Equality Impact Assessment

Plan 2 Repayment Threshold Freeze (FY2027–2030)

1. Describe and explain the impact of the proposal on people with protected characteristics as described in the Equality Act 2010.

Policy background

Plan 2 student loans are provided by the Welsh Ministers to borrowers who are ordinarily resident in Wales, as well as certain EU students, in connection to undertaking an undergraduate course of higher education starting on or after 1 September 2012.

Borrowers begin repaying their student loans once their earnings exceed a specified threshold, as set out in the Education (Student Loans) (Repayment) Regulations 2009 (SI 2009/470). Student loans are grouped into five repayment “Plan” types, each with distinct terms and conditions, including repayment periods, thresholds, and interest rates.

All new Welsh (undergraduate) borrowers enter repayment under the terms of Plan 2. These terms also apply to existing English borrowers, however new English borrowers enter repayment under the terms of Plan 5.

Under the regulations, the Plan 2 repayment threshold is increased annually in line with inflation (RPI). For the financial year 2026–27, the threshold is £29,385. Only the Welsh Ministers may set the Plan 2 threshold for Welsh borrowers.

A lower and upper interest rate threshold is also applicable to Plan 2 student loans. This determines the variable interest rate chargeable to a student loan, post-study, based on income level. The lower interest rate threshold (below which interest accumulates at RPI after a borrower has left study) is aligned with the repayment threshold. The upper interest rate threshold (above which interest accumulates at RPI+3% after study) will be £52,885 in FY2026-27.

Historically, Wales has aligned its threshold adjustments with those of the UK Government. This approach reflects shared operational systems with HMRC and the Student Loans Company (SLC) and helps avoid administrative divergence, high delivery costs, and risks associated with HM Treasury comparability rules regarding Annually Managed Expenditure.

Policy Change

The Welsh Government is reviewing the UK Government’s announced policy to:

- Freeze the Plan 2 student loan repayment threshold at £29,385 for three years (FY2027-28 to FY2029-30), rather than increasing annually in line with RPI.
- Freeze the associated Plan 2 variable interest rate thresholds, including the upper rate interest threshold at £52,885, over the same period.

It is assumed that the annual threshold for Plan 2 would resume uprating (in line with RPI) from April 2030 onwards.

Impact Analysis, Data Availability and Modelling

Assessing equality impacts is challenging due to limited data on protected characteristics within available repayment datasets. This restricts detailed modelling of differential impacts. UK Government distributional modelling is relied upon to provide forecasts of monthly, annual and lifetime repayment effects of the threshold freeze.

Behavioural impacts remain uncertain. Student loan repayments operate over a 30-year horizon, and there is limited evidence of Welsh student decision-making linked to changes to repayment terms or expected lifetime repayments.

Similarly, there is limited evidence of the impact of socio economics and cost-of-living specifically on Welsh borrowers currently in repayment. However, it is possible to infer conclusions from relevant research relating to socio-economics and cost-of-living pressures from broader household-level analyses across Wales and the UK.

These findings have informed this Equality Impact Assessment to help understand potential effects on groups with protected characteristics.

Context

As of 31 August 2025, 175,928 Welsh borrowers held a Plan 2 student loan with an outstanding balance. Of these, 164,946 Welsh borrowers are currently in repayment status.

There are also projected to be 27,112 new Welsh borrowers (full-time and part-time combined) in 2025/26 academic year, 28,764 in 2026/27, 28,641 in 2027/28, 28,583 in 2028/29 and 28,612 in 2029/30. Should these students receive a student loan they will enter repayment under the terms of Plan 2.

According to SLC data, the average loan balance for Welsh borrowers on entry into repayment status in 2024/25 was £39,470. In 2016/17, when the post-2012 cohort first became liable to make repayments under Plan 2, the average loan balance for Welsh borrowers was £19,140.

The average annual amount repaid by Welsh borrowers in 2024/25 is £990 per person.

Impact Analysis

Impacts on Borrowers' Earnings

Impacts related to Plan 2 terms

Without a freeze, the Plan 2 repayment threshold is forecast to rise to £30,590 in April 2027. Under the freeze, the threshold remains at £29,385 until April 2030, before, it is assumed, increasing to £30,210, in line with OBR RPI forecasts. The lower interest threshold remains aligned to the repayment threshold. The upper interest threshold, otherwise forecast to increase to £55,055 in 2027, would instead remain at £52,885 until 2030.

