SCHOOL FEE PLAN

THE OPPORTUNITY TO EXCEL

Education Index

May 2026

The changing face of funding for independent school fees

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Introduction

It's too early to say the dust has settled from the introduction of VAT on independent school fees in January 2025 but it is fair to say that some certainty is emerging after years of uncertainty.

This is Premium Credit's fourth report reviewing the trends and changes across the independent schools sector from the perspective of headteachers and bursars as well as that of parents.

In March this year, we surveyed headteachers and bursars at independent schools[1] as well as parents with children who are privately educated[2]. We also conducted research with current users of Premium Credit's School Fee Plan (SFP)[3] which enables parents to spread the cost of fees in monthly payments rather than pay a lump sum at the start of each term. Our research shows that while both schools and parents are feeling the strain from fee increases they are adapting to the new reality and planning for the future.

Premium Credit experienced strong growth in the average amount borrowed and total amount lent through SFP even before the introduction of VAT and expects ongoing strong growth as parents and schools continue to adjust.

The vast majority of SFP customers use our service to benefit from spreading the cost of school fees over 10 or 12 monthly payments, as opposed to making three termly payments a year. Paying monthly for large expenses is normal for most people as it's convenient and helps with cashflow.

Key Findings

72%

Spend more time chasing payment of fees

2025: 63%

27%

Concerned about rise in children leaving because of fees

87%

Say spending on school facilities will increase over the next two years

3.7%

Average estimated fee increase at next review

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What headteachers and bursars say

58%

Say parents are paying fees later

2025: 62%

93%

Looking for schemes to help parents spread the cost of fees

10%

Say parents are struggling to pay fees[4]

2025: 12%

Key Findings

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What independent school parents say

39%
Find it difficult to afford fees

28%
Say paying fees would be more difficult in the year ahead
2025: 44%

61%
Forced to delay their retirement
2025: 50%

12%
Of household income spent on school fees. 15% spend 20% or more.

32%
Rely on relatives to help pay fees
2025: 21%

79%
Would welcome the ability to pay monthly

17%
Have gone into debt to fund school fees

The financial pressure on schools

Our research with headteachers and bursars at fee-paying independent schools found signs that the financial pressure has eased slightly on schools but they are still facing challenges.

The good news is that on average schools estimate 10% of parents are struggling to pay fees – down on the 12% recorded in last year's study. The number who say more parents are paying fees later this academic year compared to the previous year has dropped to 58% from 62%.

But nearly three out of four (72%) say they are spending more time chasing parents for fee payments which is substantially higher than the 63% in last year's research.

More than one in four (27%) say they are concerned about a potential rise in some children leaving the school because parents cannot afford fees. The other 73% are quite concerned about the issue.

Headteachers and bursars estimate on average fees at their school will rise by around 3.7% at the next review with more than a fifth (21%) expecting to keep fee rises below 3%.

Across the independent school sector as a whole however more than four out of five (82%) expect fees to rise faster than the historic rate of between 3% and 6% over the next three years.

Around one in six (16%) think fees will rise significantly faster than the historic rate while just 15% believe fees will not change much over the period.

Ackworth School

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Ackworth School was the first ever school to sign up for School Fee Plan when it was first set up over 30 years ago.

For Neil Carson, Director of Finance and Operations, School Fee Plan gives the school the all-important certainty that fees will be paid on time at the start of each term.

Neil highlights the benefits to parents of paying monthly, noting that it helps with cashflow and is preferable to paying a larger lump sum at the start of every term. It particularly helps when there is more than one child in a family at an independent school and Neil finds that some parents sign up when the bills get larger with a second or third child starting school.

Neil says: *"Not having to find an entire term's worth of fees all at once and being able to spread that throughout the year, makes family financial planning so much more straightforward. For most families outgoings are usually paid monthly - a mortgage being the prime example of a substantial financial commitment split into monthly payments – so bringing school fees in line with that makes perfect sense."*

Parents say that the process of signing up is straightforward and they like the administrative support they receive from School Fee Plan. Most of all they really value the convenience of being able to pay monthly.

For the school there are financial benefits in being able to plan better and they also get clarity on retention.

Neil concludes: *"School Fee Plan just makes our outlook that bit clearer."*

Schools are investing for the future

There are signs of growing confidence with schools planning to invest in facilities and build for the future.

Almost all (93%) headteachers and bursars are looking to increase the amount of money they invest in their school in order to attract the best teachers and enhance their facilities.

That is unchanged from last year's study, however the numbers who say they have delayed or cancelled investment in the past three years has dropped from nearly nine out of 10 (86%) in last year's study to less than six out of 10 (58%) in this year's research.

Around nine out of 10 (87%) say spending on their school's facilities will increase over the next two years with two out of five (39%) estimating it will increase by between 10% and 15%.

The main areas that schools have held back from is hiring of support staff and buying teaching materials. Around 43% have delayed investment in support staff and 41% in teaching materials with 21% saying they have held back from hiring teachers.

