



Department  
for Business  
Innovation & Skills

**FURTHER EDUCATION - FUTURE  
DEVELOPMENT OF LOANS**

Expanding and simplifying the  
programme

JUNE 2014

# Contents

<b>Contents</b> .....	<b>2</b>
1. Foreword from Matthew Hancock, Minister of State for Skills and Enterprise.....	3
2. Executive Summary .....	5
3. How to respond.....	7
4. Confidentiality & Data Protection.....	8
5. Help with queries .....	9
6. The proposals and consultation questions .....	10
Issue 1 – Expanding the scope of the Advanced Learning Loans system .....	10
Issue 2 – Simplification and improvement.....	17
Issue 3 – Alternative financial product for Muslim learners.....	19
Issue 4 – Moving other qualifications within scope of the Advanced Learning Loans system .....	22
Issue 5 – Information, Advice and Guidance about Advanced Learning Loans .....	26
Issue 6 – Impact of loans on learner choice .....	27
7. What happens next? .....	28
Annex 1: <b>Consultation principles</b> .....	29
Comments or complaints on the conduct of this consultation .....	29
Annex 2: List of Individuals/Organisations consulted.....	30
Annex 3: Future Development of Loans in Further Education response form.....	31



## 1. Foreword from Matthew Hancock, Minister of State for Skills and Enterprise

It is now just over a year since Advanced Learning Loans were introduced. For level 3 and level 4 qualifications, the emerging figures from the first year of loans shows that take-up for classroom-based courses has exceeded our expectations.

Advanced Learning Loans enable people to improve their skills. These improved skills will help individuals to be able to improve their chances of progressing within their chosen career, move into a new career, or get back into work. A well skilled workforce also helps employers to compete in a fast moving global economy.

I would like to build on the successes from the introduction of Advanced Learning Loans.

It is clear that Advanced Learning Loans are not the preferred funding route for employers or prospective Apprentices. In readiness for the reformed Apprenticeships, Apprentices aged 24 and over are no longer eligible to take out an Advanced Learning Loan. We are planning to route funding for Apprenticeships training through employers in the future, to give them greater control and purchasing power over Apprenticeship training. We believe this approach has the potential to lead to a transformational change in the way employers engage with the Apprenticeship system.

This consultation gives Government an opportunity to better understand the implications of our plans to expand and improve loans in Further Education. Our proposals to expand the availability of loans by age and level are intended to increase learning opportunities for individuals, as well as continuing to provide good value for money for the taxpayer.

Looking forward, we would like to consider how best to align the availability of loans in Higher Education and Further Education funding systems. This consultation explores some ideas for further alignment of both qualifications and support.

As we move into the second year of Advanced Learning Loans, this consultation provides an opportunity for individuals and providers to give the Government feedback on what is working well for them, and what isn't. For example, we want to understand if learners have access to the information they need to make a decision about whether to take out a loan. We know that some providers have engaged well with loans, and others have not. For those who have not we want to understand why not, and what more BIS and our partners can do to support you or the learners who choose to take out a loan.

Your response to this consultation will help us to develop the loans system for the future.

Matthew Hancock MP, Minister for Skills & Enterprise

A handwritten signature in black ink, appearing to read 'Matthew Hancock', followed by a decorative flourish consisting of several connected loops.

## 2. Executive Summary

It is essential to our economy that people have the skills that employers need to help us compete in a world that is changing fast. We need to ensure that further education provides the skilled workforce employers need and helps individuals reach their full potential.

In line with the principles of fairness and shared responsibility, public funding is prioritised for younger learners and those with lower skills. Advanced Learning Loans were introduced in April 2013 to enable individuals to make positive decisions about how to invest in intermediate and higher skills. They are available to people aged 24 and over studying at level 3 and level 4, and originally included Advanced and Higher apprenticeships. With the exception of apprenticeships, which were removed from the loans system in March 2014 and are not covered by this consultation document, the introduction of Advanced Learning Loans has been a success. By the end of March 2014 there had been 64,700 applications, which represents 81% of the 80,000 loans that we had hoped would be received this financial year and is more than the forecast take-up for non-apprenticeship courses.

We would now like to gather views on proposals for a further expansion of loans in the Further Education sector. The proposed expansion aims to:

- provide access to learning for the widest possible group of people,
- simplify the current funding system, so it is easy to understand, and so that learners have greater control over their learning choices,
- strengthen incentives for learners engaging in training and skills development,
- widen access and strengthen alignment with Higher Education funding.

We would also like to gather feedback on how the current system is working and ideas for improving loans in Further Education more generally. In doing this, we need to ensure that we have a fair and easily understood funding structure, with simple rules that put the power in the hands of the learner.

Within Advanced Learning Loans, Government only recovers the full amount from individuals if they earn over £21,000 for a long enough period to pay off their entire loan. This means that Government does not expect to be able to recover a proportion of the loans that are issued.

The central proposal in this consultation is to expand the scope of loans in the Further Education sector to cover 19-23 year olds and to make loans available for level 2 qualifications where learners are not entitled to full grant funding. We are looking for feedback on whether this is a change that would be welcomed, and whether there would be any unintended consequences associated with this expansion, before final decisions are taken.

In addition to the proposed expansion, this consultation document explores certain ideas which may help to simplify the loans funding framework, and to create greater coherence between the Further Education and Higher Education loans systems. These broader issues include:

- Considering whether the administrative rules of the Advanced Learning Loans system could be simplified (e.g. removing concurrent study rules).

- Highlighting a consultation published on 3 April 2014 by BIS, on Sharia-compliant student finance.
- Consulting on the idea of moving certain qualifications, for example Higher National Diplomas (HNDs) and Higher National Certificates (HNCs) from Higher Education funding to Advanced Learning Loans.
- Seeking feedback on the effectiveness of the Advanced Learning Loans system, and on the appropriateness of the information, advice and guidance about these loans.

The expansion and simplification of Advanced Learning Loans will impact on providers (colleges and private training organisations, specialist learning providers), employers, learners and potential learners. Representative bodies within Further Education and Higher Education and other organisations with an interest in further education and skills, including awarding bodies, also have an interest.

Advanced Learning Loans are available in England only. The consultation responses will help to inform development of the future Further Education loans policy.