Repayments are collected via HMRC PAYE systems, which are not devolved, meaning any divergence in Plan 2 thresholds between Wales and England would require HMRC and the SLC to create separate administrative arrangements, with significant IT development costs and operational risk.

Short-term earnings impacts

Welsh borrowers with earnings below £29,385 will not experience any impact as a result of a threshold freeze. Welsh borrowers earning above the threshold but whose earnings remain static will see no increase (monthly repayments will not increase), however they would have benefited from lower repayments in the absence of a freeze.

For Welsh borrowers whose earnings increase, the freeze will:

- Increase the number of Welsh borrowers entering repayment
- Increase monthly repayments by £9 more per month (£108.45 annually), reducing take-home pay.

Percentage increases are highest for those Welsh borrowers whose earnings are closest to the threshold. The percentage increase falls as income rises. For example:

- £33,000 salary: repayments rise from £18 to £27 per month (+50%)
- £50,000 salary: repayments rise from £145 to £154 per month (+6%)

Evidence presented by the UK Government generally suggests these changes may be unlikely to impact a borrower's decision to work, given the small marginal effects.

A detailed comparison of monthly repayments in FY2027–28 under the freeze versus no freeze is shown in Table 1.

Table 1: Monthly repayments for a Plan 2 loan at different salary levels, under the current system and with the freeze in FY2027-28.

Annual salary	Monthly repayments with freeze	Monthly repayments with £30,590 threshold (no freeze)	Difference (£/%)
£29,000 (and under)	£0	£0	-
£30,000	£4	£0	£4
£30,590	£9	£0	£9
£33,000	£27	£18	£9 / 50%
£35,000	£42	£33	£9 / 27%
£40,000	£79	£70	£9 / 13%
£50,000	£154	£145	£9 / 6%

Source: Data provided by UK Government.

Long-term (lifetime) earnings impacts

Freezing the repayment threshold in FY2027/28 affects future years because subsequent uprating will resume from a lower baseline from FY2030/31. This results in higher repayments over time (see Table 2) and, ultimately, the total amount repaid over the full 30-year loan term.

Table 2: Plan 2 repayment threshold, under the current system and with the freeze in FY27-28, and the maximum impact on annual repayments (in nominal terms).

Financial Year	Baseline	With freeze	Maximum annual increase in repayments (nominal)
2026-27	£29,385	£29,385	£0
2027-28	£30,590	£29,385	£108.45
2028-29	£31,480	£29,385	£188.55
2029-30	£32,330	£29,385	£265.05
2030-31	£33,240	£30,210	£272.70
2031-32	£34,205	£31,090	£280.35
2032-33	£34,960	£31,775	£286.65
2033-34	£35,730	£32,475	£292.95

Source: Data provided by UK Government.

The Plan 2 repayment threshold has been frozen previously. There was a Plan 2 threshold freeze between FY2022/23 and FY2024/25, during which the threshold remained at £27,295 before increasing to £28,470 in FY2025/26. Welsh borrowers with Plan 2 loans prior to FY 2022/23 would therefore experience a second period of prolonged threshold suppression.

Table 3 summarises the resulting lifetime impacts of a repayment threshold freeze in FY2027/28. Average lifetime repayments will increase by approximately £2,200 (around 7%) compared to no freeze. The largest average increases occur among middle-to-higher earners, with borrowers in the 6th, 7th and 8th deciles seeing increases of £3,700, £3,900 and £3,700. Low- to middle earners (e.g. deciles 3 and 4) will experience the

highest proportional increase of around 18%. The highest earners (decile 10) will only see a 1% increase in lifetime repayments.

In some cases, the highest earners repay slightly faster because paying more early reduces interest accrual.

Table 3: Key distributional impacts of the proposed policy on the AY2022/23 cohort of borrowers, by lifetime earnings decile (FY2025-26 earnings)

