NUS/HSBC Student Experience Report:

Finance and Debt

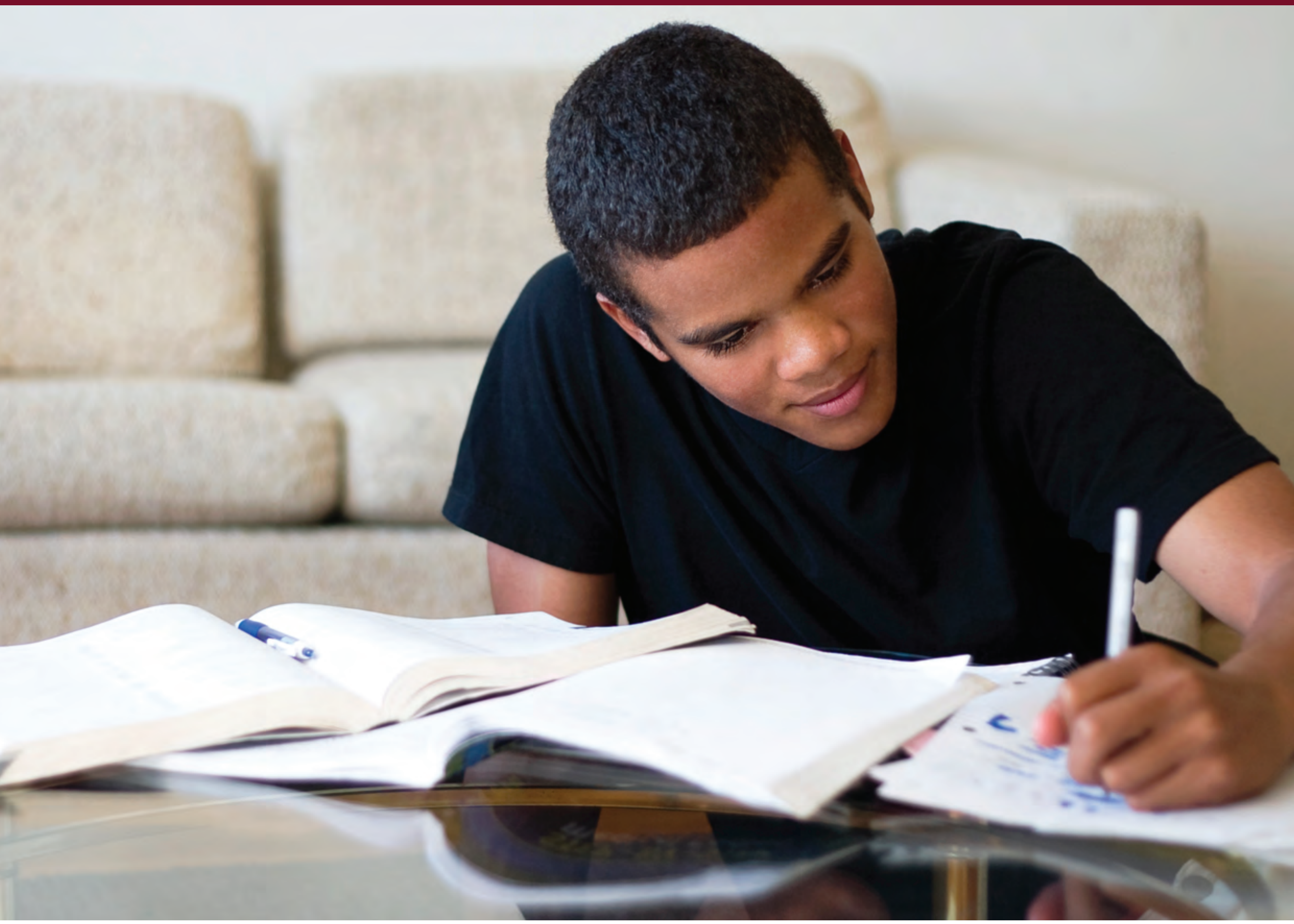

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Table of contents

1 Introduction & Methodology

This report discusses the second wave of a programme of research carried out by the NUS and HSBC in May 2010 into students' expectations and experiences of university. The research looked at a variety of areas, including accommodation, finances, assessment, teaching and resources.

The research programme was a quantitative approach and consisted of an online survey, which ran between 3rd and the 31st of June 2010 and the respondents were selected via a Student Panel. A total of 3863 students took part in the survey, fulfilling a variety of interlocking quotas including year of study, institution type and gender. The final results are weighted to ensure representativeness.