### 3. How to respond

When responding please state whether you are responding as an individual or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear who the organisation represents by selecting the appropriate interest group on the consultation form and, where applicable, how the views of members were assembled.

You can reply to this consultation online at:

<https://bisgovuk.citizenspace.com/digital/future-development-of-loans-in-further-education>

Consultation opened on: 19 June 2014

Last date for responses is: 21 August 2014

The consultation response form is available electronically on the consultation page:

<https://www.gov.uk/government/consultations/future-development-of-loans-in-further-education> (until the consultation closes). The form can be submitted online/by email or by letter or fax to:

Mrs C Minott  
Advanced Learning Loans Team  
Level 2, Bay G  
Department of Business, Innovation and Skills  
125 Norfolk Street  
Sheffield  
S1 2FJ  
Tel: 0114 207 5085  
Email: [feloans@bis.gsi.gov.uk](mailto:feloans@bis.gsi.gov.uk)

A list of those organisations and individuals consulted is in Annex 2. We would welcome suggestions of others who may wish to be involved in this consultation process.

You may make printed copies of this document without seeking permission.

The standard electronic version is at:

<https://www.gov.uk/government/consultations/future-development-of-loans-in-further-education>

Versions of the document in Braille, other languages or audio-cassette are available on request.

## 4. Confidentiality & Data Protection

Information provided in response to this consultation, including personal information, may be subject to publication or release to other parties or to disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004). If you want information, including personal data that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.



## 5. Help with queries

Questions about the policy issues raised in the document can be addressed to:

Christine Minott  
Advanced Learning Loans Team  
Level 2, Bay G  
Department of Business, Innovation and Skills  
125 Norfolk Street  
Sheffield  
S1 2FJ  
Tel: 0114 207 5085  
Email: [feloans@bis.gsi.gov.uk](mailto:feloans@bis.gsi.gov.uk)

The consultation principles are in Annex 1.

## 6. The proposals and consultation questions

### Issue 1 – Expanding the scope of the Advanced Learning Loans system

The Skills Funding Statement<sup>1</sup> set out Government’s current funding priorities for the skills system. The Adult Skills Budget aims to deliver value for money by giving priority to those who need it most, with eligibility for full funding based on prior attainment, age and status. The categories of learners, and types of learning, which are eligible to attract full funding in 2014/15 are set out in table 1.

**Table 1**

	<b>Provision</b>	<b>Learner</b>
1	English and maths qualifications and units to help adults progress to GCSE A* to C (level 2)	Learners aged 19 and over
2	Traineeships to help young people progress to an apprenticeship or other job	Young people aged 16 to 24
3	Qualifications and units (up to and including level 2) to help adults into work	Learners aged 19 and over
4	Qualifications and units (level 3 or above) to help adults into work	Learners aged 19 to 23
5	Entry and level 1 qualifications (not English, maths or ESOL) to help adults to progress to their first full level 2	Learners aged 19 to 23
6	First full <sup>2</sup> level 2 qualification	Learners aged 19 to 23
7	First full <sup>2</sup> level 3 qualification	Learners aged 19 to 23

We do not propose any changes to these fully-funded categories of learning (or the legal and policy entitlements that underpin them).

Some categories of learning are currently eligible for contributory Government funding, in order to promote shared responsibility for learning. Contributory funding is where Government pays a

<sup>1</sup> <https://www.gov.uk/government/publications/skills-funding-statement-2013-to-2016>

<sup>2</sup> ‘First full’ as described in the Skills Funding Agency’s Qualifications information guide 2014 to 2015.

proportion of the cost and providers charge or raise funds elsewhere to fund the balance. This contributory funding also comes from the Adult Skills Budget. The categories of learning that are eligible to receive contributory funding are set out in the table below.

**Table 2**

	<b>Provision</b>	<b>Learner</b>
1	Intermediate-level apprenticeships (level 2)	Apprentices aged 19 and over
2	Advanced-level apprenticeships (level 3)	Apprentices aged 19 and over
3	Higher apprenticeships (at levels 4, 5 and 6) – non-prescribed HE qualifications	Apprentices aged 19 and over
4	Entry, level 1 and level 2 qualifications	Learners aged 19 and over who do not qualify for full-funding
5	Level 3 or 4 qualifications	Learners aged 19 to 23 who do not qualify for full-funding  Learners aged 24 and over have access to Advanced Learning Loans

The Adult Skills Budget, in line with most public spending, continues to be under pressure and budget levels are reducing. The Government has set out its priorities for the skills system and providers are free to decide how they use their funding allocation to reflect those priorities to best meet the skills needs of individuals and employers in their local area. Feedback from providers suggests that in the context of reducing budgets, they have taken the decision to prioritise the fully-funded provision and apprenticeships. Given this, we want to expand opportunities for learners in the 19-23 age bracket who are not eligible for full funding but may want to study a subsequent full level 2, level 3 or any level 4 qualification. The case is similar for those aged 24 and over, studying subsequent level 2 qualifications. Expanding Advanced Learning Loans would allow us to do that.

Learners who are not eligible for full funding, or contributory funding, may be eligible to apply for a loan through the Advanced Learning Loans system, which provides full loan funding for eligible qualifications. This means that rather than an individual having to pay for their course upfront they have the option of accessing a loan from the Student Loans Company, which they will only start to repay once they have left the course and are earning over £21,000. Currently, learners are eligible for loan funding if they are 24 or over when they begin their course, and are studying an eligible level 3 or level 4 qualification at a Skills Funding Agency approved provider.

### **What is the scope of the proposed expansion?**

We propose expanding the scope of loans in the Further Education sector. This expansion would have no impact on the fully-funded provision outlined in Table 1 above, but would move certain provision which currently attracts contributory funding, into the scope of the loans system. We propose to expand the age eligibility of loan entitlement to bring 19-23 year olds

within scope and also to include some level 2 qualifications. Because this would not affect existing eligibilities for full funding those aged 19-23 would still retain the right to full public funding for their first full level 2 and full level 3 qualifications.

We do not propose any substantive changes to the loans system in Academic Years 2014/15 or 2015/16, so the expansion would not take place until after those years.