		Average Lifetime repayments (FY25-26 prices)				Proportion loan repaid (FY25-26 prices)			Median years to repayment		
		Baseline	Post policy	Impact		Baseline	Post policy	Impact	Baseline	Post policy	Impact
				£	%			ppts			years
Entire cohort Average		**£30,600**	**£32,700**	**£2,200**	**7%**	**59%**	**63%**	**4**	**30**	**30**	**0**
Lifetime earnings decile[1]	1	£2,100	£2,200	*£100*	*5%*	4%	*4%*	*0*	30	30	*0*
	2	£4,300	£4,800	*£500*	*12%*	8%	*9%*	*1*	30	30	*0*
	3	£8,000	£9,400	*£1,300*	*18%*	16%	*18%*	*3*	30	30	*0*
	4	£12,800	£15,000	*£2,200*	*17%*	25%	*29%*	*4*	30	30	*0*
	5	£18,000	£20,800	*£2,800*	*16%*	35%	*41%*	*5*	30	30	*0*
	6	£24,900	£28,600	*£3,700*	*15%*	48%	*55%*	*7*	30	30	*0*
	7	£34,600	£38,500	*£3,900*	*11%*	66%	*74%*	*7*	30	30	*0*
	8	£46,900	£50,600	*£3,700*	*8%*	92%	*99%*	*7*	30	30	*0*
	9	£61,500	£64,000	*£2,500*	*4%*	117%	*122%*	*5*	27	26	*-1*
	10	£67,200	£67,700	*£500*	*1%*	129%	*130%*	*1*	16	16	*0*

Source: Data provided by UK Government.

[1]Earnings deciles are calculated for student loan-borrowing graduates only and do not reflect the broader population.

[2]Lifetime earnings forecasts are taken from the student loan repayment model pipeline, are based on SLC and HMRC data and will differ from forecasts based on LEO data or other sources. Details on methodology can be found at Student loan forecasts for England: methodology - Explore education statistics - GOV.UK.

Regional variation

Welsh graduates are less likely to earn above the repayment threshold than those in London or Scotland at 1, 5 and 10 years after graduation (YAG). For example (Table 4):

- 1 YAG: 56% of Welsh graduates earn less than £26,800 (vs 48% in London)
- 10 YAG: 31% of Welsh graduates earn less than £26,800 (vs 17% in London)

This means a smaller percentage of Welsh graduates experience immediate repayment increases, but those who do are more likely to be lower earners, reinforcing proportional impacts described earlier.

Table 4: The proportion of UK domiciled graduates (AY 2022/23 cohort) earning below £26,800 at one, five and ten years after graduation (YAG) in the 2023-24 tax year. Coverage - Graduates that are in sustained employment only in the 2023-24 tax year.

Years after graduation (YAG)	Income band	London	Scotland	Wales	Northern Ireland	All
1 YAG	Up to £26,799	48%	48%	56%	56%	53%
5 YAG	Up to £26,799	19%	29%	38%	42%	29%
10 YAG	Up to £26,799	17%	24%	31%	34%	26%

Source: Selected data provided by UK Government.

Earnings sensitivity by socio-economic group

Free School Meals (FSM)

FSM-eligible graduates are far more likely to earn below the repayment threshold at one, three and five years after graduation, compared with non-FSM peers (see Table 5). This indicates that FSM-eligible Welsh borrowers may be less affected in the short term, as they are more likely to remain below the repayment threshold, but their lower lifetime earnings mean they may still experience greater proportional repayment impacts over the full loan term.

Table 5: The proportion of young (under 21 at start of course) UK domiciled first degree graduates earning below £26,800 by FSM status at one, three and five years after graduation (YAG) in the 2023-24 tax year. Coverage - Graduates that are in sustained employment only in the 2023-24 tax year

Years after graduation (YAG)	Income band	FSM	non-FSM	Not known	All (under 21 at start of course)
1 YAG	Up to £26,799	63%	57%	51%	57%
3 YAG	Up to £26,799	46%	37%	33%	38%
5 YAG	Up to £26,799	36%	27%	24%	27%

Source: Data provided by UK Government.

POLAR Groups (Low Participation Areas)

Graduates from POLAR low-participation areas are individuals who grew up in neighbourhoods where historically few young people enter higher education. Graduates from POLAR 1–3 areas are more likely to earn below the repayment threshold (see

Table 6), again limiting short-term impact but increasing proportional lifetime repayment effects.

Table 6: The proportion of young (under 21 at the start of course) UK domiciled first degree graduates earnings under £26,800 by POLAR4 quintile at one, five and ten years after graduation (YAG) in the 2023-24 tax year. Coverage - Graduates that are in sustained employment only in the 2023-24 tax year

Years after graduation (YAG)	Income band	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5	All (under 21 at start of course)
1 YAG	Up to £26,799	63%	61%	58%	56%	52%	57%
5 YAG	Up to £26,799	37%	33%	31%	27%	21%	27%
10 YAG	Up to £26,799	30%	28%	25%	23%	20%	24%

Source: Data provided by UK Government.

Earnings sensitivity by qualification and labour-market outcomes

Evidence shows that employment outcomes vary sharply by qualification level with 55% of adults with no qualifications are unemployed or economically inactive, compared with 15% among those qualified up to Levels 4-6. Additionally, research shows returns gained from a higher education vary widely with around 1 in 5 graduates would have been financially better off not entering HE, while 1 in 10 achieve very high lifetime returns.