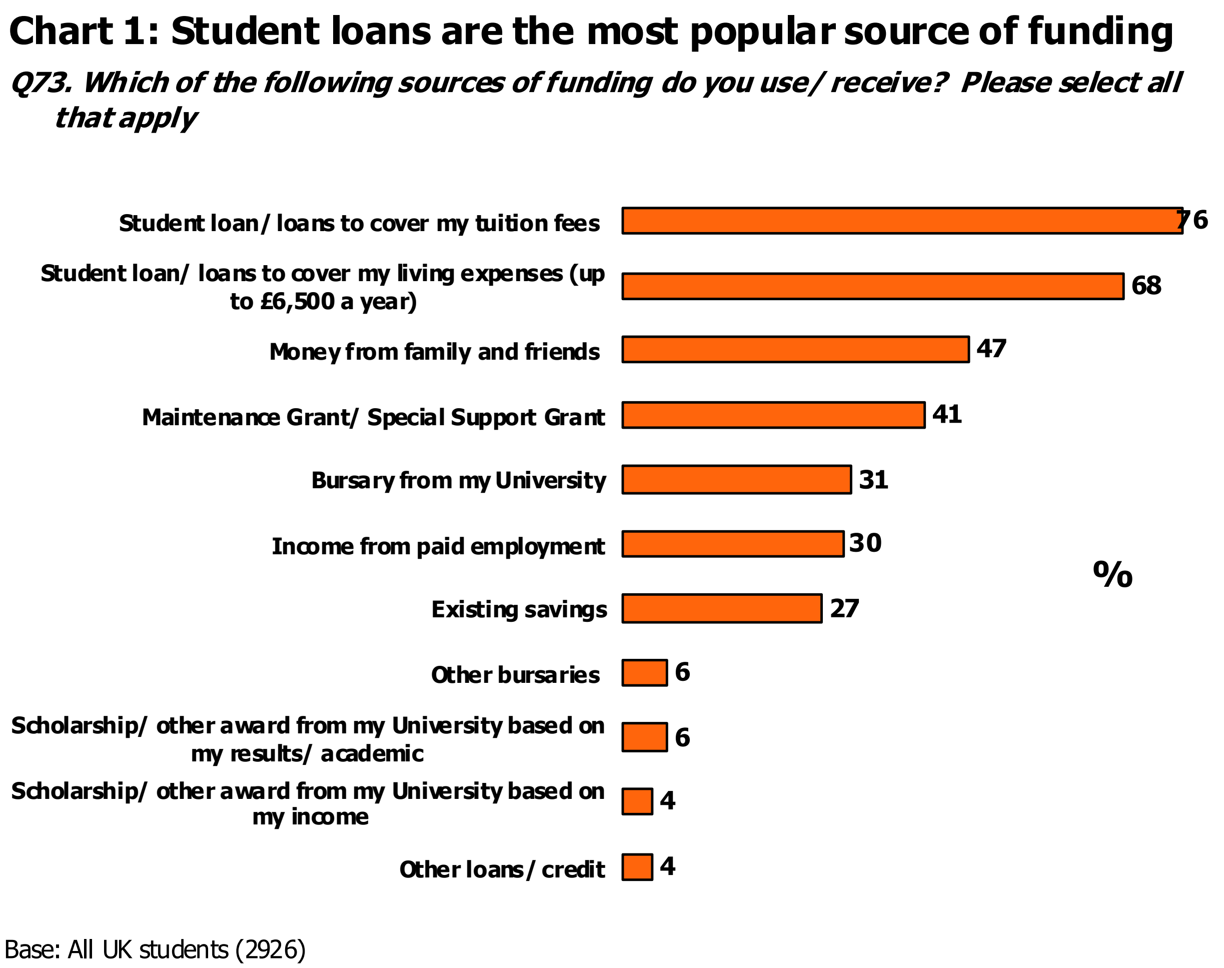
2 Executive Summary

- If university fees were increased, students are significantly more likely to be deterred from going to university; if fees were raised to £5,000 per annum over half (53%) state it would have deterred them from going to university. This proportion rises to 70% at £7,000 per annum and 78% at £10,000 per annum.
- Approaching half (47%) of students said they also received funding from family or friends an increase from 39% in 2008. Whilst 62% of students rely on support from home; with 60% of those students that do saying that they couldn't afford university without this support The proportion of students receiving a funding from family and friends varies significantly by parents' socio-economic status and students' year of study with this source of income accounting for more than half (51%) of total living costs for those in socio-economic group A whilst only 15% for those in group D.
- When asked what was closest to their view of tuition fees 59% believed that they should not be expected to pay fees. Of those that did believe they should contribute they believed that this should be about a fifth (21%) of total costs of tuition, estimated to be about £8,000 a year ie around £1,680 (compared to the current £3,225).
- 42% of students believed that if they had to contribute more to the costs of their tuition it should come through the income tax system, compared to only 24% saying similar level of fees but with higher interest rates.
- Two-thirds (65%) of students surveyed mentioned that they would have even higher expectations of experience at university should the rate of fees rise this year be above of that for inflation.
- Third year students are the most concerned about their level of debt, with 37% being concerned and 29% of them say their current levels of debt are higher than expected.

3 Survey findings: finances, banking & debt

3.1 Sources of funding[1]

The most common source of funding that students receive is a student loan, either to cover tuition fees or living expenses such as accommodation, course costs, food and other expenses – see chart 1. 76% of students said they received a student loan to cover their tuition fees and 68% said they received a student loan to cover their living expenses.



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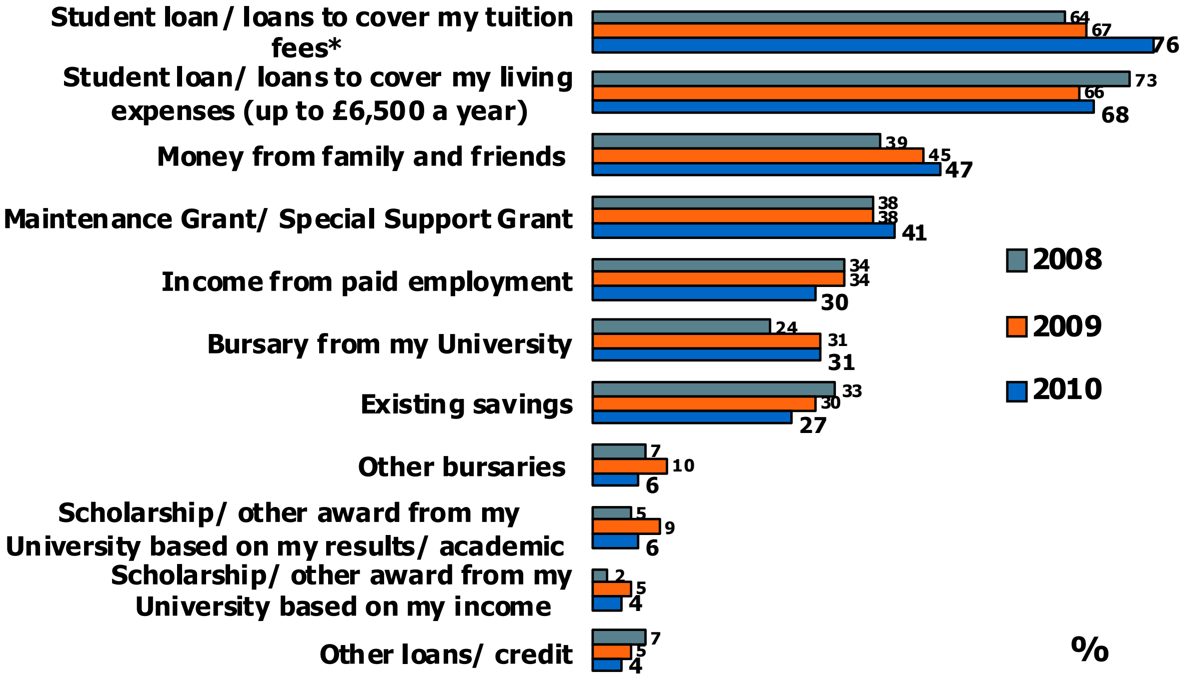
[1] The data presented in this section for the 2008, 2009 and 2010 surveys, has been filtered to show UK students only.

Comparing the results on sources of funding between this year's study and the last two years of study shows a steady increase in student loan/ loans to cover tuition fees (to now be the most popular source) and money from family and friends as well as a steady decrease in the use of existing savings – see chart 2. While last year had not seen any impact on student funding despite a major deterioration in the economy, this year we do see perhaps a heavier reliance on money from family and friends whilst savings and income from paid employment fall in response to the economy.

Chart 2: Sources of funding have remained similar since 2008

Q73. Which of the following sources of funding do you use/ receive? Please select all that apply

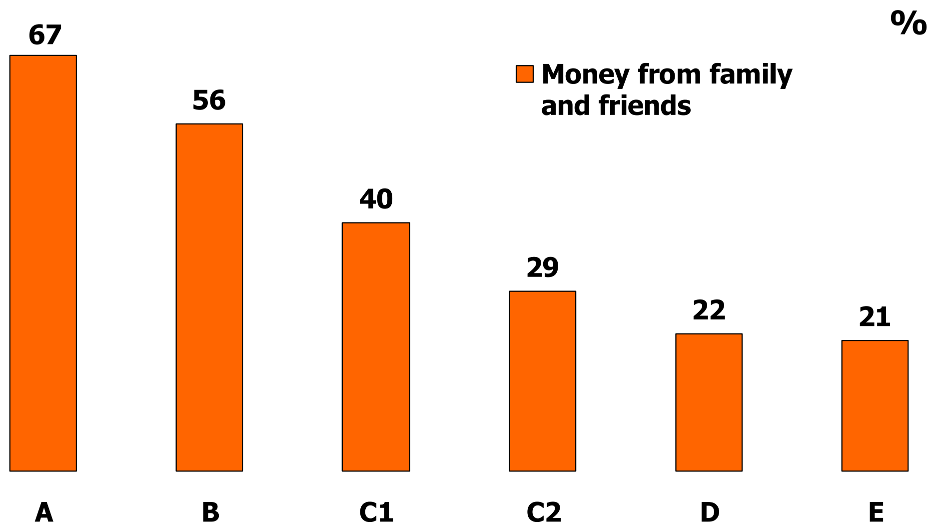


Base: 2008 UK students (2133); 2009 UK students (789); 2010 UK students (2926)
*Due to a change in the financial system, the data for 2008 excludes final year students

Whilst money from either family or friends which almost half, 47%, of students said they received, is popular; this is still significantly affected by socio-economic status with students whose parents are in higher socio-economic groups significantly more likely to receive funding from their family or friends than those in lower socio-economic groups – see chart 3. Indeed, of students who are in the highest two socio-economic groups, over half said that they received funding from their family or friends, nearly twice as many as those in the lowest three socio-economic groups.

