it is right that we maintain unchanged our target for introducing student loans in September 1990. I have concluded that objective can best be met if the present scheme is maintained and developed; if the Student Loans Company operates on a commercial basis; and if higher education institutions play a somewhat greater role. Developing the scheme on those lines will, I believe, deliver good value for public money and send the appropriate messages both to the student community and the banks.

Copies of this letter go to the Prime Minister, Kenneth Baker, Malcolm Rifkind, Peter Brooke and Sir Robin Butler.

Yours etc,  
Jul





To ask the Secretary of State for Education and Science, whether the Student Loans Company Limited has appointed a Managing Director.

**MR JOHN MACGREGOR**

The Student Loans Company Limited has today appointed Mr Ronald J Harrison as Managing Director.

TBJ65A





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