

Student debt advice guide

A young man with short brown hair, wearing a purple t-shirt, is leaning on a blue metal railing. He is looking out of a window with a grid pattern, looking towards the left. The background is slightly blurred, showing a brick wall and a blue door. The overall scene is bright and airy.

*Free, Impartial
Debt Advice*

Introduction

As a student, you might be worried about how you're going to manage your finances. This guide will help you understand your options and show you how to make the most of your money.

Many students have their first experience of managing money at college or university. The freedom and responsibility of looking after yourself and your money for the first time can be very liberating but also quite daunting.

It's very important that you get to grips with your finances from the beginning to avoid getting into serious debt.

This guide will help you to manage your money better so you'll have financial peace of mind and will be free to concentrate on your studies and enjoy your time as a student.

Our guide explains:

- How to organise your money.
- How to increase your income.
- What funding is available.
- How to manage your borrowing.
- Where to get advice.
- What to do if you're worried about your debts.



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Contents

Section 1	Managing your money	4
	<ul style="list-style-type: none">• Budgeting• Your Bank Account• Reducing your spending	
Section 2	Increasing your income	8
	<ul style="list-style-type: none">• Student loans• Student grants• Other sources of funding• Benefits and allowances• Help for mature students• Working to increase your income• Other money-making ideas	
Section 3	Managing your borrowing	18
	<ul style="list-style-type: none">• Overdrafts• Credit cards• Store cards	
Section 4	Our debt help	21
	<ul style="list-style-type: none">• StepChange debt charity debt help• Getting help• Our debt advice	

Managing your money

Budgeting

Working out a budget is the best way of keeping an eye on your finances.

Budgeting is not difficult and once you get into the habit, you will benefit from knowing exactly what you have coming in and going out.

If you would like help creating your budget we can help. Follow these simple steps to work out your personal budget:

Step 1 - Work out your income

How much money do you have coming in each month? Write down all your monthly income and make sure you include:

- Your student loan.*
- Money from your family or guardian.
- Wages.
- Savings used to boost your monthly income.
- Grants, bursaries or scholarship funds.*

*Student loans, grants, bursaries and scholarship funds may be paid to you at various intervals; per month, per term or per year.

To work out your monthly income, take the full annual amount of your loan, grant or bursary and divide it by twelve.



Budgeting tip:

It can be very tempting to spend all your money at once and leave yourself short of cash until your next instalment. You can help prevent this by working out your monthly income from your student loan and other funding, and spending only that amount each month.

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Managing your money

Step 2 - Add up your monthly outgoings

Work out how much money you need each month to cover:

- Rent or accommodation costs.
- Travel costs.
- Food, drinks, supermarket shopping.
- Telephone bills.
- Any utilities – water, gas, electricity.
- TV licence.
- Tuition fees (if you have not applied for a Tuition Fee Loan).
- Course books, photocopying, and going out.



Step 3 - Calculate your monthly budget

This is a simple calculation:

**Monthly income – monthly outgoings
= monthly budget.**

Results:

- a) If you have money left over, you have a budget surplus and can save this for any unexpected costs in future months.
- b) If you're spending more than your monthly income, you have a budget deficit. This means that you will need to cut down your spending and increase your income to prevent yourself getting into debt.

Budgeting tip:

If you don't know exactly how much you're spending on day-to-day expenses, try writing down what you have spent at the end of each day. Alternatively, keep your receipts and then add them up.

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Managing your money

Choosing your bank account

As a student, you will be offered many different bank account packages. Make sure you get the best deal for you.

Choosing a bank with a branch nearby can be very helpful. Find out which banks have branches on campus or near your accommodation.

Most student bank accounts offer large overdraft facilities. Check that any overdraft you are offered is interest free. For more information on managing your overdraft, see the 'Managing your borrowing' section of this guide.

Shop around for the best deals. Some banks will offer you discounts on laptops, railcards and high street shops. But do also make sure that the basics of the bank account they come with are competitive with what other banks are offering.

Check your balance regularly

Keep an eye on your finances by checking your bank balance regularly. The easiest way to do this is with online banking or by using text alerts.