Chart 3: Students whose parents are from higher socio-economic groups are significantly more likely to receive financial help from family and friends

Q73. Which of the following sources of funding do you use/ receive? Please select all that apply



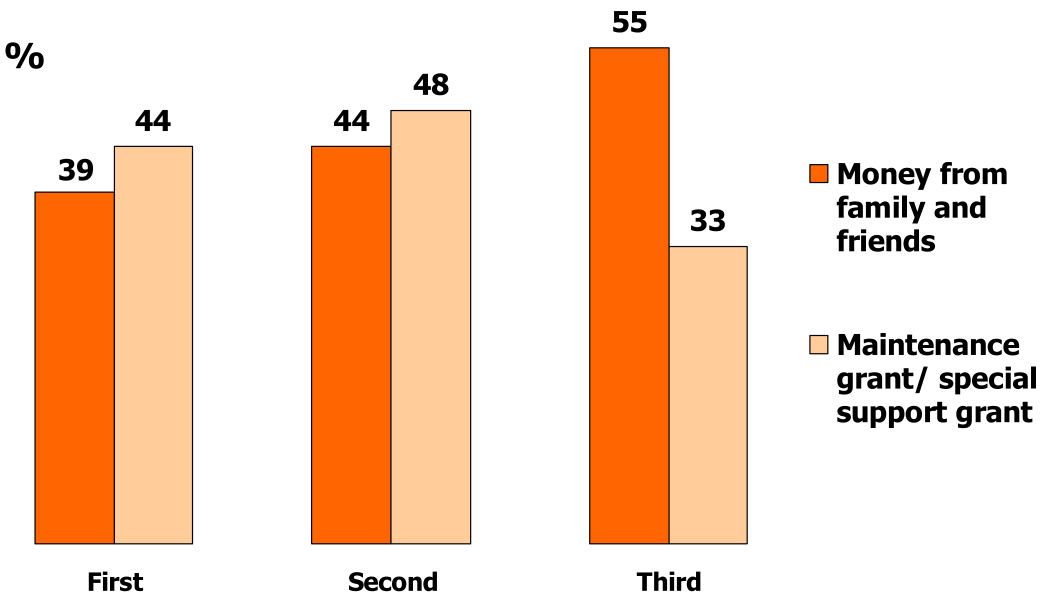
Base: A (537); B (973); C1 (723); C2 (399); D (214*); E (80*)
* Small base

Similarly, we found that money from friends and family (as well as maintenance grants) are significantly affected by year of study – see chart 4 – with third year students significantly more likely to rely on money from family and friends, but less likely to rely on maintenance grants. This seems to suggest that students' financial situations deteriorate during their time at university and they become reliant on family members or friends for a source of funding.

There are also some significant differences when looking at sources of funding by subject area. Students studying subjects allied to medicine are significantly more likely to receive funding from other bursaries than students in other subject areas.

Chart 4: Third year students are more likely to rely on money from family and friends, and less likely to use grants

Q73. Which of the following sources of funding do you use/ receive? Please select all that apply

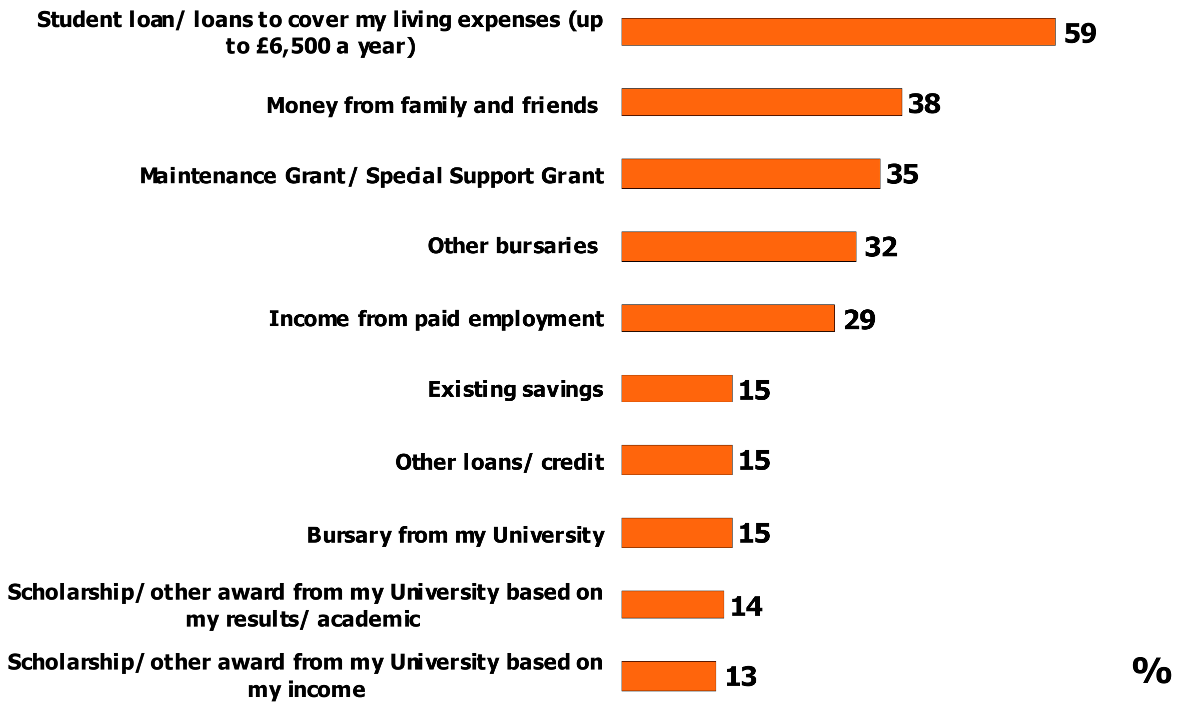


Base: First (804); Second (978); Third (1144)

When looking at the proportion of living costs met by various sources of funding, student loans can be seen to meet more than half, 59%, of student's living costs – see chart 5. However this still leaves a large proportion of living costs that need to be met by other sources of funding. Again, money from family and friends is used to meet a large proportion of living costs among those students who receive it. In addition, there are some sources of funding, which while not received by a large number of students, are vital to those that do receive them. For example, other bursaries are only used by 6% of students (though almost a third of those studying subjects allied to medicine), within that 6%, they are used to meet nearly a third, 32%, of these students' living costs. When looking again at the sources of funding in more detail; this time against socio-economic group, we can see that money from family and friends accounts for slightly over half, 51%, of total living costs for those in socio-economic group A, whilst only 15% for those in group D.

Chart 5: Sources of funding as a proportion of total living costs

Q74. What % (approximately) of your total cost of living comes from your ...



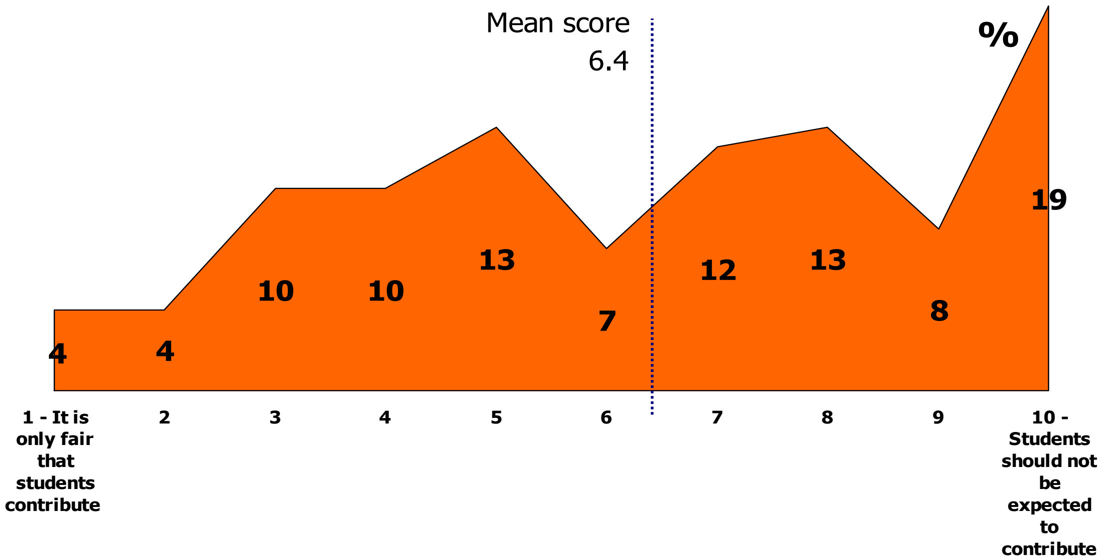
Base: Student loan/ loans to cover my living expenses (1977); Money from family and friends (1362); Maintenance Grant/ Special Support Grant (1198); Other bursaries (168); Income from paid employment (878); Other loans/ credit (114); Existing savings (779); Bursary from my University (898); Scholarship/ other award from my University based on my income (127); Scholarship/ other award from my University based on my results/ academic (173)

3.2 Contribution to cost of tuition

When students were asked where they stood between the two statements - 'It is only fair that students contribute towards the cost of their tuition' and 'Students should not be expected to contribute towards the cost of their tuition' - it was found that overall, students edged slightly towards the feeling that they should not be expected to contribute, and almost five times as many students saying they should not as saying it's fair that they do – see chart 6. Looking at these figures in slightly more detail; whilst not significantly different, it was seen that as students got older (from 18 to 21 plus) we see a slight decrease in this feeling that they should not be expected to contribute.

