



WRITTEN EVIDENCE SUBMISSION

to the

House of Commons Treasury Select Committee
Inquiry into Student Loans and the Taxation of Graduates

Submitted by

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13 April 2026

This submission is accompanied by the MoneyShe White Paper:

[Breaking the Graduate Trap \(2026\)](#)

1. Introduction and Summary

1.1 This submission is made by Gina Miller, Founder of MoneyShe and Co-Founder of SCM Direct, in response to the Treasury Select Committee’s inquiry into Student Loans and the Taxation of Graduates.

MoneyShe is a female-focused investment and financial literacy platform established to address the gender wealth, investment, and pension gap. We have a particular focus on the disproportionate impact of the student loan system on women and graduates from working-class backgrounds.

1.2 This submission draws upon the MoneyShe White Paper, *Breaking the Graduate Trap* (2026), and is supported by first-hand case study testimony from women affected by the student loan system. The full White Paper is available at:

<https://moneyshe.com/white-paper-breaking-the-graduate-trap-2026-moneyshe-2/>

1.3 We welcome the Committee’s recognition, in Dame Meg Hillier’s words, that this inquiry is “about fairness” and that the central question is whether “the goalposts have been moved in a way which is unfair to graduates.”

Our evidence strongly suggests they have, and that the consequences fall disproportionately on women, those from lower socioeconomic backgrounds, and those who were systematically misled about the true cost of their education.

1.4 Summary of key arguments:

- The student loan system, particularly for Plan 2 borrowers (2012–2023), operates as a regressive graduate tax that penalises aspiration and social mobility.
- Compound interest at rates linked to RPI plus up to 3% has caused loan balances to balloon far beyond the original sums borrowed, creating debts that many graduates can never realistically repay.
- The Government’s announcement of a 6% interest rate cap from September 2026, while a belated acknowledgement of the problem, is too little, too late and fails to address the fundamental unfairness embedded in the system.
- Women are disproportionately harmed by the system due to the gender pay gap, career breaks for maternity and caring responsibilities, part-time working patterns, and the accrual of interest during periods of reduced income.
- The repayment threshold freeze announced at the 2025 Budget amounts to a stealth tax increase on graduates, compounding existing unfairness through fiscal drag.

- Students were systematically mis-sold these loans with misleading comparisons to “phone contracts” and “a few coffees a week,” without adequate disclosure of how compound interest and changing terms would affect lifetime repayments.

2. The Fundamental Unfairness of the Current System

The Compound Interest Trap

2.1 At the heart of the student loan crisis lies the application of compound interest at rates pegged to RPI plus up to 3% for higher earners. For Plan 2 borrowers, this has meant interest rates that have at times exceeded 7%, applied to balances that already included tuition fees of £9,000 per year plus maintenance loans. The result is that many graduates have seen their loan balances grow substantially despite years of consistent repayment.

2.2 As our White Paper, *Breaking the Graduate Trap*, demonstrates, a graduate who left university with £57,000 of debt can find themselves owing £83,000 or more after seven and a half years of continuous repayment. This is not an exceptional case; it is the mathematical reality of the system as designed. Unless a graduate earns approximately £66,000 or more per annum, their repayments do not even cover the interest accruing on their loan, let alone reduce the principal balance.

2.3 This creates a perverse situation in which the system punishes graduates who earn enough to make substantial monthly repayments (often £200 - £400 per month) but not enough to outpace the interest. These are precisely the graduates the system was supposed to help, Students from non-wealthy backgrounds who took on debt as the only route to higher education and professional careers.

A Graduate Tax in All but Name

2.4 The 9% repayment rate above the threshold operates, in practice, as an additional marginal tax on graduates. When combined with income tax at the higher rate (40%), National Insurance contributions (2%), and the 9% student loan repayment, graduates earning above £50,270 face an effective marginal tax rate of 51%.

This is among the highest effective marginal rates in any OECD country for middle-income earners and represents a significant drag on economic participation, housing affordability, pension saving, and family formation.

2.5 Unlike a transparent graduate tax, however, the loan system carries the fiction of being “debt” that will be repaid, when in reality, the Government’s own projections indicate that most Plan 2 borrowers will never repay their loans in full.