One potential reason for increased confidence in their finances is that schools are identifying revenue streams distinct from fees. Nearly half (49%) have increased hiring out their facilities such as swimming pools, playing fields and halls to raise revenue while 36% have started doing so in the past three years.

The pressure is easing for parents

There are signs the struggle to pay fees is easing somewhat – just under two out of five (39%) find it difficult to pay fees.

Just over a quarter (28%) believe it will become harder to afford school fees in the year ahead compared with 44% last year. Nearly two-fifths (36%) believe paying fees will become easier. Those figures include 18% who believe paying fees will become much easier compared with 8% who believe paying fees will become much harder.

The number relying on relatives for help paying fees has risen from 21% a year ago to nearly a third (32%) with the children's grandparents most likely to be contributing.

On average parents are still spending around 12% of their annual household income on school fees with more than one in seven (15%) estimating they spend a fifth or more of their household income on their children's education.

Among those who believe paying fees will become tougher the main reason cited by far was the cost of living in general. More than three out of four (77%) point the finger at the cost of living compared with 41% blaming the imposition of VAT on fees.

How parents are paying and how they would like to pay

Most parents (62%) pay fees in a lump sum each term with 15% spreading the cost of fees by paying monthly. Around 12% say they pay a lump sum once a year while around 11% pay a lump sum upfront to cover the cost of several years' fees.

However nearly four out of five (79%) who do not pay monthly would like to do so if the option was made available to them. Just 14% said they did not want to while 7% were undecided.

The key reason for preferring monthly payments was convenience – almost all who did so said it was very or slightly convenient.

It is an issue that has been picked up by schools themselves – almost all (93%) headteachers and bursars are increasingly recommending schemes run by professional firms to parents to help them to spread the cost of fees in monthly payments.

Parent case study

Chris and Nadia G have a son, aged 13, at Shoreham College in West Sussex. He started attending private school from reception, moving to Shoreham College in year 5. They always really wanted to prioritise their son's education.

Chris grew up in the local area and thinks the state schools are of mixed standard. The admissions policy in their area seems to be a bit of a lottery and you are not guaranteed to get into the closest local school.

This combination of factors led to them being willing to make sacrifices for their son's education. They wanted the peace of mind of smaller class sizes and the increased one-to-one time available as their son responds well to that.

The school has lived up to their expectations and their son's grades reflect that. It's also a very sporty school which works well for their son and the school has a great community feel and runs lots of local events.

Chris and Nadia feel it is worth the fees which they pay from their joint income, using SFP to pay these off monthly. The imposition of VAT on fees has impacted their monthly budget considerably. Fees increase every year but the extra VAT is really stretching them. From speaking to other parents they are hearing of some making decisions about whether a second child goes to private school.

Chris and Nadia heard about School Fee Plan from the school and they generally like to pay for things monthly rather than in lump sums as it enables them to budget better. Without School Fee Plan they would have to accrue the money, making a one-off payment on a credit card or using savings and paying it back over time.

Chris says: *"When VAT was put on school fees it had a considerable impact on our monthly budget. Having the ability to pay monthly really helps us manage our budget and gives us that extra peace of mind. Without it we'd have to turn to other, more expensive forms of credit or dip into savings, which we'd then have to try and pay back."*

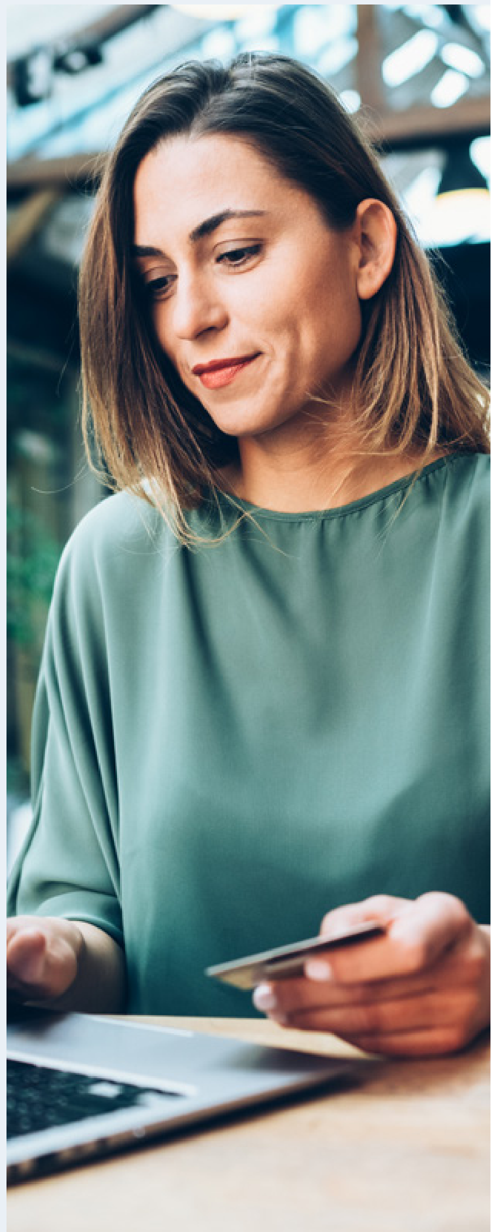
But paying fees means sacrifices

Paying for independent school fees is delaying retirement for more than six out of 10 (61%) parents with privately educated children.

