

# Universities minister refuses to rule out increase in tuition fees

Labour warns of 'financial timebomb' and embarrassment for Lib Dems over errors in funding reform

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A student rally in central London in November 2012 against sharp rises in university tuition fees.  
Photograph: AFP/Getty Images

The Conservative universities minister has refused to rule out raising tuition fees for students after the next election, amid warnings from Labour that the current system is a "financial timebomb" that will leave a big hole in higher education funding.

David Willetts, who oversaw the tripling of tuition fees to a maximum of £9,000 in 2012, said the government would "have to see how the income of universities performs" when asked whether he would consider raising fees after 2015.

The comments came after one of Willett's former political advisers, Nick Hillman, called for a rethink of the student loans system and admitted the government got its maths wrong by overestimating the amount of graduate debt that will be repaid.

Hillman on Friday called for action to address the "big funding gap" looming in the universities sector caused by mistakes in the government's modelling and the fact that

graduates are earning less than expected. Some experts believe the level of default on student loans is approaching the level at which the £9,000 fee system will not save the taxpayer any money or may even be more expensive than the old regime.

Under the current system, students start repaying loans once they are earning more than £21,000, at a rate of 9% of their salary above £15,000. Ministers thought in 2010 that the taxpayer would have to provide a subsidy of 28% of the total loan book but have had to revise this upwards several times because of growing estimates of debt that will never be repaid.

Willetts told Channel 4 News the government is "committed" to the current tuition fees system, which ministers believe is "far more sustainable than any alternative". He also dismissed warnings that it will not bring in enough money to fund universities, saying the estimates of how much students will repay are likely to "bounce around" depending on what experts are forecasting for earnings over the next 35 years.

But, pressed several times on whether fees would have to rise or graduates would start having to repay money sooner, he said: "We've got a system with a £9,000 fee and a £21,000 [earnings] repayment threshold. That is our system that we are committed to. Above all it means students don't have to pay upfront... We have fixed the fees for £9,000 for this parliament.

"But we will have to see how the income of universities performs. But we have a structure for £9,000 and £21,000 and that is working."

Cathy Newman, a Channel 4 presenter, tweeted that she asked Willetts the question again about the possibility of higher fees after 2015 as he was leaving the studio and the minister replied "could be".

Labour's shadow business secretary, Chuka Umunna, said the fact that ministers are "now refusing to rule out further hikes in student fees less than three years after trebling the cost of a degree underlines the depth of the crisis they have created in the student finances".

"Ministers need to come clean on what this timebomb will mean for the public finances, our universities and students," he told the Guardian.

Earlier, he said the Liberal Democrats are facing "catastrophic" embarrassment over student loans because they abandoned their election pledge to scrap tuition fees in order to vote for a system that may not save the government any money.

Danny Alexander, the Lib Dem chief secretary to the Treasury, said estimates were variable and the higher education reforms were working and financially sustainable.

"These figures are based on projections of what might happen to graduate incomes in 35

years' time. So these numbers do move around a lot," he said. "The figures I'm most pleased with in higher education is that we're seeing more people going to university than ever before and particularly more children from disadvantaged backgrounds, which was our focus, applying and successfully going to university.

The Guardian disclosed last week Willetts's admission that the true figure for the amount that the taxpayer would have to provide as a subsidy is now more like 45% of the total loan book – approaching the 48% threshold at which experts say the benefits of raising fees to £9,000 are cancelled out.

The Universities UK alliance of higher education institutions has now urged the coalition to open talks with Labour on the issue, saying it is vital to think more carefully about how universities can be paid for.

Any political prominence for the issue of tuition fees is likely to reopen painful wounds for the Lib Dems, who were forced to abandon their anti-fee position when they went into coalition, causing a large loss of support which they have not regained. The policy is ultimately the responsibility of Vince Cable, the business secretary, who oversaw the introduction of the higher tuition fee system from 2012.

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