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News

GRADUATES RUN UP RECORD DEBTS - BUT GRANDPARENTS STILL OUT-BORROW THEM

Alan Shipman - 14-Aug-2007

Tuition fees and rising rents have tripled the student loan-book, but graduation debt problems remain small compared to those reported after retirement.

If the graduates you recruit are bargaining rather harder than they used to over salaries, it's because they're staring bankruptcy in the face – according to recent student surveys. Push.co.uk, an online student guide, says the average debt for a student in England has risen by 25% over the past year, and will reach £21,500 by the time people graduate. According to comparison site uSwitch, students collectively owe £3.2bn, and 10% of them are considering personal bankruptcy as the best way to sort out their finances. The National Union of Students warns that its members are falling off the property ladder and delaying starting families because of debt, with the middle classes worst affected because of their ineligibility for government grants.

The sharp rise in student debt over the past year is mainly blamed on the removal of tuition fee caps, which has allowed universities to charge up to £3,000 per year, on top of students' accommodation and travel costs which are also rising in real terms. Surveys suggest that most students are taking term-time as well as vacation jobs to help make ends meet. An increasing number of tutors complain that lecture attendance is falling as a result, and that the rush for well-paid graduate jobs to pay back the debt is channelling talent away from public service, charity and academic jobs that cannot offer big starting salaries.

Students are also borrowing from their parents to lessen the weight of commercial debt. But if they look further up the extended family, they're unlikely to be in luck. At the other end of working life, pensioners over 65 collectively owe £57bn, with 20% still paying off their mortgage, according to a Scottish Widows survey published yesterday. Pensioners' unsecured debt has risen over 40% across the past year, with one in three racking up non-mortgage debt of close to £6,000, and many of those still with mortgages have been forced to release equity because of insufficient income. With debt mountains at both ends of their career, no wonder people battle so hard for what they're paid in between.

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