

Saving & banking - Student finance

Debt sentence for 2007 graduates

Philip Scott, This is Money

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Almost 50,000 students will graduate in 2007 with an average debt of £11,000 but a staggering 14,500 will owe more than £20,000 with some even hitting the £30,000 mark according to new research.

Overall during the past decade British students have amassed an astonishing £27bn mountain of debt, equivalent to half of New Zealand's GDP, forcing almost 10% to consider bankruptcy as a solution.

The study, the Student Debt Report, by uSwitch, a comparison site, reveals that this year students face a total debt of £3.2bn upon graduation, an increase of 167% since 1997 - eclipsing the 51% rise in graduate salaries from £15,500 to an average of £23,451.

Easier access to credit over recent years has exacerbated the situation and now graduates are finding themselves stuck facing an average debt sentence of 11 years.

The Student Loans Company alone is granting 203% more than it was in 1997. With 77% of final year students claiming that the terms of their loan could have been explained better, there is an obvious and pressing need for clearer information from the Student Loans Company and the banks alike says uSwitch.

The number of student loans being taken out annually has more than doubled in the past 12 years from 430,400 to 880,700 per academic year. In London, young people who take out the maximum student loan each academic year will start their working lives with a total debt of £17,960 excluding overdrafts and other debts and repay interest totalling £5,534 - a total of £23,494.

As a result of the growing debt mountain almost half, or 35% of recent graduates will postpone starting a family, marriage or buying their own home by an average of six years, says uSwitch.

The cost of attending university has risen over time, partly due to increased tuition fees and, to a lesser extent, due to increased housing costs,' says Mike Naylor of uSwitch. 'As a result, more money than ever is being borrowed by students to fund their way through university, with some students starting work with debts of up to £30,000. Since 1997, three graduates have delayed getting married, having kids or buying a house by at least six years due to the crippling effects of student debt.'

In a separate report by Alliance & Leicester it found that 43% of young people admit that the prospect of acquiring debt whilst at university is putting them off going at all and instead they are more attracted by the prospect of earning their own money straight away.

Some 10% of 16-21 year olds who do not plan on going to university say they think further education is 'a waste of time'.

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