

CONFIDENTIAL

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8 July 1985

Dear Keith:

Review of Student Support

In recent weeks I have seen copies of your letter of 20th June to Nigel Lawson with the attached draft Consultative Paper; of the note of the Ministerial meeting held on Thursday 27th June; and of the Prime Minister's Private Secretary's letter of 2nd July, making it clear that she would like to see the Consultation Paper revised with the aim of publication in the latter part of this month.

I have already, in my letter to you of 2nd January, while re-affirming my belief in the need for strict financial control, made plain my objections to student loans. They are unlikely to assist our finances, certainly in the short term; it is in my view wrong that young graduates should begin their adult lives some hundreds, or even thousands, of pounds in debt; and finally I believe such a scheme to be a political liability at the polls. I also doubt whether recovery will be easy.

The purpose of this letter is not however simply to repeat these views. I should not like you and my other colleagues to embark on a scheme of this nature without very clearly understanding the likely resource implications which such a scheme would have for the legal system.

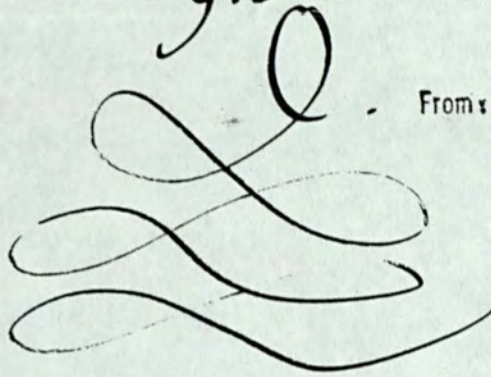
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The Right Honourable
Sir Keith Joseph, Bt, MP
Secretary of State for
Education and Science

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I am copying this letter to the Prime Minister,
Willie Whitelaw, Nigel Lawson, George Younger,
Nicholas Edwards, Patrick Jenkin, John Biffen, Norman Fowler,
Norman Tebbit, Tom King, Douglas Hurd, David Young,
John Wakeham and Sir Robert Armstrong.

YRS:

A large, stylized handwritten signature in black ink, consisting of several loops and flourishes.

From: THE RT. HON. LORD HAILSHAM
OF ST. MARYLEBONE, CH, FRS, DCL.

In paragraph 28 of the draft Consultative Paper - I refer to the draft of 20th June 1985 - it is stated that the number of students qualifying for support in England and Wales is likely to be around 380,000. But in paragraph 24, on the basis of comparisons with foreign countries, it is estimated that the "wilful or negligent minority of defaulters" may reasonably be assumed to average 10%. Whether this country is likely to have more or less defaulters than others I do not know; clearly a concerted campaign among former students not to repay their debts might well result in a figure of more than 10%. But even 10% means that there would, at any one time, be some 38,000 defaulters.

The Consultative Paper assumes that a large but unquantified majority of these loans could be recovered through the Inland Revenue. Even assuming this to be the case, this would surely leave several thousand defaulters who could be pursued only through the courts.

I acknowledge that, where the former student could be traced and served, the majority of these would be simple debt cases and so unlikely to occupy much judicial time. I acknowledge too that only a very small proportion of these cases would qualify for legal aid. But even a small proportion of a large though unquantifiable number would result in a considerable additional burden on the legal aid fund which it is not in any position to accept unless additional resources are made available; and the same of course is true of the court service itself. I hope therefore that if we do decide to go ahead with a scheme for student loans, it will only be on the understanding that the necessary additional resources will be provided for both the courts and the legal aid fund.

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EDUCATION: Student leaves: Mar 81