Graduates entering lower-earning routes, including many from disadvantaged groups, are therefore most sensitive to a repayment threshold freeze.

Impacts on Students and Participation

Behavioural impacts and student decision-making

There is no immediate impact for new students, as the repayment threshold freeze will only affect individuals once they enter repayment status.

Given the lifetime impacts seen in Table 3 and the higher average earnings returns associated with higher level qualifications, it is expected that the freeze will not significantly impact decisions to study higher level qualifications. UK Government evidence generally indicates that prospective students are not highly sensitive to the long-term cost of study and generally place greater weight on the broader benefits of higher education than on repayment terms.

There is little evidence to suggest the previous threshold freeze (between FY2022/23 and FY2024/25 for Plan 2 student loans) affected participation. The number of undergraduate entrant enrolments from students permanently addressed in Wales in 2024/25 was 3% lower than it was in 2021/22. Although a range of factors may have

contributed to this decline, it remains possible that changes to repayment terms (such as a threshold freeze) could deter some prospective students.

Some groups tend to be comparatively more debt averse, including females, older learners, those from Black, Asian and minority ethnic backgrounds, students with a disability and students from low-income households. However, given the relatively small impact on monthly repayments, the long repayment horizon, and the higher average earnings lifetime returns associated with higher education, the proposed freeze is unlikely to significantly alter participation decisions for most potential entrants.

While the available evidence suggests a generally low responsiveness to changes in repayment thresholds, there is limited robust evidence on behavioural impacts arising from student finance reforms more broadly. As a result, it is not possible to conclude with certainty that a repayment threshold freeze would have no effect on participation.

Inequalities in participation and progression

Lower HE entry at age 18

Evidence shows Wales has lower participation in higher education at age 18 than the UK average, with an 18-year-old entry rate of 29.2% compared with 41.2% UK-wide. Wales also records higher proportions of young people who are NEET than other UK nations. These disparities mean that those who do progress into HE from disadvantaged backgrounds may already have weaker educational trajectories, contributing to lower lifetime earnings and greater sensitivity to repayment threshold changes.

FSM inequalities

Evidence shows that socio-economic background remains the strongest determinant of progression into tertiary education. Only 39% of FSM-eligible learners progress to Level 3 qualifications, compared with 72% of non-FSM learners, limiting access to higher-earning pathways and contributing to lower lifetime earnings among disadvantaged groups. These inequalities reinforce the likelihood that low-income graduates will experience higher proportional lifetime repayment increases under a threshold freeze.

Gender participation gap

Wales has the widest gender gap in HE across the UK. Women are significantly more likely to enter HE whilst men are significantly less likely. This reinforces the likelihood that women, especially those who are low-income graduates, will be disproportionately impacted under a threshold freeze.

Pathway-driven attainment and earnings impacts

Deprivation is a strong predictor of progression into tertiary education. A report by Wales Centre for Public Policy found learners from deprived areas are more likely to enter

vocational or lower-level pathways. This means many learners will have lower attainment and enter earnings deciles most affected by the threshold freeze.

Growth in FE vocational pathways, particularly at Levels 1 and 2, means that many learners (disproportionately from deprived or minority groups) enter lower-earning labour-market routes.

These patterns reinforce the finding that lower-income graduates, already under-represented in higher-earning pathways, experience the highest proportional lifetime impacts under a repayment-threshold freeze.

Student cost pressures

For Welsh students from low income households, student maintenance support covers only 63% of expected living costs for first-year students living away from home. Cost-of-living pressures, including rising housing and transport costs, have increased reliance on part-time work and hardship support. These pressures may shape perceptions of affordability among prospective students, particularly those already experiencing disadvantage, and may make them more sensitive to the cost of higher education and changes to repayment terms.

Any negative perception could potentially influence decisions to participate in HE, however available evidence suggests this is unlikely.

Cross-cutting Socio-economic Context

Wales has one of the lowest disposable household incomes in the UK, alongside persistent poverty, increases in food and energy prices, and disproportionate impacts on groups with protected characteristics.

