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**Ed Humpherson, Director General for Regulation**Thomas Franklin  
(by email)

15 November 2022

Dear Mr Franklin,

Thank you for your engagement with us regarding your concerns about student loan interest rates, and for your patience while we engaged with the Department for Education (DfE) on these matters. My team has investigated the points that you raised around the [August press release](#) and spoken to statisticians in DfE to gain a complete picture of the situation.

We have summarised your concerns into three main areas:

- **The language used to communicate the change in the student loan interest rates in the August press release.** You were concerned that the way that the changes to the student loan interest rate cap had been described was inaccurate and misleading. We agree that some of the language used in the press release is not as clear as it could be and that there is the potential for it to be confusing to readers. Specifically, we consider the title and the first paragraph to be potentially misleading. We raised this with DfE which has now made changes to these sections in order to address this issue. We also acknowledge that some sections of the press release require previous knowledge of student loan interest rates, and that key information can be hard to draw out. We have discussed this matter with DfE and have reiterated the importance of communicating information on student loan interest rates in a transparent and impartial manner. DfE has agreed to take this into consideration for future communications.
- **The transparency around the methodology used to calculate the student loan interest rates.** You were concerned that DfE had not been transparent about the methodology for calculating the Prevailing Market Rate (PMR) and how this was used to set student loan interest rates. We agree that more information should be shared with the public to increase the transparency around the methodology used to determine the interest rates. We have raised this with DfE and it has worked with the Student

Loans Company (SLC) to publish additional information in the [SFE Repayments Guidance 2022 to 2023](#) on the [SLC's Practitioners](#) website.

- **The validity of waiting for the interest rates to exceed the PMR for three consecutive months before taking action.** You were concerned that DfE's approach of waiting for the student loan interest rate to exceed the PMR for three consecutive months did not align with what had been set out in the [Teaching and Higher Education Act 1998](#). DfE has explained to us that it has taken steps to remove the lag between the interest rates exceeding the PMR and changes being implemented to the interest rate. To do this, it has introduced a new methodology which is based on the most up to date information on the PMR based on data from the Bank of England. This is the approach that was used to calculate the current rate of 6.3% and it will be more responsive to changes in the PMR moving forward.

Thank you for taking the time to raise these issues with us. The discussions we have had with you have enabled us to understand the impact of these issues from a different perspective.

Yours sincerely,



Ed Humpherson  
Director General for Regulation