Chart 6: Students on the whole feel mildly that they should not be expected to contribute to the cost of their tuition.

Q74N. Please indicate on the scale which of the following statements is closest to your point of view on tuition fees?

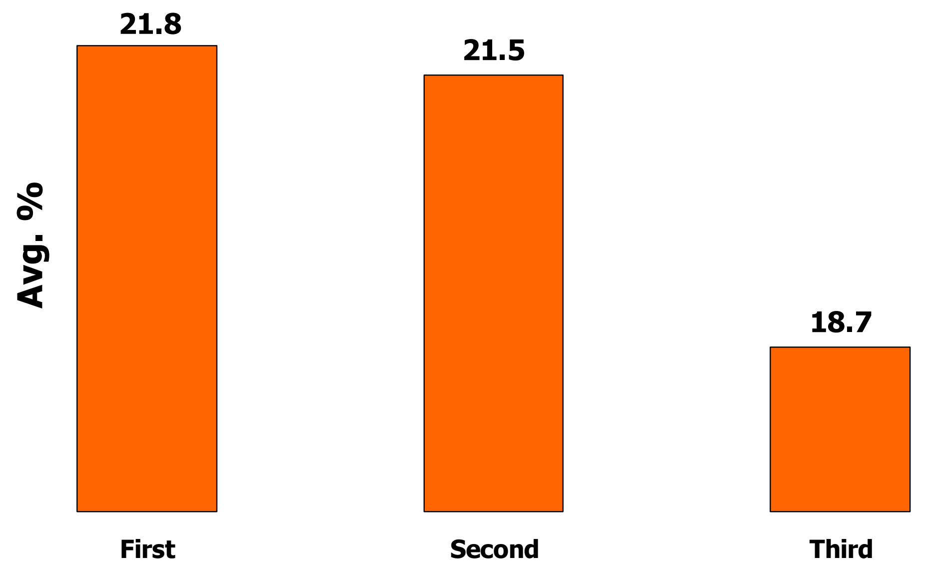


Base: All answering section 8 (3176)

For those students who felt that it was fair for students to contribute, we then asked the proportion they think they should pay themselves. We found that the mean proportion given was just over a fifth of the cost, 21%, ie around £1,680 (compared to the current £3,225 in England) and that this did not vary much between demographics, institution type or subject area. However, it did fall as they spent more time at university – see chart 7; though this may actually be a reflection on their potentially deteriorating finances

Chart 7: Third year students feel that they should, on average, contribute less to the cost of their tuition.

Q75N. The average cost of running a university course is about £8,000 a year per person. What proportion of this cost do you think students should pay themselves?



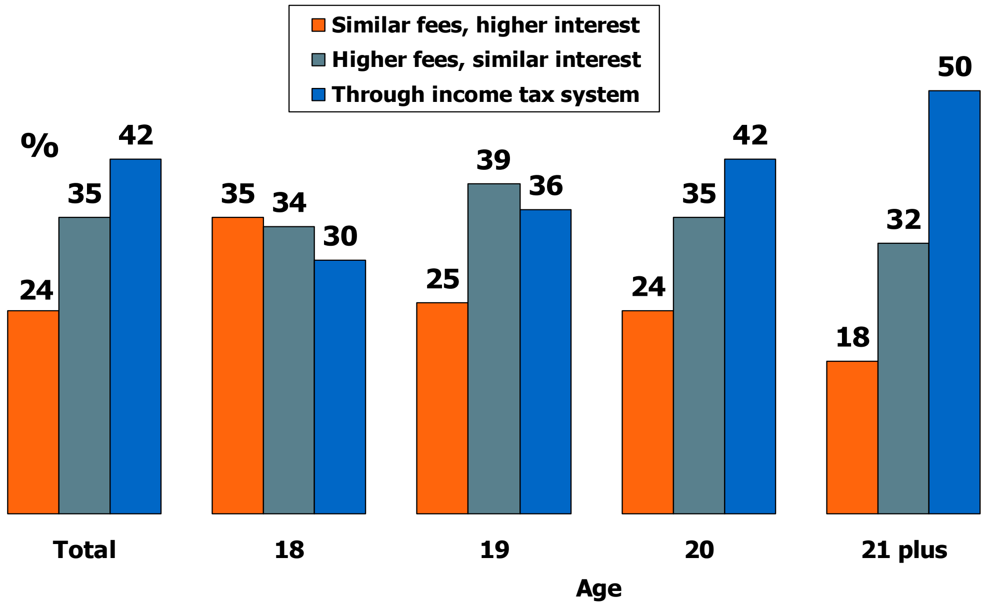
Base: First (554); Second (642); Third (674)

and a realisation of the actual cost of university.

Regardless of their point of view on students' contribution to tuition fees, if they were to have to contribute more, we asked them how would they prefer to do it – see chart 8. The preferred method (42%) was through the income tax system, however, there were some differences between demographics. Most notably that a significantly higher proportion of older students preferred this method, with half (50%) of those aged 21 and over choosing this as the method, compared with 30% of 18 year olds, who in contrast chose similar fees but with higher interest charge as their preferred method. This would suggest that around 19 years old, students begin to change their views on this, with perhaps a greater look at both their current finances and future potential earnings for a way of helping them through their university time.

Chart 8: Third year students feel, on average, that they should contribute less to the cost of their tuition.

Q76N. If you had to contribute more, how would you prefer to do this?

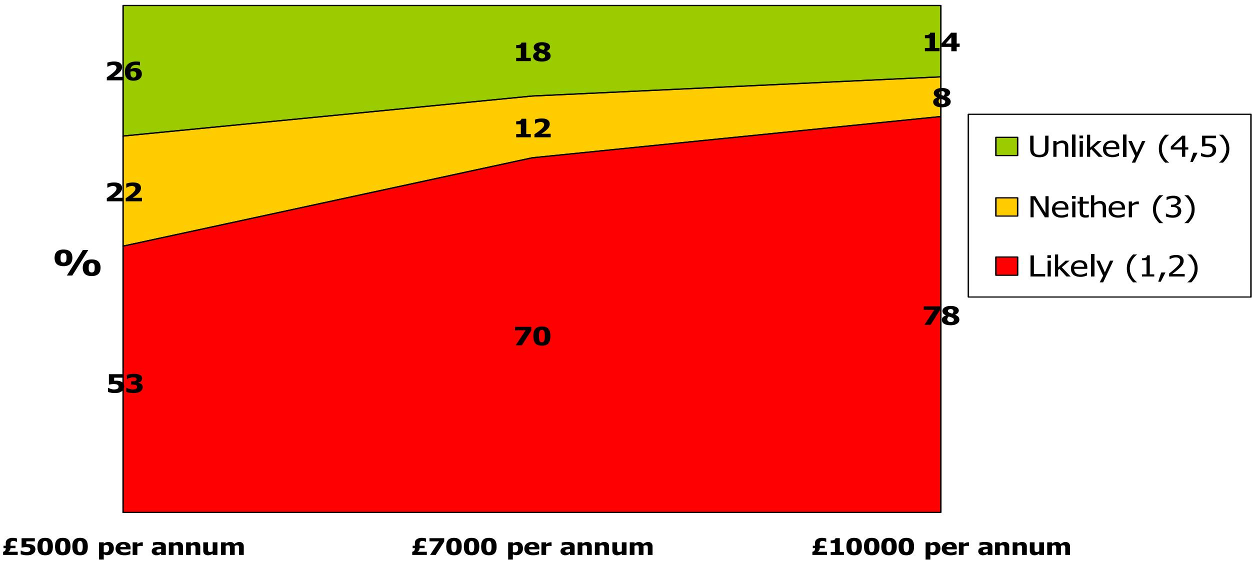


Base: Total (3201); 18 (438); 19 (800); 20 (927); 21 plus (1036)

When asked if their expectations of their experience would increase if fees were increased above inflation beyond the current £3225 per annum, nearly two thirds, 65%, said it would significantly increase, whilst only 18% said that it would not they therefore expect 'more-for-their-money' as a result.

