

Dame Meg Hillier MP
Chair, Treasury Committee
House of Commons
London
SW1A 0AA

14 April 2026

Dear Dame Meg,

I write in response to the call for evidence on student loans and taxation of graduates; specifically, whether the interest on a student loan should be fixed to the Retail Prices Index (RPI), Consumer Prices Index (CPI), or another measure.

It is a decision for Government how student loan interest should be set, including whether and how it should be linked to inflation. The Office for National Statistics produces several measures of inflation to support different uses. The RPI, however, is not a good measure of inflation, and we strongly discourage its use.

The RPI has at times greatly overestimated, and at other times underestimated, the rate of inflation. The issues with the RPI are well documented¹. These include the use of the “Carli” formula which is not consistent with international best practice, the approach to measuring owner occupiers housing costs and inclusion of mortgage interest payments, and the way in which goods and services are weighted together.

It is also unique in that it is set out in the Statistics and Registration Service Act 2007 that the UK Statistics Authority must compile and maintain the RPI but also, in certain circumstances, seek consent from the Chancellor of the Exchequer in making changes to its methods.

In March 2019, the then Chair of the Authority, Sir David Norgrove, following publication of the *‘Measuring Inflation’* report by the House of Lords Economic Affairs Committee, recommended² to the then Chancellor that:

- the publication of the RPI be stopped at a point in future; and
- in the interim, the shortcomings of the RPI should be addressed by bringing the methods and data sources of the Consumer Price Index including owner occupiers’ housing costs (CPIH) into it.

¹ [Shortcomings of the Retail Prices Index as a measure of inflation - Office for National Statistics](#)

² https://uksa.statisticsauthority.gov.uk/wp-content/uploads/2025/09/190304_SirDavidNorgrove_to_Chancellor_Section21.pdf

A joint consultation between the Government and the Authority on reform to the RPI methodology ran from March to August 2020³. After considering responses and technical advice, in November 2020⁴, the then Chair of the UK Statistics Authority wrote to the then Chancellor informing him that the Authority would be able to legally and practically implement its proposed reform to the RPI (bringing in the methods and data sources of CPIH) in February 2030. This would effectively align the two measures.

There are different measures and approaches used to capture consumer price inflation. In short, there is no single measure of inflation; various methods reflect price and cost changes in different ways, depending on the purpose. There are three main "use cases"⁵:

- A use case for comprehensive measures of inflation based on economic principles (CPI and CPIH);
- A use case for a set of measures to reflect the change in costs as experienced by different groups of households (the HCIs);
- Finally, a use case for a legacy measure that is required under legislation (the RPI), which we have been clear throughout is not a good measure of inflation.

Our policy is to address the shortcomings of the RPI in full at the earliest time we are able.

Yours sincerely,



Penny Young
Interim Chair

³ https://osr.statisticsauthority.gov.uk/wp-content/uploads/2025/09/Letter_Cx-Norgrove-4-sept-2019.pdf

⁴ <https://assets.publishing.service.gov.uk/media/5fbbe2308fa8f559df0b6707/4. A letter from Sir David Norgrove to Rishi Sunak.pdf>

⁵ <https://www.ons.gov.uk/economy/inflationandpriceindices/articles/measuringchangingpricesandcostsforconsumersandhouseholds/december2023>