



Luxembourg,  
ESTAT/D-3/LA/JJ/AR/dv/(2018)  
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**Subject:** Ex-ante advice on the recording of the UK student loans in Government Finance Statistics

**Reference:** Your letter dated 12 December 2018

Dear David,

Thank you for your ex-ante advice request on the recording of the UK student loans in government statistics. After having analysed the situation and in light of the discussion of the statistical community in Eurostat Task Force on methodological issues (TF) and Excessive Deficit Procedure Statistics Working Group (EDPS WG), Eurostat is in a position to express its view on this matter.

#### **1. BACKGROUND AND CONCLUSION OF THE EDPS WG ON THE CURRENT RECORDING OF UK STUDENT LOANS**

The issue of recording of the UK student loans was brought to the attention of the TF and the EDPS WG by the ONS. The issue has been discussed extensively and in the December 2018 EDPS WG meeting, a large majority of participating Member States and experts came to the conclusion that the current UK recording of student loans as conventional loans is not appropriate as it does not take into account the strong contingency elements of such loans and as a consequence does not reflect their economic reality. The current recording leads to an underestimation of the government expenditures at the moment of granting student loans. As a result, government deficit is underestimated.

## **2. PROPOSED RECORDING OF STUDENT LOANS**

In the discussion of the EDPS Working Group two different recording proposals were considered:

- i. Recording any student loan at inception as a government expenditure - subsidy - and future repayments as taxes; or
- ii. Recording part of the amount granted by government as a loan (financial transaction without any impact on government B.9) and part as government expenditure (capital transfer with immediate impact on its deficit). The amount to be recorded as capital transfer should be estimated on the basis of expected debt forgiveness. In subsequent years, further capital transfers should be recorded in case of the sale of loans or when significant changes of law, having an impact on the amounts which will be repaid, occur.

Eurostat shares the opinion of the ONS that the currently existing assessment of expected losses on the UK student loans justifies their recording as described under point 2.ii. above.

## **3. PROCEDURE**

This view of Eurostat is based on the information provided by the UK authorities and based on the current state of discussion in the TF and the EDPS Working Group. If this information turns out to be incomplete or final conclusions of the discussions in the statistical community or the implementation of the operation differs in some way from the information presented, Eurostat reserves the right to reconsider its view.

Yours sincerely,

*(e-Signed)*

Luca Ascoli  
Acting Director