This fiction serves to obscure the true fiscal cost of the system from taxpayers while simultaneously burdening graduates with the psychological and financial weight of an ever-growing nominal debt.

The Repayment Threshold Freeze: A Stealth Tax on Graduates

2.6 The Chancellor's decision at the 2025 Budget to freeze the Plan 2 repayment threshold at £29,385 from April 2027 for three years represents a further erosion of the terms under which graduates took out their loans.

As wages rise with inflation, fiscal drag will pull more graduates into repayment and increase the amounts repaid by those already above the threshold, without any corresponding reduction in their loan balances. ***This is, in effect, a retrospective change to the terms of a financial product; something that would be unlawful in virtually any other consumer credit context.***

3. The 6% Interest Rate Cap: Too Little, Too Late

3.1 The Government's announcement on 7 April 2026 that interest rates on Plan 2 and Plan 3 student loans will be capped at 6% from 1 September 2026 is a belated and inadequate response to a structural problem that has been building for over a decade.

3.2 While any cap is preferable to the uncapped RPI+3% formula that has seen rates exceed 7%, the 6% cap fails on several fundamental grounds:

- It does not address the interest already accrued. Years of compound interest at rates far above the Bank of England base rate have already inflated loan balances to levels that bear no reasonable relation to the sums originally borrowed. A prospective cap does nothing to remedy this historical injustice.
- A 6% rate remains punishingly high. At 6%, a £50,000 loan balance grows by £3,000 per year in interest alone. For a graduate earning £35,000, their annual repayment is approximately £500, meaning the debt continues to grow by £2,500 per year even with consistent repayment. **This is not a cap that enables graduates to repay their loans; it merely slows the rate at which their debts become unrepayable.**
- It is a one-year measure for the 2026/27 academic year, not a permanent structural reform. The Government has not committed to maintaining this cap, leaving graduates in continued uncertainty about the terms of their obligations.
- The Institute for Fiscal Studies has estimated that the cap may reduce expected lifetime repayments for a high earner with a typical Plan 2 loan by approximately £500 in today's prices - a negligible amount relative to the scale of the problem.

3.3 In short, the 6% cap is a political gesture that acknowledges the existence of a problem without meaningfully addressing it. It does not remedy the fundamental unfairness of a system that charges graduates compound interest at commercial rates on what the Government itself treats as a tax-like obligation.

The fact that the Government felt the need to introduce a cap at all is itself an admission that the interest rate regime is unjust. **But the cap set is too high, too late, and too temporary to constitute a fair remedy.**

4. The Disproportionate Impact on Women

4.1 The student loan system's structural features interact with persistent gender inequalities in the labour market to create outcomes that are particularly punitive for women. This is a central focus of our White Paper and is powerfully illustrated by the case studies we are submitting alongside this evidence.

The Gender Pay Gap and Repayment

4.2 Women are less likely than men to earn above the threshold at which repayments begin to reduce the loan principal rather than merely service the interest. As one of our case study respondents, Ms JD, notes:

“Unless you are being paid over £66k annually, you do not even start to break even and pay the debt off. To be able to earn £66k as a female in a male dominated industry will be almost impossible.”

The system therefore imposes payments that function as a pure tax on women's earnings, with no realistic prospect of the underlying obligation ever being discharged.

Maternity, Caring Responsibilities, and Interest Accrual

4.3 Interest continues to accrue on student loans during maternity leave, career breaks for caring responsibilities, and periods of part-time working - all of which disproportionately affect women.

Ms HP, one of our case study respondents, explains: ***“Knowing that my student loan balance would still be growing during [maternity leave] adds an extra layer of financial pressure. It not only makes it harder to manage day-to-day costs but also makes it incredibly difficult to save in advance for maternity leave, as a portion of my income is already going towards repayments.”***

4.4 This creates a direct link between the student loan system and falling birth rates. Multiple case study respondents explicitly cite student loan repayments as a factor in their decision to delay or forego having children.