Table 3 shows the groups of learners that would be eligible for Loan funding if the proposals to expand the scope of the system were to be implemented.

**Table 3**

Age/qualification ranges which would be eligible for a Loan	19-23 year olds	Aged 24 and above
Level 2	All eligible level 2 qualifications after a first full level 2	All eligible level 2 qualifications
Level 3	All eligible level 3 qualifications after a first full level 3	All eligible level 3 qualifications
Level 4	All eligible level 4 qualifications	All eligible level 4 qualifications

The qualifications which we propose to make eligible for loan funding will be those which are approved for public funding for adult learners through the application of the Skills Funding Agency's business rules for qualification approval, and would include:

**Table 4**

Level 2	Level 3	Level 4
GCSEs*	A levels including AS/A2s	Level 4 Certificates
Level 2 Certificates*	QAA Access to HE Diplomas	Level 4 Diplomas
Level 2 Diplomas	Level 3 Certificates	
Substantial level 2 vocational qualifications	Level 3 Diplomas	
	Tech Levels	

\* Excludes English and maths because these GCSEs and QCF certificates will continue to be eligible for full grant funding.

### **Why are we proposing this expansion?**

There are numerous reasons why we believe now is an appropriate time to propose an expansion of Advanced Learning Loans.

**More opportunities for learners and providers** – Because providers are prioritising fully-funded learning and apprenticeships, the availability of learning opportunities for those individuals in the cohorts that receive contributory funding are diminishing. Our proposals to move some of this learning from the Adult Skills Budget into the loans budget will help this provision to continue while focusing public funds on maintaining a level of financial support for priority groups.

**Removes up-front financial barriers** – Under a contributory funding system, where Government pays part of the costs of a qualification, the individual undertaking the learning, or their employer, is required to fund the remaining costs. But in those cases where a contribution is required it may not be possible for individuals to access the upfront finance they need. By providing loans instead of contributory funding, we can ensure that a lack of access to upfront finance is not a barrier to an individual undertaking valuable learning.

**Focuses Government grant support where the strongest case for public support exists** – By reducing the categories of provision that are eligible for contributory funding, it allows Government grant support to be more focused on those areas of provision where the strongest case for public support exists.

**Stronger incentives** - Similar to the 24+ age group, requiring learners to fund their own learning should ensure that there is a stronger incentive for learners to hold providers to account over the quality of their provision, by creating a stronger ownership of their learning. As set out in the *Rigour and Responsiveness* Strategy published in April 2013, requiring learners to cover their own costs will strengthen their incentives to choose high-quality, relevant training and to strive to achieve a positive outcome. These strengthened incentives should apply equally to level 2 qualifications, and the 19-23 age group, as they do to learners at levels 3 and 4.

**Consistency with Higher Education** – Currently, in the Higher Education sector, learners have tuition fee loans available post school age. This proposed expansion would more closely align the Further Education system with the Higher Education system for funding course fees for those without an entitlement to fully funded courses.

We want to use this consultation to gain a fuller understanding of the impact on learners, providers and the government. This will help us to better understand the value for money of any expansion.

***Q1. How effectively is the current system of co-funding operating for the groups of learners in table 3 who are not already eligible for loans?***

***Q2. Do you agree with the proposal to expand the loans system by age-group and by Level, so that it covers the groups and qualifications outlined in tables 3 and 4 above? (Yes/No)***

***If yes, please explain why – what advantages would it bring?***

***If no, please explain which aspect you don't agree with, and state your reasons why.***

**Q3. How will we best get an understanding of how well learners at level 2 will respond to the introduction of loans?**

**Disadvantaged learners**

We need to consider the impact of this expansion on learners who may be disadvantaged in society. This may include, for example, young adults who are care leavers or have been young adult carers. They are more likely than other young people to have had a disrupted or poor education. Young lone parents are more likely to have few qualifications and have had broken education than other young people. Offenders in custody have historically had a poor experience of school and have not engaged with learning. These groups are more likely than others to have fewer support systems and be less able to access to good advice.

Learners aged 24 and over accessing a loan have access to the Advanced Learning Loans Bursary Fund, established to help vulnerable and disadvantaged learners who are being funded through a loan with learner support costs such as childcare support, accommodation, travel or residential assistance. We expect to maintain this, expanding it to all learners in scope.

**Learners with Learning Difficulties and Disabilities/Special Educational Needs**

Arrangements for grant funding by the Education Funding Agency of 19-24 year old learners with Learning Difficulties and Disabilities/Special Educational Needs under an Education and Health Care Plan will be maintained and will not be affected by the proposals in this document.

Some adults who have acquired disability during their working life will need to retrain in order to be able to continue working. This could include those, for example, who have had accidents, those who have been ill (eg brain tumours, cancer side effects, strokes), ex military personnel, and those who lose sight or hearing.

The Advanced Learning Loans Bursary Fund is also available to loans funded learners to support activity to meet their learning needs to enable them to achieve their learning goal and maximise their potential. This funding also enables providers to meet the costs of reasonable adjustments as set out in the Equality Act 2010. Examples include workstation adjustments or teaching assistant support. We expect to maintain this, expanding it to all learners in scope of an expanded loans offer in Further Education.

**Q4. Will the expansion of loans create any particular barrier(s) to access provision based on (i) race, religion or belief; (ii) disability; (iii) gender; (iv) age or (v) disadvantage? (Yes/No) If yes, please explain what the potential barrier would be.**

**Unemployed people**

Currently, fully-funded training is available as set out in table 5 below for unemployed people. The eligibility for this full funding is:

- Automatic for those on active benefits: Job Seekers Allowance (JSA) or Employment Support Allowance (Work Related Activity Group (ESA-WRAG)) and Universal Credit (full conditionality group) where their lack of skills is a barrier to getting work;
- At provider discretion for people on other benefits who are looking for work and for whom the training will help them into work.

**Table 5**

Learner Age	Provision
Learners aged 19 and over	Qualifications and units (up to and including level 2) to help adults into work
Learners aged 19-23	Qualifications and units (level 3 or above) to help adults into work

This consultation does not affect these arrangements for full funding. It would, however, open up the availability of loans as an alternative route for people in the group for whom full-funding is not available. This would be at the discretion of providers (and therefore not guaranteed).