Chart 9: Over three quarters of students would have been deterred from attending university if fees were £10000 pa.

Q74N. If tuition fees were increased to XXXX, how likely would this be to have deterred you from going to university?



Base: All answering section 8 (3201)

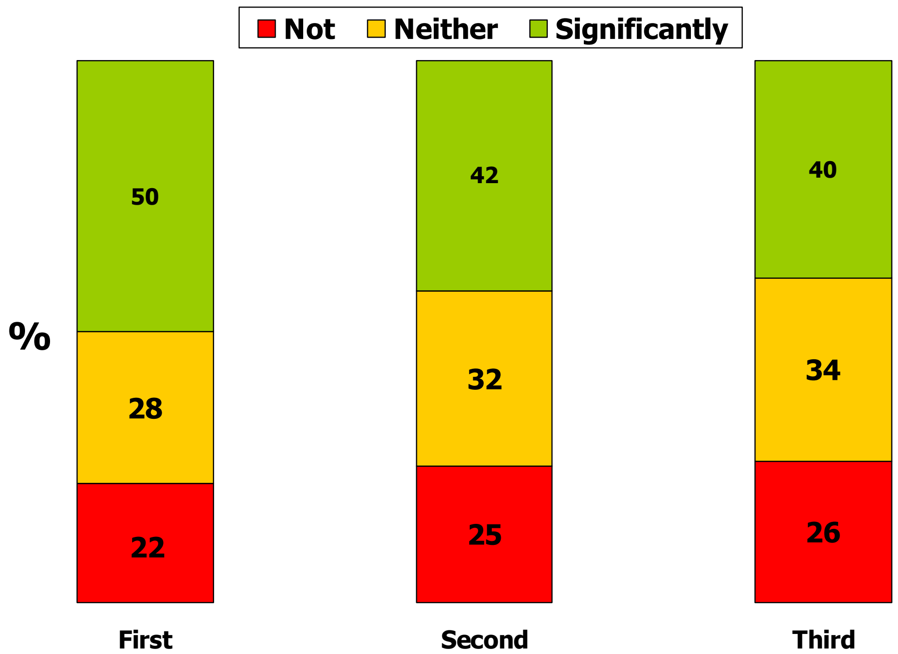
When we come to look at how likely students would be to be deterred from going to university if the fees were increased, we can see that, unsurprisingly, as the cost of fees increases the level of likely deterrence also increases – see chart 9. With 53% of students likely to put off going to university if fees rise to £5,000, increasing to 78% if fees rise to £10,000.

When looking at mean scores by socio-economic group and subject, we can see that those in the socio-economic group A are significantly more unlikely to be deterred by these higher tuition fees, and we see this at all tuition fee points (£5000: 2.95; £7000: 2.46; and £10000: 2.08), however with this group also more likely to rely on money from family and friends as a source of funding for university, we would also perhaps see greater financial pressures put on the families as these students would look to these to fund this extra tuition.

Finally, students were asked on a scale of 1 to 5; where 1 was very significantly and 5 was not at all, whether they considered their time at university to represent good value for money. It was discovered that as a whole, students felt it just about represented good value for money – a mean score of 2.75, - however over a quarter (26%) of third year students, having experienced most of their university course, believing that it did not represent value for money. As with likelihood on not attending university with increase in tuition fees, we see significant differences between subject areas, with significantly more students studying medicine and dentistry and subjects allied to medicine saying they feel it 'very significantly' represents good value for money; 56% and 54% respectively – which, if studying these

Chart 10: More first year students feel their time at university does significantly represent good value for money.

Q77N. Do you consider your time at university to represent good value for money?



Base: First (892); Second (1077); Third (1232)

prestigious degrees and therefore a higher earning potential, is as expected.

In contrast to this, significantly more mathematical and computer sciences students (16% compared to 9% overall) feel it does not at all represent good value for money.

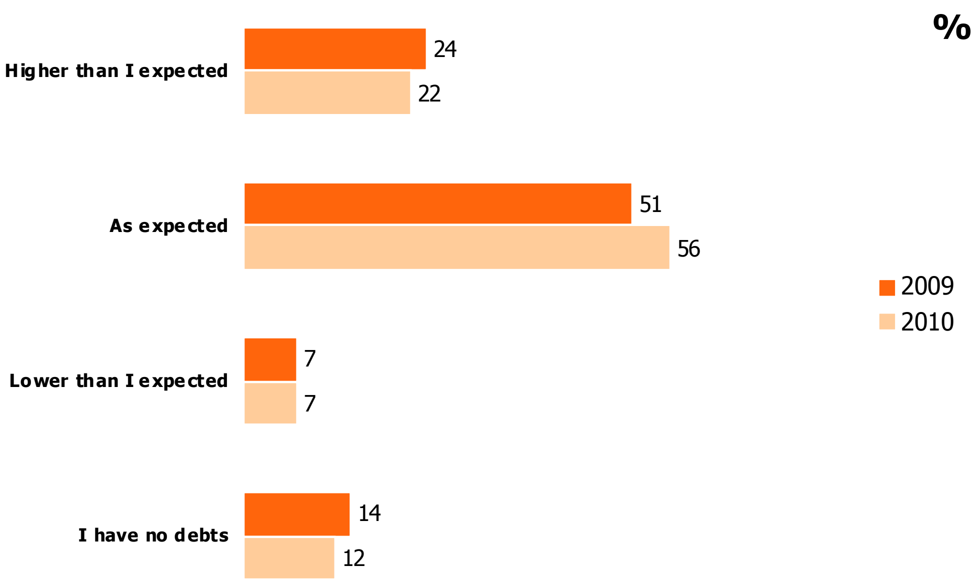
3.3 Debt

When asked 78% of students said that their debt was either as high as they expected or even higher. The percentage of students anticipating their level of debt accurately is significantly higher than in 2009 (51%), which may suggest that students are increasingly giving more thought to their finances before starting university, potentially due to the current economic conditions. As such, the percentage of students finding their debt is higher than anticipated (22%) is slightly less than was seen in 2009 (24%) – see chart 11.

A slightly smaller percentage reported having no debts (12%) than in 2009 (14%), which again may be a reflection of the current economic conditions, though the difference here is not large enough to be considered statistically significant.

Chart 11: Students' expectations of their debt are more reflective of the reality than they were in 2009

Q84. Are your current levels of debt about what you expected, or higher or lower?