Ms HG, who together with her husband pays £420 per month (£5,040 per year) in student loan repayments, states plainly: ***“This is why the birth rate is so low and why people are refusing to have kids - we can't afford to do so.”***

Single Women and the 'Singles Tax'

4.5 Women who are single face a compounded disadvantage. They bear the full burden of housing costs, council tax, and living expenses without the benefit of a dual income, while simultaneously making student loan repayments that prevent them from saving for

a deposit. Ms JD, a higher-rate taxpayer paying over £300 per month on her student loan, describes finding it **“near impossible to buy a house on my own”** and is **“seriously considering whether I want to live in this country.”**

The Parental Assessment Penalty

4.6 The means-testing of maintenance loans based on household income creates particular unfairness for children of single mothers who re-partner.

As our case study respondent Ms CM explains, the system assumes a stepparent will support their partner’s adult child at university, when this is frequently not the case. Since most single-parent households are headed by women, this disproportionately affects women and their children, reducing the maintenance loan available and forcing families to find funds they do not have, or discouraging participation in higher education altogether.

5. The Systematic Mis-Selling of Student Loans

5.1 A recurring theme across all our case study evidence is that students were given profoundly misleading information about the nature and cost of their loans at the point of sale. Students from the first cohort of £9,000 fees (2012 onwards) were repeatedly told by schools, colleges, and official guidance that repayments would feel like “a phone contract” or “a few coffees a week.”

5.2 Ms HP, who was the first in her family to attend university and came from a council house with a non-working single parent, recalls: **“During college, the message we were given repeatedly was that repayments would feel minimal, described as being ‘like buying a few coffees a week or paying a small phone contract.’ That phrase has stayed with me since I have had the true reality hit me and made me resentful of the lie I was sold.”**

5.3 In any other regulated financial product, the marketing of a debt instrument on such misleading terms would constitute a clear breach of consumer protection regulation.

Students were not told that interest would begin accruing from the date of their first disbursement, that rates could exceed 7%, that the repayment threshold could be frozen to drag more graduates into higher repayments, or that a graduate earning a “good salary” could see their balance increase from £57,000 to £83,000 despite never missing a payment.

5.4 Those most vulnerable to this mis-selling were precisely those the widening participation agenda was designed to reach: students from low-income families, first-generation university attendees, and those without access to independent financial advice. **The system promised social mobility and delivered a debt trap.**

6. Case Study Evidence

6.1 The following summaries are drawn from detailed first-hand testimonies submitted to MoneyShe. Full case study statements are appended to this submission.

Case Study 1: Ms JD - Age: 32

Cardiff Metropolitan University – Degree: Events Management

Student Loan: £57,893

Current Balance: £82,927

Monthly Repayment: £247.00

Left university in 2018 with £57,000 of debt. £9,000 was added in interest on her graduation day. After seven and a half years of consistent repayment, she now owes £83,000. She is a higher-rate taxpayer paying over £300/month yet cannot save for a house. She was told repayments would be “no more than a phone contract.” As a single woman in a male-dominated industry, she sees no realistic path to clearing the debt and is considering leaving the country.

Case Study 2: Ms HG

She and her husband earn £50,000 and £60,000 respectively. Both are from working-class immigrant families who did “everything right.” They pay £420/month (£5,040/year) in combined student loan repayments. They lived with in-laws for years, forewent a wedding celebration, and settled for a smaller house in a cheaper area. They are now delaying starting a family because they cannot afford to. “When did hard work mean only surviving?”

Case Study 3: Ms HP – Age 32

Manchester University – Degree: Politics & Modern History

Student Loan: £17,011

Current Balance: £6,400

Monthly Repayment: £230.00

Began university in 2012 as the first cohort of £9,000 fees. From a single-parent household in a council house, she was the first in her family to attend university. Now earning £65,000, she pays £230/month in repayments but faces a 51% marginal tax rate. She is 32 and wants children but cannot afford to, knowing that interest will continue to accrue during maternity leave. “The system was completely mis-sold to us. Ultimately, it’s a 9% additional tax for life.”

Case Study 4: Ms CM

Highlights the particular unfairness of the parental income assessment for maintenance loans, which disproportionately disadvantages single mothers who re-partner. The system assumes a stepparent will support a partner’s child through university, when this is often not the case. Earning just above the national average, she must find

approximately £24,000 to cover three years of university costs because her child will only receive £5,000 per year in maintenance loan—while halls of residence alone cost around £8,000 per year.