Currently, unemployed people aged 24 and above are treated in the same way as other learners wishing to study at level 3 or 4 where government grant funding is no longer available, so they are in scope for Advanced Learning Loans. This allows them to access learning at level 3 and level 4 with an Advanced Learning Loan and removes the barrier of upfront costs. We would be interested to learn of any problems that they have encountered with the current loans arrangements.

***Q5. Are you aware of any particular problems that those aged 24 or over and unemployed face with the operation of the loans system? If so, please give examples.***

### **Prisoners**

Prisoners are currently included in scope for Advanced Learning Loans and are treated much the same as any other learner (although there are some additional eligibility criteria associated with their loans application process). Prisoners were originally included within the scope of Advanced Learning Loans in order to strike a sensible balance between not treating them more generously than other learners while not deterring them from undertaking learning that would improve their employability and, thus, benefit society.

Prison education is funded through the Offenders' Learning and Skills Service (OLASS). Provision below level 3 is free, with Advanced Learning Loans available to support study at level 3 and level 4.

Early indications are that prisoners' take-up of loans has been very low. We would like to understand why this is, before taking decisions on whether prisoners should be within scope of any expansion.

Including prisoners in any loan expansion may reduce their take-up of learning opportunities in prison. We know, however, that better skills lead to employment, and we know that employment leads to reduced re-offending. There are obvious benefits to society of prisoners securing employment on release, and so it can be argued that, in terms of the free availability of learning, prisoners should continue to be treated similarly to unemployed people, receiving the same support to raise their employability levels.

Government has two broad options, when considering how prisoners should be treated in the context of an expansion of loans. The first is to match the proposals in Table 3 above. That

would make the OLASS budget unavailable to fund 19-23 year old prisoners taking a second level 2 or level 3 qualification, or any level 4 qualification, and to make the OLASS budget unavailable to fund any level 2 qualifications for prisoners aged 24 and above. In each case, we would make loans available. The second option is to continue to treat prisoners similarly to the unemployed and, as in Table 5 above, continue to fund all level 2 training for prisoners, and level 3 and level 4 training for prisoners aged 19-23.

***Q6. Are you aware of the reasons why take up of Advanced Learning Loans by prisoners has been low? Please give examples.***

***Q7. What impact do you think the introduction of loans for level 2 qualifications would have on prisoners?***

***Q8. Do you think prisoners should be included in scope of an expanded loans system (down to age 19 second level 2 and level 3 and level 4 qualifications)? (Yes/No) Please give your reasons.***



## Issue 2 – Simplification and improvement

The first year of the Advanced Learning Loans system has been rolled out successfully. Learners and providers appear to have been able to understand the rules of the scheme well enough, and the number of complaints has been reassuringly low for the first year of a new loans system. This is borne out by some of the emerging findings of our evaluation work, which has included surveys of 250 providers delivering loans. This has found that providers felt confident in their ability to deliver advice to learners across a range of issues including who can or should apply for a loan (95% of providers said they were confident dealing with these enquiries), the process of applying for a loan (91%), the loan amount and what it covers (87%) and paying back the loan (88%).

However, there have been some areas where feedback has suggested that we could make the existing rules simpler, and potentially give more control to the learner. This is something Government is interested in exploring through this consultation.

The first area we would like to consider simplification of is the **concurrent study** rule. The current rule is that, with the exception of A levels (including AS and A2 qualifications), a learner cannot take out multiple loans to study two or more courses concurrently. Instead, learners can self-fund a second (or further) qualification if they wish. The rationale for this was in part because we felt that studying a full level 3 or level 4 qualification would not allow space for concurrent study, and partly to protect learners in terms of the amount of debt they were accumulating.

However, we have heard feedback from both providers and individuals alike that the rule preventing concurrent study may have resulted in learners being unable to take on the combination of courses that they would have liked. It has also been suggested that younger learners or those studying at level 2 may be more inclined to study multiple qualifications than older learners at level 3 or level 4. Therefore, if we are to expand the scope of the loans system by age or level, there is an opportunity to re-assess the concurrent study rule.

One option for amendment of the concurrent study rule would be to simply remove the requirement altogether. This would put more control in the hands of the learner but at the same time would mean learners would no longer have the protection of the concurrent study rule, making the availability of independent and unbiased money advice (such as that offered through the Money Advice Service) even more important.

### ***Q9. Do you think the “concurrent study rule” should be abolished? (Yes/No)***

***If you answered yes, please explain why and explain whether you feel alternative safeguards might be required instead. If you answered no, please explain why.***

The second potential simplification that we would like to consider relates to current rules for the maximum number of loans and repeat study. Currently, individuals can have up to four Advanced Learning Loans to fund qualifications of different types and levels (i.e. they cannot use a Loan to repeat the same type and level of qualification). The exception is where someone makes a ‘false start’ on a course and withdraws – in this case they are allowed to start another course at that level and the withdrawal doesn’t count as one of their four loans.

The rationale for setting four loans as a limit was based partly on giving individuals sufficient scope to up-skill or re-skill to support progression and employability. In addition we felt that more

than four loans could have financial implications both in terms of longer term pay back by individuals and the availability of loans more generally given the initial loans budget.

***Q10. Has current policy on number of loans/repeat study had an adverse impact that you are aware of, on learners or providers? (Yes/No)***

***If you answered yes, please give specific examples.***

***Q11. Do you think the rule on maximum number of loans should be amended?***

***If you answered yes, please state what you think the rule should be changed to.***

***Q12. In light of your views on concurrent study and number of loans / repeat study, do you feel there is a case for simplifying through a more radical change such as setting a single maximum lifetime loan amount? (Yes/No)***

***Q13. What would be the benefits/challenges of such an approach?***

***Q14. Do you think there are any other aspects of the current system that could be changed to the benefit of learners or providers? (Yes/No)***

***If you answered yes, please describe the areas for improvement.***

### Issue 3 – Alternative financial product for Muslim learners

We are keen to ensure that the Government's financial support mechanisms do, as far as possible, allow for a level playing field between different groups within society. The Government is aware that Sharia prohibits the payment or acceptance of specific interest or fees (known as *riba* or usury) for loans and money. Therefore it was identified, at the time that the Advanced Learning Loans system was introduced, that there could be an issue with regards to the take-up of loans by Muslim learners.