Evidence highlights significant financial challenges for low-income households and vulnerable groups:

- **Wellbeing of Wales Report 2025**: Wales has the second-lowest disposable household income in the UK; 22% of people lived in relative income poverty between 2021–2024. Wales also has a higher proportion of people earning below the real Living Wage.
- **House of Commons Briefing on the Rising cost of living in the UK**: Food prices rose by 30.6% between May 2021 and May 2024—an increase that previously took 13 years for average food prices to rise by the same amount.
- **National Institute for Economic and Social Research outlook for the UK economy in 2025**: Living standards for the bottom 40% of households will not return to pre-2022 levels before 2027.
- **Bevan Foundation snapshot of poverty in 2024**: 15% of Welsh households struggle to afford essentials; renters, disabled people, parents, and benefit recipients are most at risk.

- **Senedd Research on the impact of the cost-of-living crisis on disabled people**: Research shows life is more expensive for disabled people and their families. They face higher costs for essentials such as heating, insurance, specialist equipment, accessible transport, and therapies. Many rely on taxis or adapted vehicles and often pay more for gas and electricity. Extra heating is often needed to maintain health, and additional electricity is required to power assistive technology and vital equipment like hoists, beds, breathing devices, powered chairs, and monitors. Disabled people in Wales earn £1.75 less per hour than non-disabled employees (12.2% pay gap).
- **Senedd Research on impact of cost of living on women**: Women, especially from minority ethnic backgrounds and lone parents, are more likely to work in low-paid, insecure jobs.
- **Living Wage Foundation (2024)**: Women are nearly 50% more likely to be low paid than men; 18.7% of women's jobs pay below the Living Wage vs. 12.6% for men. Part-time workers are three times more likely to be low paid.
- **Joseph Rowntree Foundation (2023)**: Destitution disproportionately affects minority ethnic households; Black-led households are three times their population share.
- **Runnymede Trust (2024)**: Black, Asian and Minority Ethnic people in Wales are 3.5 times more likely to be in relative poverty; ethnicity pay gap is £1.93 per hour (13.8%).

Evidence shows that cost-of-living pressures and low incomes disproportionately affect women, disabled people, and Black, Asian and minority ethnic communities - groups that make up a significant proportion of higher education students. These groups overlap heavily with groups who are more likely to take out student support, are more likely to enter lower earnings on graduation and are more likely to experience regressive effects from threshold freezes.

Conclusion

A repayment threshold freeze is a regressive policy, with the largest proportional increases falling on low- and middle-earning Welsh borrowers, while the highest earners experience only marginal changes. These effects are particularly pronounced for Welsh borrowers whose earnings remain close to the threshold and for those who enter repayment earlier in their careers. Short-term impacts are limited for borrowers whose earnings remain below the threshold, but the long-term proportional impact is greatest for those entering lower-earning employment routes.

For many existing borrowers, this freeze represents a second period of suppressed thresholds following the freeze applied between FY2022/23 and FY2024/25, compounding the cumulative repayment effect.

The threshold freeze also interacts with wider patterns of inequality in Wales. Socio-economic disadvantage, gender, disability, ethnicity and pathway-driven

differences in progression all shape who is most likely to enter repayment on lower earnings. Lower progression to Level 3 among learners from poorer households, lower HE entry at age 18, higher NEET rates, and gender disparities in participation all contribute to a Welsh graduate population where disadvantaged groups are over-represented in lower-earning routes. These structural factors mean that many of the same groups already facing limited access and lower attainment also bear the highest proportional repayment impacts over the long term.

For certain protected characteristics, such as gender, disability, race, and low-income households, there is sufficient evidence to indicate clear differences in earnings profiles and labour-market experiences, which translate into higher proportional repayment impacts under the freeze. For others, such as gender reassignment, sexual orientation, marriage and civil partnership, and pregnancy and maternity, data limitations prevent confident assessment of repayment specific impacts. In such cases, potential effects can only be inferred from broader socio-economic trends. These findings should therefore be interpreted in the context of limited administrative data on protected characteristics in repayment datasets, meaning differential impacts for some groups must be inferred from broader labour-market evidence.

Cost-of-living pressures, which fall most heavily on disabled people, women, Black, Asian and minority ethnic groups and low-income households, provide an important backdrop. Although the monthly repayment increases are small, the freeze contributes to financial pressures already experienced disproportionately by groups more likely to have accessed student support and more likely to earn below or only just above the threshold.

Impacts on participation in higher education may be limited, as students do not experience immediate repayment changes and decisions to study have, to date, been generally insensitive to long-term repayment conditions according to UK Government evidence. While the freeze may contribute to wider perceptions of increasing higher education costs, the available evidence does not indicate that such perceptions translate into greatly reduced participation. Any behavioural impact on future participation is therefore uncertain and may therefore be minimal.