Case Study 5: Ms FH – Age 31

Leeds University – International Relations

Student Loan: £43,418

Current Balance: £47,586

Monthly Repayment: £284.00

Feels she mis-sold her student loan. Whilst in 6th Form, they were told you would only pay it back when you earned over a threshold and most people didn't, it was given a really positive spin - no mention of the interest at all. Since graduating university in 2015, FH earned above the threshold. Yet it has taken 11 years to only start paying off the interest when her salary has increased by £68,000. Making this payment every month means she is unable to save for a house deposit or be able to support a child.

7. Recommendations

7.1 Based on the evidence presented in this submission and in our White Paper, *Breaking the Graduate Trap*, we urge the Committee to consider the following recommendations:

- 1. Retrospective interest relief:** The Government should write down accrued interest on Plan 2 loans to a rate no higher than the Bank of England base rate, applied retrospectively. Graduates who have seen their debts grow by tens of thousands of pounds despite consistent repayment have been subject to a manifest injustice that a prospective cap alone cannot remedy.
- 2. Permanent interest rate reform:** Interest on all student loan plans should be permanently capped at the prevailing Bank of England base rate or RPI with no additional margin, not the arbitrary 6% cap announced for 2026/27. The current system of RPI+3% for higher earners was never defensible for what is, in practice, a compulsory contribution rather than a voluntary commercial borrowing.
- 3. Reduction of the repayment rate:** The 9% repayment rate should be reduced to 5% or 6%, as proposed by the Adam Smith Institute and others. This would meaningfully reduce the marginal tax rate facing graduates and free up disposable income for housing, pension saving, and family planning.
- 4. Reversal of the threshold freeze:** The planned freeze of the Plan 2 repayment threshold from April 2027 should be reversed, and the threshold should be up-rated annually in line with average earnings to prevent fiscal drag from eroding its real value.
- 5. Gender impact assessment:** The Government should commission and publish a full gender impact assessment of the student loan system, examining how interest accrual during maternity leave, the gender pay gap, and the parental assessment system compound to produce discriminatory outcomes for women.

6. **Reform of parental assessment:** The means-testing of maintenance loans should be reformed to account for the realities of separated and blended families or replaced with a flat-rate maintenance entitlement to promote social mobility and remove perverse barriers to participation.
7. **Mis-selling review:** The Government should establish an independent review of the information provided to students at the point of taking out Plan 2 loans, with a view to determining whether graduates are owed redress for material misrepresentations about the nature and cost of their obligations.
8. **Transparent labelling:** If the student loan system is to operate as a graduate contribution, it should be honestly labelled as such, not dressed up as a “loan” with features that would be unlawful in any regulated consumer credit product.

8. Conclusion

8.1 The student loan system as it operates today represents one of the most significant policy failures of the past decade. It was sold to a generation of young people - disproportionately those from the most disadvantaged backgrounds - on terms that were misleading at best and dishonest at worst. The compound interest mechanism has transformed manageable debts into unrepayable burdens. The retrospective changes to repayment terms have eroded trust in the state’s good faith. And **the disproportionate impact on women, on those from working-class families, and on those trying to start families and get on the housing ladder, is a stain on the promise of social mobility through education.**

8.2 The Government’s recent announcement of a 6% interest rate cap is an acknowledgement that the system is broken. But a 6% cap on a product that functions as a tax, applied only prospectively and only for one year, is not a fix, it is a sticking plaster over a structural wound. **The Committee has an opportunity to recommend reforms that would restore fairness, rebuild trust, and ensure that the promise of higher education is not undermined by a financing system that punishes the very people it was designed to help.**

8.3 We commend our White Paper, [Breaking the Graduate Trap](#), and the accompanying case studies to the Committee and would welcome the opportunity to give oral evidence in support of this submission.

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13 April 2026

Appendix: Full Case Study Testimonies

The following testimonies are reproduced in full, with the consent of the individuals concerned. They are submitted as supporting evidence to this written submission.