Don't bury your head in the sand. Keep up to date with your bank balance and you will be able to:

- Make sure you have enough money to cover your direct debits and bills.
- Prioritise essential outgoings.
- Reduce the risk of going over your overdraft limit and incurring bank charges.
- Check you're not still paying for services that you no longer use.
- Keep an eye out for fraudulent transactions.



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Managing your money

Reducing your spending

As a student, it's likely you will have to make do with a fairly limited income. You will therefore have to keep good control over what you spend your money on.

Fortunately, there are lots of ways to reduce your spending and make your money stretch further.



Bargain hunting

- Save money on travel with weekly or monthly bus passes and travel cards.
- Get the cheapest deals on utilities and phones by using price comparison sites.
- Switch to your supermarket's own brand food, household and toiletry products.
- Take advantage of your NUS card and look for high street discounts.
- Look for money-off vouchers and deals advertised in newspapers, on flyers and money saving websites.

- Buy books secondhand when you can; look out for student book sales and private adverts on noticeboards.
- Get creative and go clothes shopping in charity shops, markets and vintage stores.

Use cash

- Using cash rather than debit or credit cards will help you control your spending, as you will only be able to spend what you have in your pocket.
- Restrict yourself to using only cash for a month and see how much you can save.
- Put a weekly limit on your everyday expenses like food shopping, meals, transport and going out.
- Withdraw only this weekly allowance and try limiting yourself to that amount.
- Limiting yourself to the cash in your pocket will mean you have to stop and think before you spend.

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Increasing your income

Student loans

The chances are that you will have to take out some kind of student loan to cover your tuition fees and living expenses.

The amount you can borrow will depend on whether you are a full-time or part-time student.

It's worth bearing in mind that all the loans discussed here will normally have to be paid back at some point in the future. However, repayments will not begin until you have finished your course and you are earning above a certain salary threshold.

Loans for full-time students

As a full time student, you'll have tuition fees to cover and may need to borrow some money to assist you with everyday living costs.

The amount you can borrow will depend on whether you are a full-time or part-time student.

It's worth bearing in mind that all the loans discussed here will normally have to be paid back at some point in the future. However, repayments will not begin until you have finished your course and you are earning above a certain salary threshold.

If your course starts 2012/13, tuition fees could go up to a maximum of £9,000 per year.

Tuition Fee Loans

You can get a Tuition Fee Loan to cover the full cost of your tuition fees. The loan is paid straight to your university.

Your Tuition Fee Loan means that you do not have to pay any of your course fees upfront. However, bear in mind that you will owe a large amount of money once you graduate and will have to start repaying the loan once you are earning over a certain amount.



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Increasing your income

Maintenance Loans

You can also apply for a Maintenance Loan to help you with your day-to-day living expenses.

You will be assessed according to how much your family earns, where you live, the year you start your course and other factors. This assessment will determine how much you can borrow.

Like the Tuition Fee Loan, this loan will have to be repaid once you earn over a certain amount.

For a course starting in 2012/13, the maximum loan you can apply for is:

- £4,375 if you live at home.
- £5,500 if you live away from home and outside London.
- £7,675 if you live away from home and in London.

Your Maintenance Loan will be paid in three instalments. It is really important that you don't spend it all at once and leave yourself without enough money to live on.

To work out the monthly portion of your Maintenance Loan, divide the total annual amount by 12.

Paying back your loans

You will have to start paying back both your Tuition Fee and Maintenance Loans in April of the year after you leave your course, if you are earning:

- Over £21,000 per year and started your course in or after September 2012.



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Increasing your income

Loans for part-time students

As a part-time student, you'll have tuition fees to pay. You must ask your college or university how much these will be, as the government has not imposed maximum fees on part-time courses.

Professional and Career Development Loan

As a part-time student you are not eligible for a Maintenance Loan, but may be able to apply for a Professional and Career Development Loan to help with course fees and living costs. This is a bank loan you pay back when your studies have finished. You can borrow between £300 and £10,000 for your whole course.

Tuition Fee Loans from September 2012

From September 2012, part-time students starting their first degree may be eligible for a Tuition Fee Loan to cover tuition costs.

To be eligible, the 'intensity' of your part-time course has to be equivalent to at least 25% of a full-time course. For example, if a course takes six years to complete and the full-time version takes three, the intensity is 50%. Check with your university or college for further details.