The provision of non-repayable grants to Welsh domiciled students whilst studying in higher education and, to a lesser degree, the application of the Welsh partial cancellation policy continue to provide important benefits to Welsh borrowers and provides some mitigation against a freeze to the repayment thresholds.

Nonetheless, the overall conclusion is that the threshold freeze remains inherently regressive, with the greatest proportional burden falling on Welsh graduates least able to absorb it, including those from disadvantaged socio-economic backgrounds and several protected groups disproportionately represented in lower-earning employment routes.

Record of Impacts by Protected Characteristic

Age

What are the positive or negative impacts of the proposal?

Young borrowers entering repayment in their 20s face the largest lifetime repayment increase (around £2,400), as the threshold freeze affects their entire 30-year repayment term. Older borrowers are less affected, particularly those who are several years into repayment, have fewer repayment years remaining, or are economically active for a shorter period.

Reasons for your decision (including evidence)

A higher proportion of Welsh learners enter higher education later or study part-time compared with England. 37% of Welsh students study part-time (compared with 23% in England), and with 43% of Welsh students aged 25+.

Demographic projections indicate that the number of 16-year-olds in Wales will fall by 12%- and 18-year-olds by 13% between 2030 and 2040. As future cohorts become smaller and older, more Welsh learners ar likely to enter higher education at later ages.

Source: The future of tertiary education in Wales: five challenges and calls for submission

Mature and part-time learners typically have lower or interrupted earnings, increasing the cumulative effect of a long-term repayment threshold freeze.

UK distributional modelling shows an average increase of £2,200 (7%), rising to around £2,400 for those entering repayment aged 21–25. See table 7.

Table 7: Key distributional impacts of the proposed policy on the AY2022/23 cohort of borrowers, by sex and age on entering repayment (Statutory Repayment Due Date)

Characteristic (ages are at SRDD)	**Total lifetime repayments** (FY25-26 prices)				**Proportion of loan fully repaid** (FY25-26 prices)			**Years until full repayment/cancellation**			**Estimated cohort population size**
	Baseline	**Post policy**	**Change (£)**	**Change (%)**	**Baseline**	**Proposed policy**	**Change (ppt)**	**Baseline**	**Proposed policy**	**Change (years)**	
All	£30,600	£32,700	£2,200	7%	59%	63%	4	30	30	0	417,600
Male	£32,800	£34,800	£2,100	6%	65%	69%	4	30	30	0	175,900
Female	£29,000	£31,200	£2,200	8%	55%	60%	4	30	30	0	241,700
Age <21	£26,100	£27,100	£1,000	4%	84%	88%	3	29	28	-1	2,400
Age 21-25	£35,100	£37,400	£2,400	7%	67%	72%	5	30	30	0	289,600
Age 26-30	£24,000	£25,700	£1,700	7%	52%	55%	4	30	30	0	37,900
Age 31-40	£21,500	£23,600	£2,100	10%	42%	46%	4	30	30	0	46,400
Age 41+	£15,400	£16,800	£1,400	9%	29%	32%	3	30	30	0	41,300

Source: Data provided by UK Government.
The total population of Plan 2 borrowers is 4,334,300 (4.33 million).

How will you mitigate Impacts?

Continue progressive support to Welsh domiciled students studying in higher education (e.g. non-repayable maintenance grants). Apply the partial cancellation policy to reduce longer-term repayment burdens.

Disability

What are the positive or negative impacts of the proposal?

Disabled people typically experience higher unemployment, lower earnings, and greater essential living costs, including higher expenditure on transport, energy and specialist equipment. In Wales, disabled graduates face a £1.75/hour pay gap, making them more likely to remain near the repayment threshold. As a result, many disabled borrowers may experience limited short-term impacts, but those in employment with lower lifetime earnings are more likely to face higher proportional lifetime repayment increases, consistent with patterns seen among lower-income borrowers more generally.

Reasons for your decision (including evidence)

There is no robust administrative data specifically on Welsh graduate earnings by disability. Broader labour market evidence shows higher inactivity and unemployment

among disabled graduates, and lower average earnings among employed disabled graduates.

Source: Graduate Labour Market Statistics 2024, https://explore-education-statistics.service.gov.uk/data-tables/permalink/3f4a141f-87e5-4948-6805-08de1ade192d

Source: Graduate Labour Market Statistics 2020, https://explore-education-statistics.service.gov.uk/data-tables/permalink/87097cb7-fee5-40ba-8d45-5f0defc1f074

How will you mitigate Impacts?