In January 2013, BIS published a research paper which set out the likely impact of the introduction of loans on various different groups. This included further investigating the impact of the introduction of loans on Muslim learners. Some of the key conclusions of the research were as follows:

- The reaction of Muslim learners to the possibility of loans is not uniform. Some object based on religious principles, some object based on other reasons such as family values, and some take a more pragmatic view about loans, based on whether it is something that is essential (eg a mortgage).
- For some Muslim learners, the £21,000 threshold was seen as a negative, because they would want to pay the loan off as quickly as possible (although the potential for early repayments does mitigate this).
- Overall, it seems that Muslim learners would be less inclined to take out a loan to fund their Further Education course than other religious groups.

This is an issue both within the Higher Education system and the Further Education system. On 3 April 2014, BIS published a consultation called "[Sharia compliant student finance](#)". This consultation sets out a proposal for an alternative to the traditional loans products, which may be more attractive to Muslim learners.

#### How might it work?

The Government wanted any new product for Muslim students to meet certain criteria. These criteria were that:

- Repayments after course completion and debt levels must be identical to that of a traditional loan, so that learners who chose the alternative finance product would be in no worse or better position than those who took out a traditional loan.
- Making repayments should be as easy for learners who choose the alternative finance product as it is for those learners with traditional loans, therefore it should be possible for repayments to be made directly through the UK tax system.
- The alternative finance product must be applied for in the same way as a traditional loan, through the Student Loans Company, to ensure that no extra burden is imposed upon the learner.
- The finance product should be transparent in its workings and easy for potential learners to understand.

Using these objectives, Government worked with experts in Islamic Finance to select one potential finance product which could meet all of these key criteria. The finance product the Government has identified is based on the 'Takaful' structure used in Islamic finance to allow groups of people to cooperate to provide mutual finance assistance to members of the group. This type of mutual fund model is familiar to Sharia scholars and many UK Muslim families, who use a similar concept to raise funds between cooperating relatives.

The proposed system would therefore work as follows. A learner wishing to take out alternative student finance would apply to the Student Loans Company, indicating that they wish to take out the alternative finance product. This would be done in the same manner as a traditional loan, with the learner selecting which product they wished to apply for at the point of application.

The learner would sign a Sharia-compliant contract which fully explained the details of the alternative finance and the repayment terms. The terms of participation in the fund would be detailed in the contract so that the learner is fully aware of the terms of the finance upfront, eliminating financial uncertainty in accordance with the principles of Sharia law.

After the learner finished their course they would begin to make repayments back into the fund once they were in employment and earning over the repayment threshold. These repayments would be equal to those that would have been made if the learner had taken out a traditional loan. They would be collected in the same way as repayments for a traditional loan, through the tax system.

Under the terms of the alternative finance product the amount owed to the fund would increase by the same amount over time as for a traditional loan. However, no rate of interest would be applied to the learner's obligation to the fund. The principles of Sharia law recognise the value of money over time. Given the long period over which most learners would make repayments into the fund, the total contribution they would be obligated to make would be based on a benchmark. This benchmark would be set relative to the traditional loan system and would ensure that learners who made use of either the alternative finance product or traditional loans would be treated the same.

The repayments of learners who selected the alternative finance product would not be treated in the same way as repayments from a traditional loan. Rather, repayments would be returned to the fund and would be used to provide future finance to new learners who wished to take out an alternative finance product.

The money within the alternative finance fund would be ring-fenced and would only be used to provide alternative finance to other learners. The money held within the fund would be treated in a Sharia-compliant manner and would not have interest levied upon it while it remained in the fund.

Government has worked closely with experts in Islamic finance to develop this alternative finance product. The evidence gathered by BIS so far suggests that it may provide an acceptable way to provide Sharia-compliant finance to learners who may be interested in taking out a finance product of this type.

The Government would like to create greater coherence between Higher and Further Education funding routes, and would also like to do as much as possible to encourage learning among all groups. Therefore, we propose that if the Higher Education system introduces an alternative financial product for Muslim learners, Further Education learners should also be allowed to

access this alternative financial product. Due to the large delivery challenge associated with introducing an entirely new system, this would only be introduced for the Further Education sector if it was also introduced for the Higher Education sector.

***Q15. Do you agree that the Sharia-compliant alternative finance options should be identical within both Higher Education and Further Education systems? (Yes/No)***

***Please explain your views***

***Q16. Is there any support that providers (or National Careers Service advisers) would want in order to raise awareness of the alternative finance product?***

## Issue 4 – Moving other qualifications within scope of the Advanced Learning Loans system

The Secretary of State recently<sup>3</sup> set out the challenge that “high-level vocational training has fallen through the gap between our HE and FE systems...Relative to other countries, we are way behind where we need to be (and) we need to fill that high-level vocational gap.”

Higher National Diplomas and Higher National Certificates provide specialist vocational learning at level 5 and level 4 respectively and are currently within scope of the Higher Education funding system. There has, however, been a large decline in delivery of Higher Nationals at Higher Education Institutions in the last decade, whilst the more recent expansion in provision at private (alternative) providers has not been in priority vocational areas. Government therefore proposes to move these qualifications from the Higher Education funding system to the Further Education funding system, and therefore within scope of Advanced Learning Loans. This move would give vocational learning at level 4 and 5 a prominent place in the Further Education system and would, where appropriate, enable government to have greater control over the allocation of funding for level 4 and 5 qualifications. Inclusion of this activity within Advanced Learning Loans would also enable providers to prioritise funding on these levels of qualification to meet local demand.

The reform would also enable an anomalous position on level 4 and 5 qualifications to be addressed. Higher Nationals were historically brought in to the Higher Education funding system in the early 1990s when they were owned by the public sector and there were few alternatives for students who wanted a qualification at that level. The landscape has changed over time however, and now Higher Nationals are owned by the external awarding organisation Pearson. They are the only external awarding body qualifications to attract Higher Education funding (other than some teacher training courses). Government believes that external awarding organisations should be able to compete effectively in provision at levels 4 and 5, and so the position of Higher Nationals is now anomalous and hinders competition.

