UK doctors unlikely to be able to repay student loans

Clear gender differences in total amounts needed to service debt

UK doctors are unlikely to be able to repay their student loans over the course of their working lives, amassing debts of more than £80,000 by the time they graduate, in some cases, finds research published in the online journal ***BMJ Open.***

What's more, there are clear gender differences in the amount of cash required to service these debts, the analysis shows, with women paying more in interest, despite earning less than men.

The researchers base their findings on the average earnings of 4286 doctors working more than 30 hours a week, who had taken part in national Labour Force Surveys between 1997 and 2014.

Annual tuition fees amount to £9000 for English students attending UK universities, and most medical degrees take five years to complete.

Since 2012, students have been able to borrow the annual fees and get a maintenance loan to cover living costs from the Student Loan Company.

Repayments are charged at an annual interest rate of 3% plus annual inflation rate (Retail Price Index) and based on 9% of salary earned above £21,000 gross income. Debts are automatically written off after 30 years, irrespective of the sums outstanding.

A medical student graduating in 2014 would have clocked up a debt of £40,000 for tuition fees.

If maintenance loans are factored in, this would add £24,000 for a student living at home; an additional £30,000 for a student living away from home; and £42,000 for a student living away from home in London, amounting to a total of between £64,000 and £82,000 by the time of graduation.

The survey responses showed that average full time salaries rose with age, but then gradually fell after the age of 55, with a wide gap in earnings starting to emerge between men and women from the age of 30 onwards.

At the age of 55, male doctors earned 35% more than their female colleagues, which was mainly attributable to hourly wage rates rather than the number of hours worked.

The researchers used the average age-salary profiles, projected future repayments, and cumulative debt levels to calculate the total sums required to service the loans.

For those borrowing against tuition fees alone, full time male doctors would have to stump up £57,303 to clear their debts over 20 years, while their female colleagues would need to find just short of £62,000 over a period of 26 years.

When maintenance loans were factored in, the researchers calculated that the total sums to be repaid added up to £75,786 for an initial debt above £46,000 for women doctors and £110,644 for an initial debt above £65,145 for their male colleagues.

For initial debts below £50,000, women repay more, despite earning less, because their debt lasts longer and accrues more interest. But for initial debts above £50,000, men repay more because their average yearly salaries are higher.

The researchers point out for those able to repay their loans within the 30 year timeframe, a higher yearly salary is advantageous because an early repayment means less interest. But for those unable to pay off their loans, a lower salary is advantageous, because it means lower yearly repayments and the writing off of the residual debt.

"It seems reasonable that these repayment variations may actually exist across many graduate careers in the UK," write the researchers. "It is also apparent that at the current level of fees, even small changes in

the student loan contract will have substantial implications for lifetime wealth across different income groups, across male and female graduates, and on the sustainability of the student loans system.”