Caution Advised over Student Debt

Responding to the latest Student Income and Expenditure Survey from the Department for Innovation, Universities and Skills, financial solutions company Think Money has advised students to be aware of the long-term risks of getting into debt, adding that credit that may require regular monthly repayments may be best avoided until their education is complete.

May 18, 2009 (FPRC) -- Responding to a new survey suggesting that students were spending more money and receiving more financial support than ever before in the last academic year, financial solutions company Think Money has advised students to remain aware of the longer-term costs of using credit during their education.

The company added that while student finance is a useful and necessary means of funding education, students should be aware of the potential implications of getting into large amounts of debt, and should ideally avoid using credit that may have strict repayment terms, such as credit cards and personal loans.

The study by the Department for Innovation, Universities and Skills, which looked at the 2007/2008 academic year, found that higher tuition fees have increased first-year student spending by 12% in just three years.

This means that students are now completing their first year of university education with an average of £3,500 debt. If this continued each year on a three-year course, the average student could end up with over £10,000 of debt.

Despite this, the study found that fewer students were taking part-time jobs to help fund their education, falling from 58% in the previous survey (2004/2005) to 49%.

Although spending had risen by 12%, students' income had risen by 15%, including loans for tuition fees (which are paid directly to universities).

Melanie Taylor, Head of Corporate Relations for Think Money, said that students should be careful to distinguish between normal student debt and additional credit.

"Student Loans from the Government are designed to be paid back in relatively small instalments after the student finishes their education, and only once they are earning enough to meet the minimum repayment threshold - currently £15,000 per annum. In that respect, student loan repayments are rarely a worry for graduates.

"Many students are concerned about the levels of debt they may be faced with on leaving university, but in reality this should not impact much on their lives at all, and people should not feel 'priced out' of further education, regardless of their background.

"However, it can become a more serious issue if the student uses other forms of credit, such as credit cards. Since these usually require repayment shortly after they are first taken out, these forms of credit can place a burden on students' finances that they may not be able to manage."

Mrs Taylor added that anyone who does find themselves with debts that they cannot manage should contact an expert debt adviser at the first sign of trouble.

"For anyone who gets into debt and realises they are unable to make their repayments, the most important thing is that they seek advice as soon as possible.

"There are a range of debt solutions available that can help people in various situations. A professional debt adviser can discuss the borrower's situation in confidence and help them to decide which is best for their individual needs.

"Most debt solutions require a constant income, which can put some students at a disadvantage - but a debt adviser can still offer free, valuable advice that could help them to get their finances back in order."

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Resources for editors:

Think Money homepage: http://www.thinkmoney.com/
Think Money debt: http://www.thinkmoney.com/debt/

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