

Funding the Future

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The next in my series of 'Labour could' videos is the one I published this morning. In it, I suggest that Labour stop charging interest on student loans. Since total annual student loan repayments are way less than the interest supposedly charged on these loans, such charges make no sense at present. Labour should scrap them and give graduates a chance in life instead.

<https://www.youtube.com/watch?v=4CjUp6PeGzU>

The audio version of this video is here:

https://www.podbean.com/player-v2/?i=yruae-1664f62-pb&from=pb6admin&share=1&download=1&rtl=0&font=Arial&skin=c73a3a&font-color=auto&logo_link=episode_page&btn-skin=ff6d00

The transcript is:

I am discussing things that Labour could do at no cost to the government, but which would significantly change the quality of life for maybe millions of people in the UK. So, let me suggest something that most people would not expect to come into this category. And that is, they should stop charging interest on student loans.

I can hear the immediate reaction, "but surely that is bound to cost the government a fortune?" I have to tell you, it won't. And the reason why is simply because of the maths involved.

The average student now leaves university in the UK with a loan of around £45,000. On average, at this point of time, they're being charged, depending on which plan they're on, between 6 and nearly 8 percent interest a year. Let's call it 7%.

That means that the interest charge on this will be around £3,000 plus a year, and the average student is repaying in England and Wales, a little over £1,000 a year in student loan. The total repayments in the last year for which I can get data from HM Revenue and Customs, who actually collect student loan repayments, is about £4 billion in a year.

The total interest charge on the £200bn outstanding in student loans was at around that 6 - 7 per cent figure. - well, you can work it out for yourself, £12 - £14bn. In other words, the interest being charged is never being repaid by the students who are borrowing this money, supposedly.

So, what is the point of charging this interest to students when we know that over 30 percent of all student loans will never be repaid? because people will reach the age where the cut off on repayment arrives well before their loan balance is settled out of their wages, and that's true even under the new schemes just being introduced.

My point is a simple one. This charging of interest on these loans is simply penal. It's unnecessary. So, let's stop it. Let's stop this onerous burden on top of the fact that students are already required to repay the loan balance, which is bad enough.

Come on, Labour, you could make this change. You could make life better for former students. And it would cost nothing, because you are never going to be repaid this money anyway. Just do it.