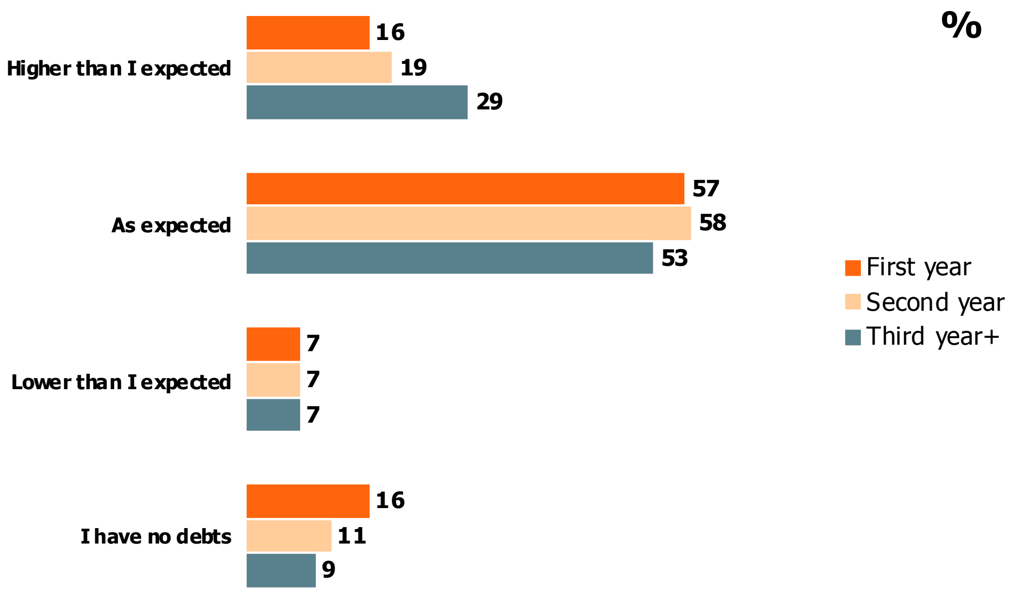
Base: All answering section 8: 2009 (960); 2010 (3201)

When the data is broken down by different groups, a number of differences can be seen between the groups.

In 2009 it was seen that first years were significantly less likely to have higher debts than expected (17%) than either second (29%) or third years (28%). In 2010, first years are still the least likely to have higher than expected debts (16%), however the percentage of second years reporting this has fallen substantially to 19%, decreasing the difference between the two. We therefore now see that third years are significantly more likely to have higher than expected debt (29%) than either of the other two year groups – see Chart 12. It is perhaps possible that the unfavourable economic conditions encouraged last year's first years (this year's second years) to take a more realistic approach to financial planning than previous year groups.

Chart 12: Third year students are significantly more likely to have debts higher than they expected

Q84. Are your current levels of debt about what you expected, or higher or lower?



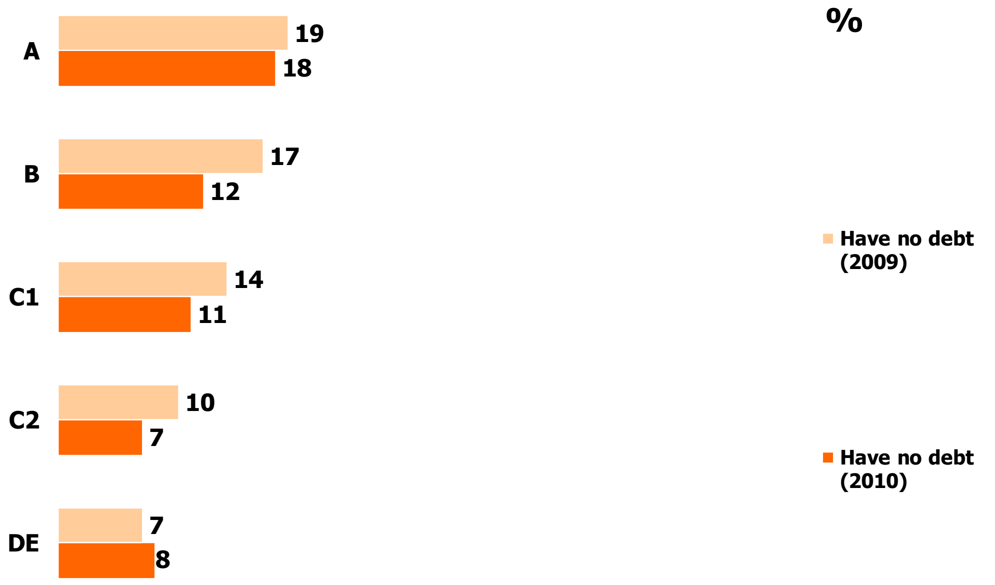
Base: First year (892); Second year (1077); Third year+ (1232)

Despite the decrease in unpredicted debt for second years, the overall trend is still that older year groups are more likely to have debt higher than expected, suggesting that students' finances deteriorate as they progress through university, leading them to accumulate more debt in later years. Unsurprisingly the difference can therefore also be seen by age, with 20 and 21+ year olds being more likely to have higher than expected debt (25% and 26% respectively) than 18 (13%) or 19 (18%) year olds.

Socio-economic group can also be seen to affect the debt accumulated by students – see Chart 13. As discussed above, students are less likely to have no debt (12%) than in 2009 (14%). This decrease has primarily arisen from students in groups B, C1, C2 and DE becoming much less likely to have no debt than students in group A, who are now significantly more likely to have no debt (18%) than students in any other year group.

Chart 13: Students in socio-economic groups other than A are much less likely to have no debt than in 2009

Q84. Are your current levels of debt about what you expected, or higher or lower?



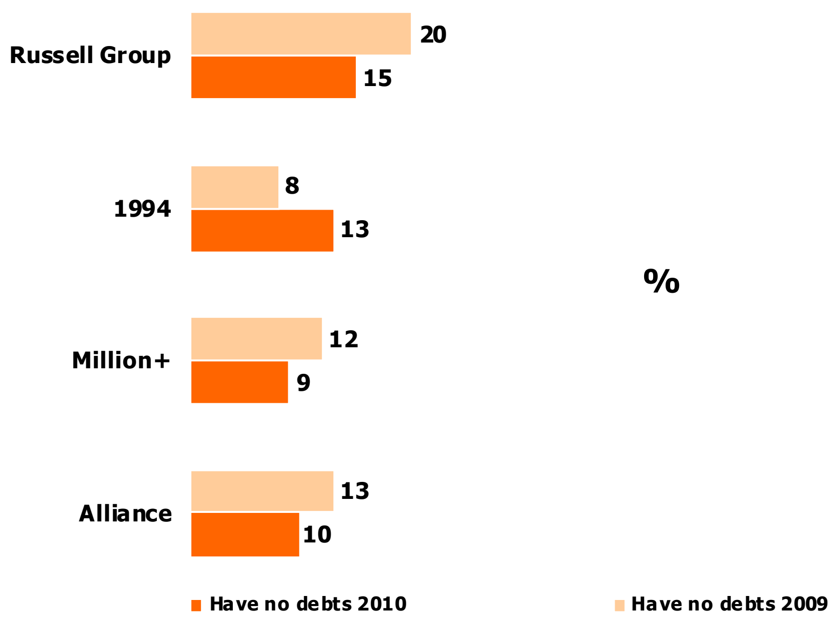
Base: A 2009 (181); A 2010 (607); B 2009 (260); B 2010 (1092); C1 2009 (146); C1 2010 (781); C2 2009 (125); C2 2010 (413); DE 2009 (85); DE 2010 (309)

Last year, students in the lowest socio-economic groups were significantly more likely to say their debts were higher than expected. In 2010, it appears that the percentage of students saying this is fairly consistent across the socio-economic groups, suggesting that students of all groups are getting better at anticipating their financial requirements.

As in 2009, Russell Group students are still the most likely to say they have no debt (15%). However, while in 2009 Russell Group students were significantly more likely to say this, in 2010 the difference by institution type has narrowed – see chart 14. This is due firstly to a decrease in the percentage of Russell Group students reporting holding no debt (15% from 20%), and secondly to students attending 1994 institutions being significantly more likely to say they have no debt (13%) than they were in 2009 (8%). Students attending Million+ and Alliance institutions were both slightly less likely to say they have no debt than they were in 2009.

Chart 14: Students attending Russell Group institutions are still more likely to have no debt, but the difference between institution type has narrowed

Q84. Are your current levels of debt about what you expected, or higher or lower?