Paying back your loans

From 2012/13, if you're on a part-time course, you start repaying your loan in the April after three years of study are completed, if you earn over £21,000. This applies whether you are still studying or not.



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Increasing your income

Student Grants

Grants are available to help students with course fees and living expenses. Unlike student loans, you don't have to pay back your grants.

Maintenance Grants or Special Support Grants are available for full-time students, while Fee Grants and Course Grants are available for part-time students. Your household income will be assessed to determine your eligibility for these grants.

What is classed as 'household income'?

Your own income is always counted as household income - this includes interest from any savings you might have but not your earnings from part-time work during your course.

If you are classed as a 'dependent' student, your parent(s)' income will also be counted in the assessment of your household income. You are generally judged dependent if you are under 25 and financially dependent on one or both of your parents.

If you are classed as an 'independent' student, only your income and (if you have one), your partner's income will be counted. Generally, you are classed as independent if you are over 25, care for a child or have no living parents. If you have been living independently for at least three years or have ever been married or in a civil partnership, you are also likely to be classed as an independent student.

Maintenance Grants

For 2012/13 if you are a full-time student and your household income is £42,600 or less you could be eligible for a Maintenance Grant to help with living costs.

If your household income is under £25,000, the maximum Maintenance Grant may be available to you.

The maximum Maintenance Grant available is:

- £3,250 for 2012/13.



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Increasing your income

Special Support Grants

Full-time students who qualify for Income Support or Housing Benefit may be eligible for the Special Support Grant instead of the Maintenance Grant.

Although the amount available through the Special Support Grant is the same as that for the maintenance Grant, your claim won't affect how much you can get through the Maintenance Loan, and it won't be counted as income when working out if you are entitled to income related benefits or tax credits.

You could qualify for the Special Support Grant if:

- You're a single parent
- Your partner is also a student
- You have certain disabilities.

Fee Grants and Course Grants

If you're a part-time student with a household income below £27,506, you could be eligible for a Fee Grant to help with tuition fees, and a Course Grant to help with other costs associated with your studies, such as books, materials and travel.



For more information on your eligibility for any of these grants, visit www.gov.uk

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Increasing your income

Other sources of funding

In some instances you may be able to apply for a scholarship, grant or bursary.

The amount of funding available varies from a few tens of pounds right up to full funding for the entire duration of your course.

Find out what's on offer

Approach prospective universities or colleges to find out what funding opportunities are available to you. Many institutions have details of bursaries on their websites.

Make the effort to find out about sources of funding once you have been offered a place, but before you start your course. For many scholarships and bursaries, once the course begins, it is too late to apply.

Funding is usually targeted at those who:

- Demonstrate a record of academic excellence.
- Would otherwise be unable to study.
- Study a subject supported by industry.

There are funding opportunities for those thinking about study at foundation, undergraduate or postgraduate level.

Access to Learning (Hardship) Fund

Higher education institutions have a welfare fund that can be accessed by students experiencing severe financial problems. Called the 'Access to Learning Fund' but often better known as the 'Hardship Fund', it can help you with living expenses, the cost of childcare and emergency payments.

The money is allocated on the basis of need. It is typically available if your money issues would otherwise mean that you would have to give up your studies.



For more information about the Access to Learning Fund, visit www.gov.uk

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Increasing your income

Benefits and Allowances

If you are a full-time, higher education student in the UK, you are unlikely to be eligible for any income related state benefits.

However, there may be a possibility that you qualify for benefits if:

- You are a single parent.
- You and your partner are both students and you are responsible for a child.
- You are disabled.

Benefits can include: Income Support, Housing Benefit and Council Tax Benefit, or Jobseekers Allowance (if you are available for work).

If you've taken an agreed absence from study due to ill health or caring responsibilities and are going back to full-time study, then you may also be able to claim benefits.

But you should be aware that the rules determining eligibility for income based benefits are very complicated and even if you meet the criteria, your claim may still be unsuccessful.

If you have a partner who does claim, he or she may be able to make an application on behalf of you both, as a couple.

You can find out more about benefits from your local Job Centre and your local council.

Part-time students

If you're a part-time student and on a low income you may be able to claim benefits.

