



ADRIAN J. SCOTT

Why I study...

Student debt

I WAS initially drawn to psychology by a morbid fascination concerning the willingness of some people to cause others harm: I simply could not comprehend the distorted outlook these people must have in order to live with themselves. Having successfully completed my A-levels I chose to study psychology and sociology at the University of Bath as they offered a placement year in which I would be able to pursue my interest in forensic psychology, along with my desire to visit Australia. I managed to arrange an excellent placement there under the supervision of Professor Don Thomson, researching the fallibility of eyewitness testimony. So why is it that four years on I am studying the psychology of student debt in the UK? Mainly because I could not afford to return to Australia after my degree to complete a PhD – I had spent all of my student loans, and reached the upper limits on my overdraft and credit card.

KATE GREY

It is interesting how new opportunities often arise when others fall apart... Professor Alan Lewis offered me the opportunity to remain in Bath to study for a MSc in social research. I had already expressed an interest in economic psychology following a final-year course offered by the university and my reading of *The New Economic Mind*, written by Alan Lewis along with Paul Webley and Adrian Furnham. I can distinctly remember spending an afternoon in the university library searching for a potential topic that I could research for the two theses I would have to produce as part of the MSc. I was close to despair when I happened upon an article that showed that students' attitudes towards credit and debt become more favourable during their time at university as a consequence of their need to borrow money to finance their degree (Davies & Lea, 1995). This struck a chord with me because of my personal experiences as an undergraduate: I had started university in 1994 with over £2000 of savings and was adamant that I would not go into debt. I even worked between two and three days

a week at a supermarket to supplement my grant. And I managed my finances competently for the majority of the first year.

So how did I manage to graduate with £6000 worth of student loans, a £2000 overdraft and £500 on my credit card? The answer is simple: I decided to take out a student loan to finance my trip to Australia

and my whole outlook on debt changed as a consequence. I started to feel less resistance towards borrowing money and gradually came to take advantage of the interest-free overdraft and credit card offered to me by the bank. Once the initial barrier had been broken by the use of my student loan there was no stopping me. I can remember gaining status for my somewhat casual attitude towards money, boasting to friends about the amount I owed during my final year. The laughs came to an abrupt halt, however, when I graduated and realised that I had £8500 worth of debt.

Students today would probably envy my financial situation, but at the time £8500 worth of debt was high. However, some research I conducted (Scott & Lewis, 2001) showed that I was not alone in my naivety. A number of the graduates who took part in the survey said that they felt ill prepared for the amount of debt they incurred as a direct consequence of attending university and commented on their lack of foresight in relation to the repayment of this money.

This is why I believe psychology has a central role in revolutionising higher education. Only by understanding the phenomenon of student debt from the perspective of the undergraduates

themselves can we prepare them for the financial independence they will experience upon entering university. I realise that it is not possible to offer free higher education when participant rates are as high as they are, but I do believe that we have a moral obligation to prepare future students for the financial pressures associated with university.

Such pressures are shown by research to be real and psychologically significant. Stradling (2001) demonstrated that students' individual interpretations of their borrowing form a powerful predictor of pathological levels of depression and anxiety. Consequently, it is important to frame student debt in a manner that does not affect the well-being of students. Nicholas

Barr (2002) highlights the importance of students' interpretations of income-contingent loans and argues that current perceptions of the student loan scheme need to be 'turned on their head'. Student loans are considered to be a 'debt' and as such engender negative feelings, but if they were to be modified and viewed as a graduate tax, which is capped at 100 per cent of the initial sum, they would not carry the same connotations. To achieve this change in perception, Barr believes that the student loans would need to be universal and that the amount would need to be adequate to cover all living and tuition costs. By doing this, students would not be forced to work during the university term, or be tempted to use the overdraft and credit card facilities offered by banks.

These issues, along with others such as the relative inability of students to manage their finances and undergraduates' growing scepticism towards lending institutions, are particularly pertinent in the light of proposed changes to the funding of higher education in the UK. Education Secretary Charles Clarke has announced his controversial plans to allow universities to raise tuition fees, and the possibility of universities setting different levels of fees.

The primary concern is that variable fees will put added pressure on potential students from poorer backgrounds and may result in applications being dependent on ability to pay rather than ability to study. These reservations highlight the extremely sensitive nature of higher education funding and the need for careful deliberation before any decisions are reached. The government is arguing that the fees will not be paid 'up-front', but instead when the students are working and their earnings reach £15,000. The problem, however, is that many current and future students simply see this change as an increase in debt and consequently are against the changes. Resistance to change is certainly not limited to the financing of university education, but it is imperative that adequate education accompanies any legislative changes to ensure that school pupils are well informed. If potential students understand the long-term benefits of higher education, they are less likely to

be deterred from university or to experience any detrimental effects.

It is now over four years since my degree and I am still in debt as a direct consequence of being an undergraduate. Over the years I have come to accept the debts I incurred and I rarely worry now about the student loan repayments I continually defer. But my time at university could have been more enjoyable had I been adequately prepared for the sudden financial freedom. I am not trying to remove all responsibility from myself – my active social life played a large part in my current financial situation – but some realistic practical advice prior to university would certainly have helped me deal with my debts more competently.

Finally, it is my opinion that psychologists need to investigate the beliefs and understandings of school pupils and university students with regard to their economic competency and the financing of higher education. This research would

highlight the potential pitfalls of university life and enable the personal finance education offered by schools to be appropriately targeted.

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