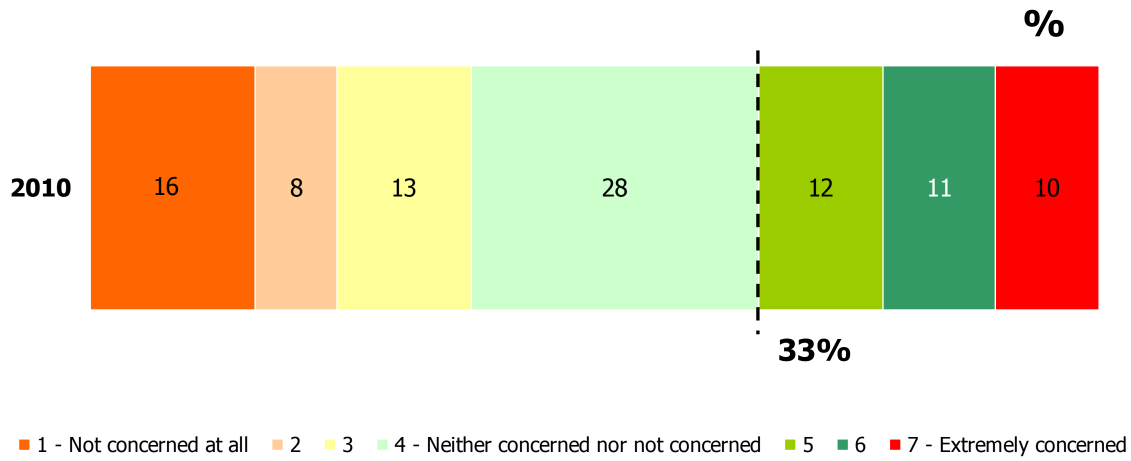


Base: Russell Group 2009 (244); Russell Group 2010 (709) 1994 2009 (133) 1994 2010 (465); Million+ 2009 (179); Million+ 2010 (515); Alliance 2009 (218); Alliance 2010 (474)

Finally, as seen in 2009, Asian students are significantly more likely to say they have no debt (24%) than white students (10%). However, while in 2009 Asian students were less likely to say they had higher debt than expected than white students, in 2010 they are approximately as likely to say their debt is higher than expected (23%) than white students (22%).

Chart 15: Students are split on being concerned about levels of debt.

Q85. Are you concerned about your current levels of debt?



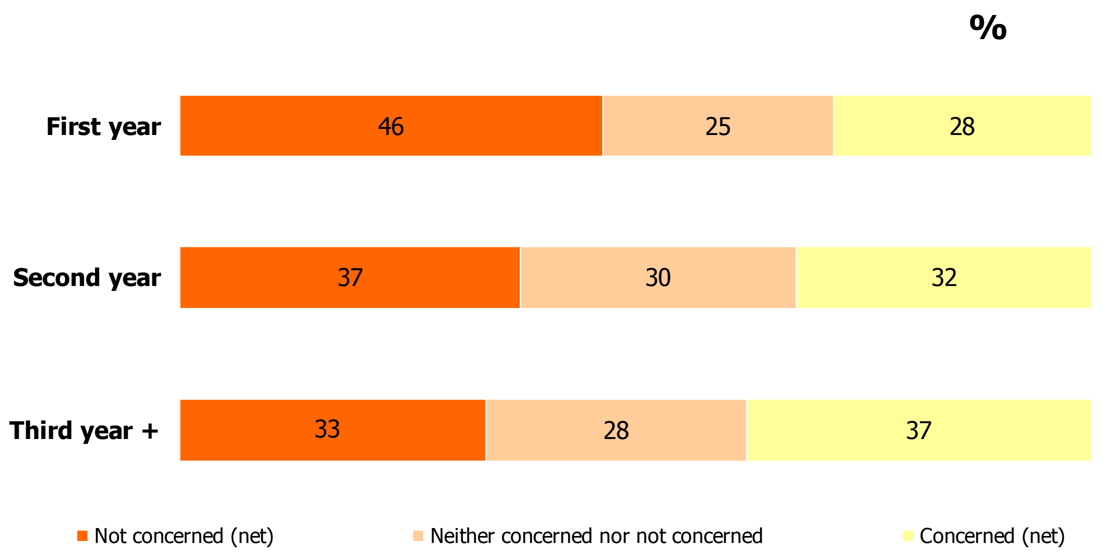
Base: All with debts 2010 (2825)

However it is worrying that when students who were in debt were asked how concerned they were with their current levels of debt a third of students (33%) said that they were concerned – see Chart 15.

We see – Chart 16 – that 37% of third year students are concerned about their levels of debts – perhaps linking to their increasingly sceptical views relating to the value for money of their degree.

Chart 16: Final year students are still the most likely to be concerned about their levels of debt

Q85. Are you concerned about your current levels of debt?



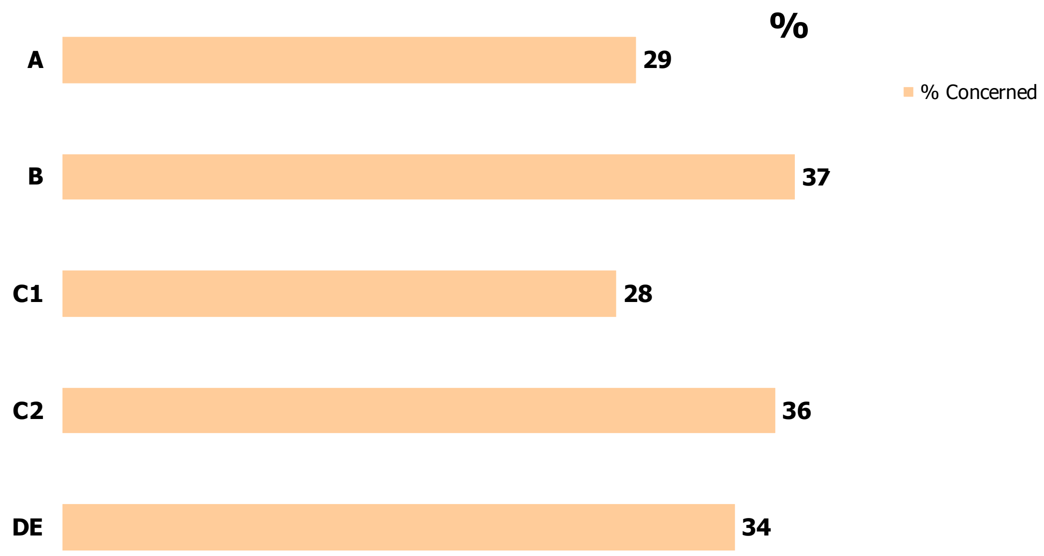
Base: All first year students with debts (746); All second year students with debts (956); All third year+ students with debts (1122)

It seems possible that second years' increased optimism about their debt levels could arise from them having taken a more careful and considered approach to their finances, due to concern over the economic climate.

Socio-economic group can also be seen to affect students' concern about their levels of debt – see Chart 17. Last year it was found that students in the highest socio-economic groups (A and B) were the least likely to be concerned about their levels of debt. This year, we find that students in group A are still relatively more likely to be unconcerned about their levels of debt; however, we also find that students in group B are much more likely to be concerned about their levels of debt (37%) than they were last year (27%). In fact, students in group B are the most likely to say they are concerned, out of all of the socio-economic groups. This fits in with the finding outlined above, that students in group B are much less likely to have no debt (12%) than they were in 2009 (17%).

Chart 17: Those in socio-economic group B are more likely to be concerned about their debt levels; while those in group C1 are less likely to be concerned

Q85. Are you concerned about your current levels of debt?



Base: All with debts: A 2010 (500); B 2010 (965); C1 2010 (692); C2 2010 (384); DE 2010 (283)

Finally, concern over debt levels can also be seen to vary depending on subject studied. In particular, it can be seen that engineering students are significantly more likely to say they are not concerned by their levels of debt (53%) than students are on average (38%). A possible explanation for this is that these students are significantly more likely to receive sponsorship from business (10%) than students are on average (2%), and perhaps that they are in higher demand in the national workforce for when they finally graduate.