If you work less than 16 hours per week, you may also be able to claim Jobseekers Allowance providing you are available for work and actively seeking it.



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Increasing your income

Help for mature students

For mature students taking higher education courses, study costs are normally covered by either a student loan or a career development loan.

If you're considering study at university for the first time and are over 25 years of age, you'll be considered an independent learner and your parents' income will not be taken into consideration when calculating the amount of money available to you in loans.

If you are under 25, you may still be considered as independent if you can demonstrate that you have been supporting yourself for the past three years.

To work out your entitlement to loans to cover your fees and living expenses, go to the Gov.uk website: www.gov.uk

Career development loans

If you're thinking about getting back into study, whether for a postgraduate qualification or to learn new skills that will help you to advance your career, you could consider applying for a Professional and Career Development Loan.

The difference between a normal bank loan and a Professional and Career Development Loan is that you won't pay interest on the loan while you are studying and for one month after you finish.

You can borrow between £300 and £10,000 and the rate of interest is currently set at a preferential rate of 9.9% per annum.



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Increasing your income

Working to increase your income

You may decide that you want to work whilst studying at college or university.

If you're planning to work during your time as a student, it will help if you have a basic understanding of Income Tax and National Insurance, and of the particular rules that apply to students. If you are under 25, you may still be considered as independent if you can demonstrate that you have been supporting yourself for the past three years.

Income Tax and National Insurance

If you work for an employer during term time you will be taxed like any other worker. This means that you can earn up to the personal allowance amount of £8,105 (for the tax year 2012-2013) before you start to pay tax. Above this figure and up to £34,370 per year, earnings are taxed at 20%.

Holiday jobs

If you are a UK student planning to work only during the holidays, you do not have to pay any Income Tax, as long as your earnings for the year do not exceed £8,105 (your personal tax allowance). In order to benefit from this allowance, you must fill out the correct form, P38(S), when you start your job.

You can download the form from the HM Revenue and Customs (HMRC) website by visiting www.hmrc.gov.uk/forms/p38s.pdf

You will still have to pay National Insurance contributions on any income over £146 per week.

Holiday jobs abroad

If you are a UK student but you work abroad during your holidays, you will still have to pay UK taxes on anything you earn over the £8,105 threshold. If your foreign employer also taxes you and you are unable to claim the tax back directly from the authorities in that country, you might still be able to claim a reduction in the UK.



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Increasing your income

Other money-making ideas

There are a number of other ways to bring in some extra cash.

Sell your unwanted items

Declutter your life and put some extra money in your pocket by selling those things you don't need or use any more:

- Take a stall at your local car-boot sale and earn a few pounds from unwanted CDs, DVDs, clothes and books.
- Sell more desirable items on auction sites like www.ebay.co.uk to bring in extra money.
- Advertise last year's course books on the student noticeboard or at your Student Union book fair.

Get creative

Can you turn any of your skills or hobbies into cash?

- If you enjoy making art, crafts or clothing, websites like www.etsy.com can help you sell your creations.
- Enjoy baking? Make cakes, biscuits and sweets and sell them at craft fairs or car-boot sales.
- There is money to be made from competitions if you're quick-witted and a creative thinker.
- For trivia experts, local pub quizzes can be a way of making a little money or having a free, fun night out.



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Managing your borrowing

As a student, regardless of your income and any grants or student loans you are eligible for, you may need to borrow money occasionally through loans, overdrafts or credit cards.

However, it's important that you manage your borrowing effectively and stay in control of the situation. If you become over-reliant on credit, it could lead to serious debt problems.

If you are regularly borrowing more than you can pay back within a month, your debts will mount up, along with interest and fees. So make sure you keep fully up to date with how much you owe and when you have to pay it back.

The following pages provide advice on dealing with:

- Overdrafts.
- Credit cards.
- Store cards.

Remember, if you are worried about your debts, you can contact our Helpline for free, impartial debt help or use our online StepChange Debt Remedy tool.



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Managing your borrowing

Overdrafts

Many banks offer great deals on overdrafts to students.

When you first choose your student account, make sure you go for one that offers 0% interest on your overdraft. As a student, you may need to borrow on your overdraft facility, so this is the most important factor to consider when choosing a student bank account.

