



HOUSE OF COMMONS  
LONDON SW1A 0AA

The Rt Hon Rachel Reeves MP  
Chancellor of the Exchequer  
HM Treasury  
The Correspondence & Enquiry unit  
1 Horse Guards Road  
London  
SW1A 2HQ

Date  
25 February 2026

Our Reference  
RL30266

Dear Chancellor,

**Re: Concerns Regarding Student Loan Repayments and the Impact of Recent Policy Changes**

I am writing regarding the decision to freeze the Plan 2 student loan repayment threshold for three years from 2027 having been contacted by a significant number of graduates and current students who are experiencing severe financial and emotional worry as a result.

Such concerns have been amplified in recent weeks, with campaigners including the National Union of Students (NUS), Rethink Repayment, Martin Lewis, and several other prominent journalists raising the issue and calling for immediate Government action to lessen the financial strain many graduates are facing.

As you will know, the Plan 2 scheme, introduced in 2012, is proving particularly damaging. Borrowers repay 9% of their earnings above the repayment threshold, yet many are seeing their balances rise significantly each year, rather than falling.

One Salford graduate borrowed just over £41,000, graduated in 2018 owing more than £47,000 because interest had accrued while they were still studying, and after almost eight years of repayments, and nearly £20,000 paid back, their balance is now significantly higher than it was at graduation.

Another constituent told me they owed £59,000 in 2020 and now face a staggering balance of more than £75,000 despite steady monthly repayments. Both described the system as overwhelming and said they were never clearly informed, when taking out the loans, that their balances could increase so significantly even while making regular repayments.

These experiences are sadly not isolated. Many of my constituents describe the system as leaving them in a state of anxiety from the minute they start university, where the interest starts to accrue, and then leaving university to face a spiralling level of debt they never imagined experiencing. Not only do the debts increase exponentially, there is no limit on how much it could increase to, meaning they could end up paying back 3 or 4 times the amounts they borrowed, until the cut off date of 30 years for Plan 2 and 40 years for Plan 5. This cannot be the start to working life that our young graduates should come to expect.

The seriousness of this situation is further underscored by consumer finance expert Martin Lewis, who has been clear that the government's recent decision to freeze the repayment threshold is, in his words, "not a moral thing" to do. He has warned that graduates were never provided with the financial education necessary to understand how compounding interest, fluctuating thresholds and government changes to their loans could shape their repayments over decades. He highlights how young people were effectively encouraged to sign a complex financial contract without being told that the Government retained the power to change critical terms retrospectively, including the threshold at which repayments begin. He has argued that, had this occurred in the private lending sector, regulators would have intervened immediately to prevent such unilateral changes to borrower terms.

Recent polling from the Rethink Repayment and Organise campaigns found that 87% of graduates now consider current interest rates unfair, and 84% say student debt policy will influence how they vote in the next election. Graduates increasingly describe themselves as having been mis sold a financial product with terms and conditions that can be changed long after they leave university at the whim of the latest government. For many, the combination of rising debt balances, a frozen threshold and above inflation interest has completely eroded any confidence they had in the system and in Government.

I hope that you will agree that it is clear that this system is not fit for purpose and urgent action is required.

You will know that my personal belief that we need to develop a sustainable funding model for higher education and university research which sees the abolition of tuition fees as a long term goal. Higher education must be a fully accessible pathway to providing the highly skilled people our industrial strategy and wider economy needs to succeed. It should lift communities up, entrenching decent pay and a good quality of life. It should mean stories like ours, as children from working class families who made it to university, then post graduate study, and into well paid professions as lawyers and economists become common place, not a rarity.

As you will know the pathway into many professions still requires post graduate qualifications which come at great additional cost, usually financed through more loans. So we must ask ourselves, would a working class young person with no financial support leave university facing an average £53,000 student debt (that will rise exponentially) and then take on even more eye watering debt to fund the further qualifications needed to become and lawyer or an economist?

By the Government's own metrics postgraduate qualifications remain significantly less common among working-class groups relative to professional backgrounds than they were a decade ago and financial costs and debt burden are a key part of this.

So whilst I truly hope that the Government will journey towards the goal of free higher education for all in the longer term, in the immediate short term there are a number of measures that campaigners from the NUS, Rethink Repayment and Martin Lewis have asked you to implement urgently as follows:

- Reverse the three-year freeze on the Plan 2 repayment threshold ([Rethink Repayment](#) and [Martin Lewis](#))
- Introduce an interest cap to limit the total amount repayable ([Rethink Repayment](#))
- Replace RPI with CPI or CPIH as the inflation measure used for student loan interest ([Rethink Repayment](#))
- Pause interest accrual during statutory parental leave ([Rethink Repayment](#))

I would urge you to meet with them to discuss this proposals and to hear from them how fair and just reform of the system can take place.

Many thanks for your assistance in this matter.

Yours sincerely,



**Rebecca Long-Bailey MP**  
**Member of Parliament for Salford**

CC:

*The Right Honourable Bridget Phillipson MP, Secretary of State for Education*