### Higher Nationals – Key Facts

The majority of Higher Nationals are awarded by Pearson, including all Higher Nationals at alternative providers:

- Higher Education Institutions can apply to Pearson for a Licence, which allows them to devise, deliver and award Higher National qualifications themselves (licensed institutions can also validate the qualifications delivered by partner organisations such as FE colleges);
- 48% of Higher National Certificates and 55% of Higher National Diploma courses at Higher Education Institutions in 2012/13 were awarded under licence, but the majority of Higher Nationals delivered at FE colleges were awarded by Pearson: 92% of Higher National Certificates and 91% of Higher National Diplomas in 2012/13;
- Higher Education Institutions have seen a large decline in Higher National numbers over the past 10 years but there has been a sharp increase in private (alternative provider) provision over the past three years.

---

<sup>3</sup> Cambridge Public Policy Lecture, 23 April 2014

If Higher Nationals were brought within the scope of Advanced Learning Loans, providers would need to meet the same assurance requirements as for any other awarding organisation qualification. This better alignment would contribute to our vocational qualifications reform strategy and bring greater coherence and improved planning to meet identified skills needs.

### **Key safeguards in Advanced Learning Loans**

For a qualification to be within scope of Advanced Learning Loans, the Skills Funding Agency must approve the qualifications, and the Agency would be responsible for determining the maximum funding rate. This would mean that the amount of public funding which is spent on these qualifications would be controlled more strictly, which should improve the value for money of these qualifications and reduce the cost borne by students.

In addition, the Skills Funding Agency takes a role in deciding which providers are eligible to receive a loans facility. Providers that wish to receive a loans facility for Higher Nationals would therefore be invited to apply for inclusion on the Agency's Register of Training Organisations, which gives assurance that the provider has satisfied the Agency's baseline technical capability, compliance and finance requirements.

It is a requirement that providers are approved on the Agency's Register in order to be considered for a loan facility. This loan facility is granted by the Agency on an annual basis, and caps the amount of loan funding available to the learners at that provider. Although the loan facility can be extended, this is a useful additional control which exists in the loans system, which is not present within Higher Education.

These checks provide additional reassurance for learners and Government that providers have proven systems and processes in place for managing public funds. The system of direct allocation of loans facilities also allows greater control over who can deliver loan funded courses and the volume of provision at different providers.

***Q17. Given that higher level vocational qualifications should be employment-focussed, how should government seek to engage employers in the allocation of loan facilities for level 4 and 5 funding?***

***Q18. Do you agree that including Higher Nationals within scope of loans in Further Education would deliver strong safeguards over the quality of provision, in particular with respect to employer influence over the quality and relevance of these qualifications? (Yes/No)***

***Please state your reasons, including suggestions for what more we could do to improve quality and better meet skills needs.***

By introducing Higher Nationals to Advanced Learning Loans, the range of qualifications eligible for funding through this route will be expanded. Therefore Government might need to consider whether there are other equivalent qualifications that should be eligible.

***Q19. If Higher National Diplomas and Higher National Certificates transfer into Advanced Learning Loans, are there other equivalent qualifications it would be sensible to include and why?***

Study for Higher Nationals can be undertaken on a part time basis, sometimes by those unable to study full time because of care or employment commitments. Government does not want the



transition of Higher Nationals from Higher Education to Further Education to result in any unintended consequences, particularly from an equality perspective.

**Q20. Do you think there will be any unintended consequences (from an equality perspective or otherwise) that we need to be mindful of if the proposal to bring Higher Nationals within scope of Advanced Learning Loans were to be adopted in practice? (Yes/No)**

*If you answered yes, please give examples and specify which groups might be affected.*

### **Maintenance loans for Higher Nationals**

Higher National qualifications currently attract the maintenance support that is available within the Higher Education system. This means that individuals undertaking Higher National Diplomas and Certificates are eligible for maintenance loans.

The box below outlines the current maintenance support frameworks in the Higher Education and Further Education funding systems.

The Further Education system currently provides the following types of support (via the provider) for learners with a financial hardship or assessed learning need:

- **Advanced Learning Loans Bursary Fund** – to help vulnerable and disadvantaged learners who are being funded through a loan with learner support and learning support needs.
- **Learning Support** - supports grant funded and self funded activity by meeting the learning needs of learners and to enable them to achieve their learning goal and maximise their potential. This funding also enables providers to meet the costs of reasonable adjustments as set out in the Equality Act 2010. Examples include workstation adjustments or teaching assistant support.
- **Discretionary Learner Support (DLS)** - to support grant funded and self funded learners who have a specific financial hardship. This support can include: childcare support, accommodation, travel or residential assistance.

The Higher Education system currently provides:

- **Maintenance Loans** – which help with living costs throughout the year. These are for full time students and are income based. The maximum loan amount varies according to where the student is based, the year of the course, and whether the student is entitled to other forms of support.
- **Maintenance grants** – where eligible students can receive up to £3354 depending on household income.
- **Special Support Grant** – which is an alternative to the maintenance grant, for students who fall into any of the groups of people (called ‘vulnerable groups’ by the Department for Work and Pensions) who may be eligible for income-related benefits while attending a full-time course. Like maintenance grants, these can be used to support general living costs.



- **Disabled Students Allowances** are available to help students in Higher Education with the essential extra costs they may incur on their course because of a disability (including an ongoing health condition, mental health condition or specific learning difficulty such as dyslexia). They are paid in addition to the existing standard student support package, do not depend on income and do not have to be repaid.
- **Dependants' Grants** are also available to provide help for students with children and adult dependants. The elements of this are Childcare Grant, Parents Learning Allowance, and Adult Dependants Grant. These are paid in addition to the existing standard student support package, and do not have to be repaid. They are income assessed.

The key difference between the two maintenance support systems relates to support for living costs. Living cost support is provided in the Higher Education system, primarily through loans, and not in the Further Education system. If Government brings Higher Nationals and equivalent qualifications within scope of the Further Education funding framework, then there could be a case for ensuring that maintenance loans are available for these higher-level qualifications within the Further Education system. This also links to the development of National Colleges, which will spearhead the development of specialised training in elite facilities.