Continue progressive support to Welsh domiciled students studying in higher education (e.g. Disabled Student's Allowance which is non-repayable). Apply the partial cancellation policy to reduce longer-term repayment burdens. Ensure statutory cancellation applies where a borrower becomes permanently unfit for work.

Gender Reassignment

What are the positive or negative impacts of the proposal?

Impacts are uncertain due to limited data. However, individuals whose gender identity differs from their sex assigned at birth experience higher unemployment and poverty rates, making them more likely to remain below the repayment threshold and therefore face limited short-term impacts. For those in lower-paid employment, higher proportional lifetime repayment increases remain possible, reflecting patterns seen among other low-income groups.

Reasons for your decision (including evidence)

No robust administrative data exists on Welsh graduate earnings by gender identity. Broader evidence indicates higher unemployment among transgender and non-binary people.

Source: National LGBT Survey: https://www.gov.uk/government/publications/national-lgbt-survey-summary-report/national-lgbt-survey-summary-report

How will you mitigate Impacts?

Continue progressive support to Welsh domiciled students studying in higher education (e.g. non-repayable maintenance grants). Apply the partial cancellation policy to reduce longer-term repayment burdens.

Pregnancy and Maternity

What are the positive or negative impacts of the proposal?

Impacts are uncertain due to limited data. Career interruptions and reduced earnings during parental leave can temporarily move new mothers below the repayment threshold, reducing repayments in the short term but potentially extending repayment

duration due to lower lifetime earnings. Rising childcare and household costs may intensify these effects.

Reasons for your decision (including evidence)

There is no robust administrative data on Welsh graduate earnings by pregnancy or maternity status. Expected impacts are inferred from known-gender-based labour market disparities and typical career breaks associated with childbirth and early parenthood.

How will you mitigate Impacts?

Continue progressive support to Welsh domiciled students studying in higher education (e.g. non-repayable maintenance grants). Apply the partial cancellation policy to reduce longer-term repayment burdens. Income-contingent repayment ensures repayments pause automatically during periods of lower income.

Race

What are the positive or negative impacts of the proposal?

Impacts are uncertain due to data lags. Black, Asian and Minority Ethnic communities in Wales are 3.5 times more likely to be in relative poverty, and Black graduates are more likely to earn below the repayment threshold early in their careers. This reduces short-term repayment impacts but increases long-term proportional impacts, as low- to middle earners see the largest percentage increase under the freeze.

Reasons for your decision (including evidence)

Evidence shows Black/African/Caribbean/Black British graduates are more likely to earn below the repayment threshold at 5–10 years after graduation, meaning short-run impacts are limited but long-term proportional repayment increases are higher for this group.

LEO 2022-23 data (used for Table 8) show patterns in earnings by ethnic groups, socio-economic background and region, and although the dataset lags, the underlying trends are expected to remain.

Table 8: The proportion of UK domiciled first degree graduates earning below £26,800 by ethnicity at one, five and ten years after graduation (YAG) in the 2023-24 tax year. Coverage – Graduates of UK HE providers that are in sustained employment only in the 2023-24 tax year.

Years after graduation (YAG)	Income band	White	Asian / Asian British	Black / African / Caribbean / Black British	Mixed / Multiple ethnic groups	Other	Unknown	All
1 YAG	Up to £26,799	54%	52%	50%	56%	53%	50%	53%
5 YAG	Up to £26,799	29%	29%	33%	30%	32%	33%	29%
10 YAG	Up to £26,799	26%	26%	28%	25%	29%	29%	26%

Source: Data provided by UK Government.

How will you mitigate Impacts?

Continue progressive support to Welsh domiciled students studying in higher education (e.g. non-repayable maintenance grants). Apply the partial cancellation policy to reduce longer-term repayment burdens.

Religion, Belief and Non-Belief

What are the positive or negative impacts of the proposal?

Evidence indicates that employment and earnings outcomes differ across religious groups. Individuals identifying as Muslim are significantly less likely to be in employment, making them more likely to remain below the repayment threshold and therefore experience limited short-term impacts. Muslim students may also be under-represented among borrowers due to the absence of Sharia-compliant student finance further reducing the number directly affected.

Conversely, individuals identifying as Jewish have some of the highest average hourly pay, meaning they are more likely to exceed the repayment threshold and may therefore face higher lifetime repayment increases under a threshold freeze.

Reasons for your decision (including evidence)

There is no robust administrative data on Welsh graduate earnings by religion or belief. Available evidence indicates differences across groups, with some groups more likely to be below the repayment threshold.