Almost half (49%) independent school parents say the delay to their retirement date is five years or less but for some (4%) paying school fees means they will never be able to stop working.

The financial and lifestyle sacrifices parents are making to ensure they can afford independent school fees cover a wide range but eating out and holidays are the most likely targets for belt-tightening.

Actions parents have taken to help pay independent school fees	Percentage of parents doing so
Worked overtime	29%
Eaten out less	28%
Taken fewer or cheaper holidays	25%
Borrowed money from family	18%
Taken on debt	17%
Agreed repayment plan with school to spread the cost	17%
Taken on more than one job	10%
Cancelled club memberships	9%
Downsized their home	6%
Remortgaged their home	5%
Stayed in an unhappy relationship	4%
None of the above	24%



Paying for fees is also leading to tougher decisions about keeping children at independent schools with some parents considering taking some but not all of their children out of their schools. 12% of parents plan to take children out of independent schools with a further 27% thinking about doing so.

Nearly half of them (47%) say at least one child will continue at independent schools with GCSEs and A-levels the main reason for doing so. Around two-thirds (66%) planning to keep one child at independent schools said GCSEs and A-levels were the main reason

Demand is still strong

Demand for independent schools remains strong, with nearly half (49%) of parents with children aged under five saying they hoped to send them to independent schools. A further 15% are undecided.

Research last year found around a third (29%) of parents with children aged under five hoped to send them to independent school while 28% of parents with children currently at state schools said they have considered sending them to an independent school instead.

However, the introduction of VAT on independent school fees is complicating the decision for parents of under-fives. Around a quarter (25%) questioned said they would delay sending their children to independent schools until later in their academic career due to the introduction of VAT while one in five (18%) were undecided.

Last year's study found nearly two out of five (39%) parents of under-fives would only send them to independent schools at secondary school stage with 6% waiting until sixth form.

Our experience

Parents are increasingly looking to spread the cost as fees continue to increase in the wake of the introduction of VAT.

Our own figures show the amount lent through School Fee Plan last year was around 9% higher than in 2023.

The average amount borrowed is now around £24,288 which is 12% higher than 2024 and 24% higher than in 2023.

The total amount lent and the average amount borrowed was rising steadily before the introduction of VAT, and is likely to continue to increase, underlining that for many parents, it makes sense to spread the cost over a year rather than in termly payments.

That applies even if they can afford to make the payments every term as paying monthly fits better with most people's budgets and lifestyles and is how most of us pay for major items of spending.

Conclusion

Independent schools and parents are adjusting to the new reality of VAT on school fees but there are still signs of strain for both groups.

For schools the key issues are late payment of fees and chasing parents for payments. There are conflicting signals with some data showing the situation is easing and other figures demonstrating the opposite.

For parents there are clearer signs that the financial pressures are easing to some extent with lower numbers expecting that paying fees will become more difficult in the year ahead. For those who are struggling to pay fees the issue of VAT and fee rises is having less impact on their struggles than the cost of living in general.

That is not to say that fee increases are fading as an issue for parents or schools but both are adjusting after the shock of VAT and the ongoing debate with more of a focus now on the future.

That is supported by signs that schools are planning to increase investment and build new revenue streams.

There is also a focus on finding convenient funding solutions which enable parents to spread the cost of fees across a year rather than paying in lump sums at the start of each term.

Both parents and schools benefit from being able to plan for the longer term and having increased certainty over cashflow. The research shows strong demand from parents as well as schools for new solutions.

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About School Fee Plan

Serving 400 schools nationwide for 30 years, School Fee Plan or SFP has provided a compliant monthly payment solution to help schools boost pupil recruitment and retention, streamline administration, and improve cash flow through a simple online application process. Our flexible service is recommended by leading schools and trusted by 200,000 UK parents.

www.myschoolfeeplan.com

Sources

(1) Premium Credit commissioned market research company Pureprofile to conduct research with 100 head teachers, bursars and finance managers at fee paying schools in the UK. The research was conducted online during March 2026

(2) Premium Credit commissioned market research company Pureprofile to conduct research among 1,000 parents with children under the age of 18 including 441 with children at independent schools between March 3rd and March 11th 2026

(3) Premium Credit research with 221 School Fee Plan customers conducted in March 2026

(4) Premium Credit commissioned market research company Pureprofile to conduct research with 100 head teachers, bursars and finance managers at fee paying schools in the UK. The research was conducted online during March 2025

(5) Independent research conducted by Viewsbank online among 512 parents including 155 whose children currently attend or have attended independent schools in the UK between March 28th and March 31st 2025