

## GERMAN LAW NEWSFLASH – November 2017

Dear Reader,

Below please find our latest NewsFlash, this time dealing with the United Kingdom's planned withdrawal from the European Union and subsequent consequences for EU students.

We hope that our NewsFlash meets your interest. Any remarks and feedback are always welcome.

Best regards,

Thomas & Team

### Impacts of a planned "Brexit": The uncertain future of EU students in the UK

#### How it used to be

Great Britain has always been an attractive country for students from all over the world. Accommodating universities like Oxford, Cambridge or the London School of Economics (LSE), the United Kingdom provides some of the oldest and most recognized colleges globally. With universities founded in the 13th century, Great Britain has been one of the first places ever to study. Not only for these reasons had Britain's history laid the cornerstone for internationalized universities and an accordingly shaped and characterized studying site.

With the foundation of the European Economic Community (EEC), the later European Union, Britain's universities opened their doors for European students, while providing them equal conditions as for national under- and postgraduates. Especially postgraduate studies in Great Britain became and remained a recognizable career section with high reputation. In 2017, more than 50 % of LSE's alumni are from foreign countries and more than 2,000 EU citizens are currently studying in a postgraduate program. This represents an outstanding number of foreign alumni, compared to other European cities like Berlin, where in 2017, some 20 % of graduates have their origins in other countries.



Dr. Thomas Kaiser-Stockmann  
Rechtsanwalt & Notar  
Telephone: +49 30 213 089 510  
Mobile: +49 172 301 81 61  
Email: thomas@tkslegal.de

The main point in the uniform treatment of British and EU students are the equalized tuition fees and the same eligibility for governmental support. As a result, and compared to students from Asia or the U.S., the harmonization allows students from countries in the European Union to benefit from the British scholar system without high financial risks and major uncertainties.

### **What is new**

On 23 June 2016, the British population voted in favor of the withdrawal of Great Britain from the European Union, a “Brexit”. The oppositional-initiated referendum’s tight outcome portrays the always-difficult relationships between Great Britain and the EU, characterized by the exercise of several opt-outs with respect to the EU treaties. However, the result has been shocking for large parts of the population, but also for other member states. On 29 March 2017, acting Prime Minister Theresa May officially requested Great Britain’s withdrawal from the EU at the European Council.

As the procedure according to Art. 50 of the European Treaty has never been exercised before, consequences and a concrete procedure are not foreseeable yet. Certainly, the United Kingdom will need to regulate its relationships with other European countries from the beginning, as many EU-wide provisions will not apply anymore. This certainty about future regulatory requirements lead to uncertainty for all persons concerned, including EU students searching for high class education and research at some of the world’s most prestigious universities on the British Islands.

Until now EU the Student Loans Company (SLC) in corporation with the Department for Education offered students the same tax based student loans as students from the UK. Normally this means that EU students get a loan of about £ 9,250 per academic year which has to be repaid at the time when the later yearly income becomes £ 30,000 or more during a period of a maximum of 30 years. Therefore, the number of offers for loans by private financial institutions have generally been low with the exception of the Department for Education selling student loan debts to private investment companies. Still and even in case of a hard Brexit the student loans for EU students will not change conditions until 2020 as

declared by Universities and Science Minister Jo Johnson. Anyhow also before the upcoming Brexit the loans given by the SLC were criticized for a high interest rate of about 6 % which are already charged while the students are still at university. Now as the needed loans for EU students seem to rise up to £ 15.000 - 25,000 per academic year after 2020 the need for loans offered by private financial institutions may increase in addition towards possible loans by the SLC. Until now most private financial institutions only offer interest rates at a minimum of 4.5 to 6.5 % and are to be repaid on a monthly basis irrespective of the future income. The duty of repayment may only end after the death of the borrower. Therefore they are still more unattractive than federal loans.

Certain are also the recent currency fluctuations causing a weak pound in comparison to the exchange rate before the referendum. This effect can be spotted as the first perceptible consequence of the upcoming "Brexit", not for foreign tourists but in particular for the national population. With respect to university students, this is reflected by the current price of study loans. According to "The Guardian", the weak currency causes up to three times higher interest rates due to growing inflation and, thereby, more expensive loans. Nonetheless, it is a clearly noticeable but not necessarily a permanent problem. The elevated interest rates for study loans can calm down, as, depending on the shaping and success of a "Brexit", the British pound will be able to rise again.

However, as long as Great Britain does not agree on comparable individual agreements with European states, issues like the necessity of visa or residence permits, higher tuition fees or tariffs for imported products can emerge. These consequences may affect not only the whole British economy and the tourism in Great Britain, but especially the young studying European population.

### **What does it mean for the future**

Although the concrete consequences of a "Brexit", planned to be effective by March 2019, are not clear, the British government rises the hope that solutions can and will be found. In an official statement, Universities and Science Minister Jo Johnson announces that the current academic standard and reputation has to be maintained. In her letter to

European Council President Donald Tusk, the Prime Minister signaled that there have to be an early agreement with other European states on reciprocal migration. There is also only a small chance that Great Britain will implement a general visa system towards EU member states in order to avoid threatening tourism and the exchange of knowledge via students. Finally, the British government guaranteed that for the next two years, EU students would further on be eligible for financial support, aligned with national students. Subsequently, universities like the LSE specified that tuition fees for foreign EU students would remain stable for the following year 2018.

However, in any case, the gap between the provided loans by the British government and the actual need of higher ones will certainly increase after 2020. Therefore the offers of loans by financial institutions may increase in number with suitable conditions for international students in order to secure a future market.

It is certainly true to say that, even though the United Kingdom follows its own people's dictum, the preservation of young academics will remain a historically rooted main task.

**tklegal Berlin LLP** is a German boutique law firm and notarial office, with a focus on corporate/M&A and real estate transactions. Please feel free to contact us with any questions or comments.

If you wish to unsubscribe from this newsletter please [click here](#).