Case Study 1: Ms JD

I left university in 2018 after a four-year degree with 57k, on the day I finished 9k was added in interest and 7 and a half years later, I now owe 83k even though I have consistently paid my student loan since I left.

I am in the higher tax bracket and as a single female, I am finding it near impossible to buy a house on my own and pay for the extortionate bills with what they call the “singles tax” coming into effect. I pay over £300 a month towards my student loan and to think that this isn’t even making a dent into my final balance, but the interest is over taking it is incredibly stressful.

Unless you being paid over 66k annually, you do not even start to break even and pay the debt off. To be able to earn 66k as a female in a male dominated industry will be almost impossible, but I’m paying the most off monthly before I break even. Any wage increase that I receive due to the rise in inflation will now just be absorbed by my student loan.

This is mentally debilitating that such a large amount of my wage (which I could be using for saving for a house or even putting toward a pension as the state pension is probably a pipe dream at this point) is disgraceful.

When I was younger, I was told by my college that I would not pay any more than a phone contract and with the increase in interest rate with the crisis in the Middle East, I fear that I could be paying more than the 9% of my salary I already do, which means I will not be able to move out of my parents’ house. I live in the southwest where house prices have increased since Covid dramatically and I am seriously considering whether I want to live in this country moving forward.

This country should be investing in its education and instead, it feels like the government are taxing those who were told that going to Uni was the only way you would be able to get ahead in life. It is very easy for people to say, “get a trade”, but most apprenticeships which develop skills in lucrative jobs such as plumbers, electricians etc are male dominated.

As a woman, being a “tragedy” can carry risks as you would be entering unknown members of the public’s houses, unassisted. Female apprenticeships are harder to come by and do not end up being highly paid as our male counterparts.

I am not a mother myself, but the thought of having a child whilst my interest continues to rise is scary, knowing I may well hit 200k in my working lifetime of debt.

Case Study 2: Ms HG

I would like to submit my story as I would really like something to be done regarding this issue. Student loans, on top of the high tax burden on middle earners and the cost-of-living crisis is crippling my generation.

My husband and I both earn, what people would call, a “decent” salary. I earn £50K a year (3 years into my career) and he is earning £60K. Despite this, we are putting off starting a family as it has become incredibly difficult for us to keep on top of all our core, essential costs. The amount of money taken out of our salary from students’ loans would make a considerable difference to our quality of life – it’s about £420 a month. That’s £5,040 a year. Money which could be saving so we can start a family.

We both did everything right – everything we were told to do. We both come from working class families and our parents were immigrants working manual jobs. We worked hard in school, got degrees in “good” subjects from Russell Group universities and now work in professional services. We did everything we were told to do, but have still had to make so many sacrifices, despite doing everything right.

When we got married, we lived with my husband’s parents for a few years to save as much as we could for a property and only moved a few months ago. We had a small registry wedding with no party to celebrate; no frills, no fuss, just our immediate family and signing the paper. It was a lovely day that I will cherish, but we didn’t get to have a ‘traditional’ wedding or celebration as we would have liked to in order to save money for a house.

What was the point of our hard work? We do not see the point of our hard work anymore. Once you take out our bills, council tax, mortgage, car costs, costs to commute into work, we do not have much left. When did hard work mean only surviving? We are being punished for trying to have ambitions, as two people from working class backgrounds, because our parents couldn’t afford to foot the bill of our university degrees. We are not alone in this. The system is unjust. It is punishing every working-class millennial and Gen Z for daring to have ambition and wanting to build a better life. These are the same people, like myself and my husband, that will also have a harder time getting on the property ladder. This money coming out of our salary will only increase as we get promotions and will continue for 30 years. This is life changing money crippling us.

This is why the birth rate is so low and why people are refusing to have kids – we can’t afford to do so.

Case Study 3: Ms HS

I am writing to share my personal experience with the student loan system, as I feel strongly that the realities of repayment are not well understood by those not impacted.

I began university in 2012, the first year that tuition fees increased to £9,000 per year. At the time, I had concerns about taking on such a large amount of debt. However, during college, the message we were given repeatedly was that repayments would feel minimal, described as being “like buying a few coffees a week or paying a small phone contract.” That phrase has stayed with me since I have had the true reality hit me and made me resentful of the lie I was sold.