The provision of maintenance loans increases levels of Government debt. Furthermore, a proportion of any maintenance loans issued would likely need to be written off. The Government will, therefore, need to consider the public finance implications in its assessment of this policy proposal.

***Q21. If Higher Nationals (and equivalent qualifications) were moved into the Further Education funding system, what impact would a lack of maintenance loans have on undertaking higher level learning?***

## Issue 5 – Information, Advice and Guidance about Advanced Learning Loans

We want to support the sector to make sure that anyone who would benefit from access to a Advanced Learning Loan is aware of them, and that those wanting to take out a Advanced Learning Loan would have clear and easy to understand information about the terms and conditions.

In the run up to the launch of Advanced Learning Loans a comprehensive package of resources for learners and providers was made available. Prospective learners can find out information about Loans by visiting:

[GOV.UK](https://www.gov.uk)

[National Careers Service](#)

[Money Advice Service](#)

Learner factsheets and frequently asked questions and answers have been made available to prisoners through National Offender Management Services.

Providers delivering or planning to deliver Advanced Learning Loans, can find out more information by visiting:

[Practitioner Site](#)

[Skills Funding Agency website \(GOV.UK\)](#)

Our approach so far has been to make sure providers and the National Careers Service have the information they need to tell learners and employers about Loans.

***Q22. Are there gaps in the information that is provided in the links above? (Yes/No) If so, please give examples.***

***Q23. Is it easy to find what you are looking for? (Yes/No) If not, what improvements could be made?***

The current cohort of loans learners is a relatively small part of the Further Education sector overall. To date our approach has been to primarily rely on providers who have contact with learners to inform them about Loans. We have also issued guidance and written briefings on loans for National Careers Service advisers and Jobcentre advisers to assist them in their discussions with learners about options for funding courses at level 3 and level 4.

***Q24. Are there other ways we can reach this specific group of learners other than through providers, the National Careers Service advisers and Jobcentre advisers?***

## Issue 6 – Impact of loans on learner choice

The recently published research “Tracking the impact of Advanced Learning Loans” gives some useful details about the views of learners and the general public on Loans before they were introduced and we are doing further research with providers and learners as part of our overall evaluation.

Now that we are well into the first year of Loans, we would also like your views about how the introduction of Advanced Learning Loans has impacted on learner behaviour. It was expected that the introduction of Advanced Learning Loans would have an impact on the choices that learners make about what type of learning to undertake.

***Q25. Are there any courses, either qualification type or subject area, where you have seen an increased demand from learners as a result of loans?***

*Please give examples and describe what you think the reasons might be.*

***Q26. Conversely, are there any courses where you have seen a drop in demand as a result of loans?***

*Please give examples and describe what you think the reasons might be.*

***Q27. What impact do you think the introduction of loans has had on the price of courses?***

***Q28. What impact do you think the introduction of loans has had on the quality of courses?***

The research mentioned above showed that for learners that were currently studying at the time of the research, the most popular reason cited for doing a level 3 course or higher was to help “progress in their job or career” (62%), this was also the most popular reason for people who are not currently in learning but for a smaller proportion (41%) and was closely followed by being able to “move in to a new career” (40%).

***Q29. Have there been any changes in learner motivation or reasons for taking a course as a result of loans?***

***Q30. Are there types of courses where learners have been reluctant to take on a loan – such as qualification type, subject, course length or cost? Please give examples.***

## **7. What happens next?**

The Government Response to the consultation will be published by 13 November 2014. This will inform the further development of the policy for Loans in Further Education, and allows some changes to be implemented in time for the launch of the 2016/17 application system.

## Annex 1: Consultation principles

The principles that Government departments and other public bodies should adopt for engaging stakeholders when developing policy and legislation are set out in the consultation principles.

<http://www.cabinetoffice.gov.uk/sites/default/files/resources/Consultation-Principles.pdf>

### Comments or complaints on the conduct of this consultation

If you wish to comment on the conduct of this consultation or make a complaint about the way this consultation has been conducted, please write to:

John Conway,  
BIS Consultation Co-ordinator,  
1 Victoria Street,  
London  
SW1H 0ET

Telephone John on 020 7215 6402  
or e-mail to: [john.conway@bis.gsi.gov.uk](mailto:john.conway@bis.gsi.gov.uk)

However if you wish to comment on the specific policy proposals you should contact the policy lead (see section 5: “Help with Queries”).

## **Annex 2: List of Individuals/Organisations consulted**

The Student Loans Company and Skills Funding Agency, as well as other Government Departments such as HMRC have been involved in the development of this consultation.

We will be organising events to gather views from colleges, training organisations and sector representative bodies. We would welcome suggestions of others who may wish to be involved in this consultation process and are happy for you to draw their attention to this consultation.

## Annex 3: Future Development of Loans in Further Education response form

The Department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual responses.

You can reply to this consultation online at:

<https://bisgovuk.citizenspace.com/digital/future-development-of-loans-in-further-education>

The closing date for this consultation is 21/08/2014

Name:

Organisation (if applicable):

Address:

Please return completed forms to:

Advanced Learning Loans Team

Vocational Education Directorate

Level 2, Bay G

Department for Business, Innovation and Skills

2 St Paul's Place

125 Norfolk Street

Sheffield

S1 2FJ

Telephone: 0114 207 5085

email: [feloans@bis.gsi.gov.uk](mailto:feloans@bis.gsi.gov.uk)

Please tick a box from the list of options below that best describes your role or organisation.

Type of Organisation	
<input type="checkbox"/>	Further Education College
<input type="checkbox"/>	Training Organisation
<input type="checkbox"/>	Further Education sector representative body
<input type="checkbox"/>	Central government
<input type="checkbox"/>	Charity or social enterprise
<input type="checkbox"/>	Individual
<input type="checkbox"/>	Large business (over 250 staff)

Type of Organisation	
	Legal representative
	Local Government
	Medium business (50 to 250 staff)
	Micro business (up to 9 staff)
	Small business (10 to 49 staff)
	Trade union or staff association
	Other (please describe)

**Question 1 (see pages 10-13)**

How effectively is the current system of co-funding operating for the groups of learners in table 3 who are not already eligible for loans?