Source: Religion, education and work in England and Wales: February 2020: https://www.gov.uk/government/publications/national-lgbt-survey-summary-report/national-lgbt-survey-summary-report

How will you mitigate Impacts?

Continue progressive support to Welsh domiciled students studying in higher education (e.g. non-repayable maintenance grants). Apply the partial cancellation policy to reduce longer-term repayment burdens.

Sex/Gender

What are the positive or negative impacts of the proposal?

The threshold freeze produces higher proportional lifetime repayment increases for female borrowers (around 8%) than for males (6%) due to women's lower average lifetime earnings. Women are also nearly 50% more likely to work in low-paid work and rising childcare and household costs further intensify impacts on disposable income.

Male borrowers generally have higher average earnings and therefore repay more in cash terms overall (males repay around £34,800, whereas females repay approximately £31,200).

Reasons for your decision (including evidence)

Distributional modelling shows women experience higher proportional increases in lifetime repayments because of lower average earnings, despite men repaying more overall (see table 7).

Participation data for Wales shows that men are less likely to progress into post-compulsory and higher education. Wales has the widest gender gap in HE participation across the UK, with men having the lowest HE entry rates of all UK nations. As a result, women are more likely to enter the repayment system, but their persistently lower earnings mean they face greater proportional repayment impacts, reinforcing the distributional modelling.

Source: The future of tertiary education in Wales: five challenges and calls for submission

How will you mitigate Impacts?

Continue progressive support to Welsh domiciled students studying in higher education (e.g. non-repayable maintenance grants). Apply the partial cancellation policy to reduce longer-term repayment burdens.

Sexual Orientation

What are the positive or negative impacts of the proposal?

No specific repayment-related impacts are identified. However, LGBTQ+ individuals experience higher poverty rates, greater housing insecurity, and discrimination-related barriers, which may compound cost-of-living pressures.

Reasons for your decision (including evidence)

Some evidence suggests differences in earnings between heterosexual and gay, lesbian, or bisexual individuals, potentially influenced by partnership status rather than sexual orientation alone.

Source: Sexual orientation and earnings: How being in a partnership matters: Sexual orientation and earnings | VOX, CEPR Policy Portal (voxeu.org)

How will you mitigate Impacts?

Continue progressive support to Welsh domiciled students studying in higher education (e.g. non-repayable maintenance grants). Apply the partial cancellation policy to reduce longer-term repayment burdens.

Marriage and Civil Partnership

What are the positive or negative impacts of the proposal?

Impacts remain uncertain due to limited data.

Reasons for your decision (including evidence)

There is no robust administrative data on Welsh graduate earnings by marital or civil partnership status. Some earnings variation linked to sexual orientation may indirectly relate to partnership status.

How will you mitigate Impacts?

Continue progressive support to Welsh domiciled students studying in higher education (e.g. non-repayable maintenance grants). Apply the partial cancellation policy to reduce longer-term repayment burdens.

Children and Young People

What are the positive or negative impacts of the proposal?

Borrowers under 18 do not make repayments; therefore, no impact is expected.

Reasons for your decision (including evidence)

Statutory provisions defer repayment until age 18+.

In 2023/24:

- 45 full-time Welsh domiciled undergraduates under 18 were enrolled with a provider

in Wales or England.
- 145 part-time Welsh domiciled undergraduates under 18 were enrolled with a provider in Wales or England.

Source: Welsh Government analysis of HESA student record for 2023/24

How will you mitigate Impacts?

Continue progressive support to Welsh domiciled students studying in higher education (e.g. non-repayable maintenance grants). Apply the partial cancellation policy to reduce longer-term repayment burdens.

Low-Income

What are the positive or negative impacts of the proposal?

Low-income households experience the largest proportional increases under the freeze. Cost-of-living pressures, such as rising food prices, energy and transport costs are most acute for this group. Wales faces a 22% relative poverty rate, amplifying impacts on disposable income.

Reasons for your decision (including evidence)

Distributional modelling shows 18% proportional increases for low- and middle-income deciles, while the highest earners see around a 1% increase (see Table 3).

How will you mitigate Impacts?

Continue progressive support to Welsh domiciled students studying in higher education (e.g. non-repayable maintenance grants). Apply the partial cancellation policy to reduce longer-term repayment burdens.

Human Rights

The repayment threshold freeze does not restrict access to education or eligibility for student support. The income-contingent repayment model ensures borrowers retain financial protections and rights. No human rights concerns are identified.