I come from a single-parent (non-working) household with four children; I am the eldest. We lived in a council house and grew up with very little money and no real financial education. This context is important, because I did not have the knowledge or support to fully understand the long-term implications of what I was signing up to.

After graduating, I began working at a bank on a salary of £21,000. Over time, I have worked to progress in my career and now earn £65,000. While I understand that this places me in a higher earning bracket, particularly for the Northwest, I think most of the older generations would be surprised my take-home pay. After income tax at 40%, pension contributions, and student loan repayments, my disposable income is far lower than people might expect. I feel like I have done everything I am “supposed” to do to better myself and break cycles, but I am being punished for it.

Currently, I pay around £230 per month towards my student loan. This has a significant impact on my ability to save, contribute more towards my pension, and plan for the future. It also makes me question whether I can realistically afford to have children. As a 32-year-old woman, this is an incredibly difficult position to be in.

In addition, due to my lack of financial education when I was younger, as did many others relied heavily on my interest-free student overdraft. After graduating, I struggled to repay this, and once interest was applied, it quickly escalated into a difficult cycle of personal debt. I feel so strongly that education is needed on this, particularly for people with backgrounds similar to mine.

The cost of living is now extremely high, and the financial pressure from student loan repayments only adds to this. The additional £230 per month I currently pay could make a meaningful difference to my life, whether that is saving for maternity leave, managing childcare costs, or simply having a more stable financial footing.

I am currently child free, despite wanting to be a parent. One of the most concerning aspects of the student loan system is that interest continues to accrue even during periods such as maternity leave, when income drops significantly. Statutory maternity pay is already very low, meaning I would be taking a substantial pay cut at a time when

my outgoings would increase with a child. Knowing that my student loan balance would still be growing during this period adds an extra layer of financial pressure.

I feel strongly that students of my generation were not given a clear or fair understanding of what repayment would look like. I feel that the system was completely mis-sold to us. Ultimately, it's a 9% additional tax for life.

Case Study 4: Ms CM

Thank you for asking for comments regarding women and the student loan system. One particularly unfair and often forgotten aspect is how the parental loan assessment element puts women at a further disadvantage.

For example, the majority of single parent households are women. If they become a stepfamily by moving in with a new partner or marry a stepparent – the present system assumes that a stepparent automatically supports somebody else's adult child at university – when for many this is not the case. The stepparent often has their own children to pay for too. This affects single parents who remarry in particular – the majority of which are women – again adding to the current long term financial inequality for women.

If parental assessment has to be included at all (which seems ludicrous for an adult student) may I suggest that a fairer way to look at stepfamilies and student loans, would be to take each actual separated parents' individual income into account – with a percentage discount allowed for being in separate households – and then base the loan amount on that.

Maybe consideration should also be given as to why any parents' income is used in the assessment for a loan for an adult in the first place? Perhaps a flat rate for all is the way ahead to encourage social mobility and not limit those who can't get help from their parents for the parental contribution element.

I would appreciate you adding my comments as many are wondering how they will fund their child at university – bearing in mind the average cost of halls of residence alone is around £8,000 a year? For example, I earn just above the national average but will have to find around £24k from nowhere to cover my child for 3 years at Uni as due to the current rules, they will only get £5k per year on a maintenance loan.

Case Study 5: Ms FH

I feel I was mis-sold my student loan. When the loans came in, somebody came into my sixth form to talk about the changes - we were told you would only pay it back when you earned over a threshold and most people didn't etc. We were given a really positive spin

- no mention of the interest at all. Since graduating university in 2015, I have always earned above the threshold.

Yet 11 years later, I've only now started paying off the interest when my salary has gone about £68,000. Every month I pay £280 for my student loan - £280 that could go towards a house deposit, saving up to support a future child. I am having to pay for my pension and student loan at same time - and I worry people in similar situations will opt out of pension contributions. It is sickening how much the loan interest has increased. And it deepens inequality - friends who had parents who paid for their fees without a loan who earn the same salary as me, are getting to save or spend an extra £280 per month! If it is like a tax, it should be charged on everybody who has been to university, not just those who relied on a loan.