**Question 2 (see pages 10-13)**

Do you agree with the proposal to expand the loans system by age-group and by level, so that it covers the groups and qualifications outlined in tables 3 and 4 on page 12?

Yes

No

If yes, please explain why – what advantages would it bring?

If no, please explain which aspect you don't agree with, and state your reasons why.

**Question 3 (see pages 10-13)**

How will we best get an understanding of how well learners at level 2 will respond to the introduction of loans?



**Question 4 (see page 14)**

Will the expansion of loans create any particular barrier(s) to access provision based on:

- |                             |                              |                             |
|-----------------------------|------------------------------|-----------------------------|
| i) race, religion or belief | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| ii) disability              | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| iii) gender                 | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| iv) age                     | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| iv) disadvantage            | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

If yes, please explain what the potential barrier would be:

**Question 5 (see pages 14-15)**

Are you aware of any particular problems that those aged 24 or over and unemployed face with the operation of Advanced Learning Loans? If so, please give your reasons.

**Question 6 (see pages 15-16)**

Are you aware of the reasons why take-up of Advanced Learning Loans by prisoners has been low? Please give examples.

**Question 7 (see pages 15-16)**

What impact do you think the introduction of loans for level 2 qualifications would have on prisoners?

**Question 8 (see pages 15-16)**

Do you think prisoners should be included in scope of an expanded loans system (down to age 19 second level 2 and level 3 and all level 4 qualifications)?

 Yes No

Please give your reasons.

**Question 9 (see page 17)**

Do you think the “concurrent study” rule should be abolished?

 Yes No

If you answered yes, please explain why and whether you feel alternative safeguards might be required instead.

If you answered no, please explain why:

**Question 10 (see pages 17-18)**

Has current policy on number of loans/repeat study had any adverse impact that you are aware of, on learners or providers?

 Yes No

If you answered yes, please give specific examples:

**Question 11 (see pages 17-18)**

Do you think the rule on maximum number of loans should be amended?

 Yes No

If you answered yes, please state what you think the rule should be changed to.

**Question 12 (see pages 17-18)**

In light of your views on concurrent study and number of loans/repeat study, do you feel there is a case for simplifying through a more radical change such as setting a single maximum lifetime loan amount?

 Yes No**Question 13 (see pages 17-18)**

What would be the benefits/challenges of such an approach?

**Question 14 (see pages 17-18)**

Do you think there are any other aspects of the current system that could be changed to the benefit of learners and providers?

 Yes No

If yes, please describe the areas for improvement:

**Question 15 (see pages 19-21)**

Do you agree that the Sharia-compliant alternative finance options should be identical within both Higher Education and Further Education systems?

 Yes No

Please explain your views:

**Question 16 (see pages 19-21)**

Is there any support that providers (or National Careers Service advisers) would want in order to raise awareness of the alternative finance product?

**Question 17 (see pages 22-24)**

Given that higher level vocational qualifications should be employment focussed, how should government seek to engage employers in the allocation of loan facilities for level 4 and 5 funding?

**Question 18 (see pages 22-24)**

Do you agree that including Higher Nationals within scope of loans in Further Education would deliver strong safeguards over the quality of provision, in particular with respect to employer influence over the quality and relevance of these qualifications?

Yes

No

Please state your reasons, including suggestions for what more we could do to improve quality and better meet skills needs:

**Question 19 (see pages 22-24)**

If Higher National Diplomas and Higher National Certificates transfer into Advanced Learning Loans, are there other equivalent qualifications it would be sensible to include and why?

**Question 20 (see pages 22-24)**

Do you think there will be any unintended consequences (from an equality perspective or otherwise) that we need to be mindful of if the proposal to bring Higher Nationals within scope of Advanced Learning Loans were to be adopted in practice?

 Yes No

If you answered yes, please give examples and specify which groups might be affected.

**Question 21 (see pages 24-25)**

If Higher Nationals (and equivalent qualifications) were moved into the Further Education funding system, what impact would a lack of maintenance loans have on undertaking higher level learning?

**Question 22 (see page 26)**

Are there gaps in the information that is provided in the links on page 26?

 Yes No

If so please give examples.

**Question 23 (see page 26)**

Is it easy to find what you are looking for in the links on page 26?

Yes

No

If not, what improvements could be made?

**Question 24 (see page 26)**

Are there other ways we can reach this specific group of learners other than through providers, National Careers Service advisers and Jobcentre advisers?

**Question 25 (see page 27)**

Are there any courses, either qualification or subject area, where you have seen an increased demand from learners as a result of loans?

Please give examples and describe what you think the reasons might be.

**Question 26 (see page 27)**

Conversely, are there any courses where you have seen a drop in demand as a result of loans?

Please give examples and describe what you think the reasons might be.

**Question 27 (see page 27)**

What impact do you think the introduction of loans has had on the price of courses?

**Question 28 (see page 27)**

What impact do you think the introduction of loans has had on the quality of courses?

**Question 29 (see page 27)**

Have there been any changes in learner motivation or reasons for taking a course as a result of loans?

**Question 30 (see page 27)**

Are there types of courses where learners have been reluctant to take on a loan – such as qualification type, subject, course length or cost? Please give examples.

**Do you have any other comments that might aid the consultation process as a whole?**

Thank you for taking the time to let us have your views. We do not intend to acknowledge receipt of individual responses unless you tick the box below.

Please acknowledge this reply

At BIS we carry out our research on many different topics and consultations. As your views are valuable to us, would it be okay if we were to contact you again from time to time either for research or to send through consultation documents?

Yes

No



© Crown copyright 2014

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. Visit [www.nationalarchives.gov.uk/doc/open-government-licence](http://www.nationalarchives.gov.uk/doc/open-government-licence), write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

This publication is available from [www.gov.uk/bis](http://www.gov.uk/bis)

Any enquiries regarding this publication should be sent to:

Department for Business, Innovation and Skills  
1 Victoria Street  
London SW1H 0ET  
Tel: 020 7215 5000

If you require this publication in an alternative format, email [enquiries@bis.gsi.gov.uk](mailto:enquiries@bis.gsi.gov.uk), or call 020 7215 5000.

**BIS/14/861**