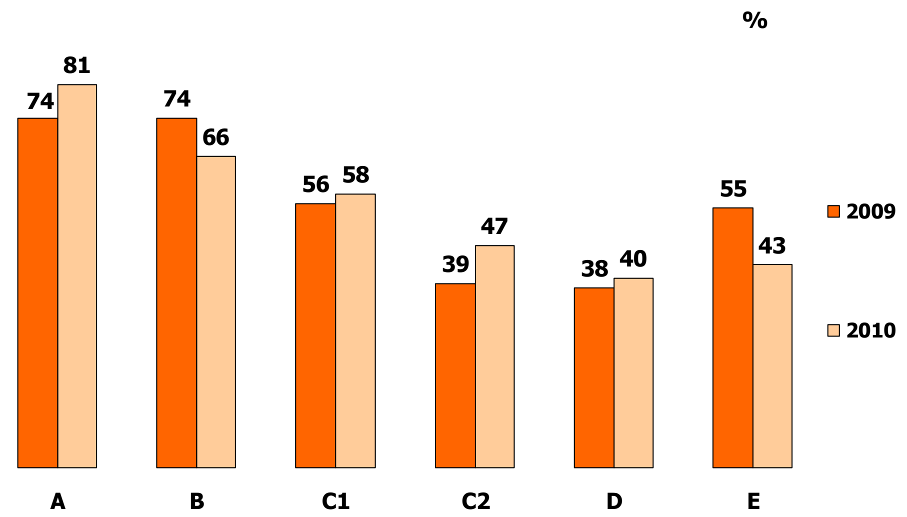
3.4 Support from Home

When students were asked if they relied on support from home to help them through university, 62% said they did (see chart 20), increasing from 59% in 2009. This is potentially a result of students' income from paid employment and existing savings falling in response to the economic conditions, as discussed in section 3.1.

As seen in 2009, students in higher socio-economic groups are more likely to say they receive support from home – see Chart 18. However, while students in group A are more likely to receive support from home, students in group B are significantly less likely to receive support from home (66%) than they were in 2009 (74%). This could be a contributing factor to students in group B being more likely to be concerned

Chart 18: Students in higher SEGs are more likely to receive support from home to help them through university

Q87. Do you rely on support from home to help you through university?



Base: A 2009 (186); A 2010 (607); B 2009 (263); B 2010 (1092); C1 2009 (149); C1 2010 (781); C2 2009 (120); C2 2010 (413); D 2009 (67*); D 2010 (226*); E 2009 (16**); E 2010 (83*)
* Small base; ** Very small base ineligible for sig. testing

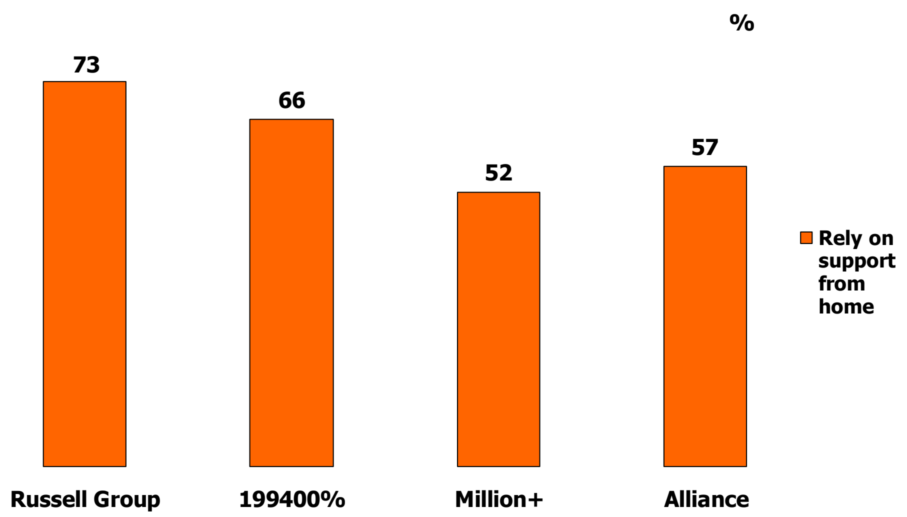
about their levels of debt than they were in 2009, as discussed above. Conversely, students in group C2 are much more likely to receive support from home (47%) than they were in 2009 (36%).

Third year students were much more likely to receive support from home (68%) than first or second year students (60% and 57% respectively), probably again a result of students' finances deteriorating over the course of their university course. Medical students were also much more likely to receive support from home (78%) than average (62%).

Students from Russell Group (73%) or 1994 (66%) institutions were also significantly more likely to receive support from home than students from Million+ (52%) or Alliance (57%) institutions – see Chart 19. This is perhaps due to the fact that students from such institutions tend to be from higher socio-economic groups on average.

Chart 19: Students attending Russell Group institutions are the most likely to rely on support from home to help them through university

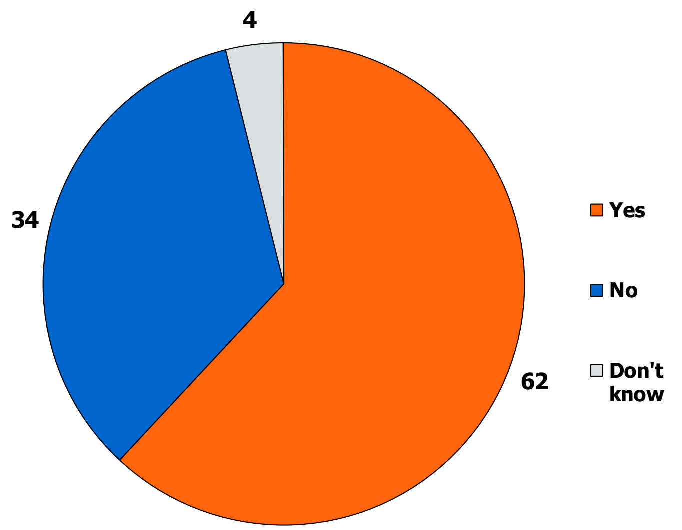
Q87. Do you rely on support from home to help you through university?



Base: Russell Group (709); 1994 (465); Million+ (515); Alliance (474)

Chart 20: More than half of students rely on support from home to help them through university.

Q87. Do you rely on support from home to help you through university?

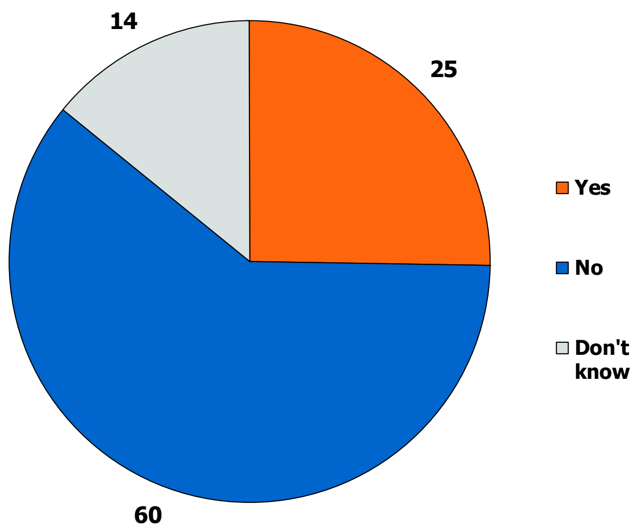


Base: All respondents (3201)

Of the students who receive support from home, 60% said that if they didn't receive this they wouldn't be able to afford to go to university – see chart 21. This is slightly higher than the percentage that said this in 2009 (57%). Again, this is potentially a result of students' ability to generate income from paid employment and existing savings falling in response to the economic conditions, as discussed in section 3.1.

Chart 21: Of those who rely on support, a majority could not afford university without it.

Q88. If you didn't have support, would you be able to afford to go to university?



Base: All who rely on support from home (1984)

There are some interesting variations by subject area. Engineering and Technology students are much more likely to say they would be able to go to university without this support (42%) than students were on average (25%). Again, this is potentially due to the fact that these students are significantly more likely to receive sponsorship from business (10%) than students are on average (2%).

Interestingly, female students are significantly more likely to say they would not be able to go to university without such support (66%) than male students (55%); perhaps due to greater financial worry for females than for males who are, potentially, more blasé about their money.

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