Read the small print

Some banks offer large interest-free overdrafts, but before you take one of these out, make sure you read the small print. Overdraft interest rates are sometimes 'tiered', meaning that once you borrow over a particular amount, the interest rate goes up.

Don't use more than you need

Having opted for an account that offers you a 0% interest deal, it is vital to resist the temptation to spend more than you really need. Remember, any money borrowed by you will have to be paid back at a later date, possibly when the interest rate is less favourable.

Planning your spending is important. Set a budget and stick to it and make sure that you don't go over your overdraft limit. This way, you will avoid receiving bank charges.

If you think you are going to go over your overdraft limit, contact your bank immediately to arrange an extension. This will prevent charges being added to your account.



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Managing your borrowing

Credit Cards

Credit cards are a major contributor to debt problems in the UK.

You need to think very carefully before deciding to take out a credit card.

Interest rates for credit cards can be relatively high, making credit card debt particularly difficult to pay off.

The safest way to use your credit card is to make sure you pay off the balance each month. If you can't pay off the full balance, try to pay off as much as you can. Paying only the minimum payment towards your card means you are actually paying very little of the debt off each month. As interest is being added on to the debt, it may take a very long time to pay back.

If you are worried about your credit card debt, visit StepChange Debt Remedy, our online tool. StepChange Debt Remedy will give you free, anonymous debt advice tailored to your situation.

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Store Cards

Many of the large high-street retailers offer store cards, allowing you to buy goods and pay for them in monthly instalments.

Although the introductory deals on store cards can be tempting, the rates of interest charged by store card lenders make them one of the more expensive ways to borrow money.

In fact, the interest on store cards is often higher than credit cards or overdrafts.

If you are concerned about the level of debt you have on your store cards, make sure you get professional debt advice straight away.

StepChange Debt Remedy, our online tool can give you an immediate assessment of your situation and advice based on your circumstances. Debt Remedy is free, anonymous and available 24 hours a day.



Debt help

If you are worried about your level of debt, make sure you go to a free debt help provider. Never pay for debt advice.

If you're struggling to make the repayments on credit cards, store cards or loans, you need to get some professional debt advice immediately. The longer you wait, the worse your situation may get. But, whatever the size of your debt problem, there will be a solution, and the sooner you find it the better.

Avoid profit-making debt management companies. Many of these will charge you fees for any services they give you and this is money that you cannot afford. There are plenty of free debt help providers who can give you the free, impartial help and advice that you need.

In the meantime, don't make your situation any worse. This means:

- Stop using your credit cards and any store cards.
- Don't extend your overdraft.
- Don't take out any loans.



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Debt help

For more free debt help and advice, we recommend that you try the following organisations:

Student Welfare

Your university or college Student Welfare Officer or Committee should be able to offer you support, information and advice for money worries and debt problems. They may also be able to help you with information on how to apply for emergency funding from the college.

Citizens Advice

Your local Citizens Advice Bureau may be able to give you free and impartial advice. Look for your nearest branch on www.citizensadvice.org.uk. If you live in Wales, you can call their national telephone service on 0844 477 2020. Advice is also available at www.adviceguide.org.uk

Gov.uk

This government website provides a great deal of information about student finance, student loans, tuition fees and getting extra help to fund your studies. Visit www.gov.uk

UCAS

The UCAS website also has information on managing your money, dealing with debt and preparing for university life. Go to www.ucas.com



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Debt help

Free debt advice from StepChange Debt Charity

As the UK's leading debt help charity, we provide free, impartial debt help and advice in complete confidence.

Online debt help

For an instant assessment of your debt problem and advice tailored to you, visit our online StepChange Debt Remedy tool. StepChange Debt Remedy will give you a complete and anonymous debt advice session on the Internet.

Just answer some simple questions about your situation (you won't have to give us your name or personal details) and we will recommend the best available solution for you.

Phone helpline

If you would rather speak to an advisor, you can telephone us on our freephone number, 0800 138 1111*, between 8am and 8pm, Monday to Friday and Saturday 9am to 3pm.

If you have hearing difficulties, our free textphone number is 0800 294 0090.

* Calls may be recorded and monitored for quality and training purposes. Calls from mobiles are free.



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