

The complaint

Mr W complains that Erudio Student Loans Limited didn't defer his student loans as requested and now he has arrears and a default.

What happened

Mr W took out a number of student loans initially with the Student Loans Company. In 2014 three of Mr W's loans were sold to Erudio. Mr W deferred his loan repayments every year on the basis that he was not earning above the level to start making repayments. In order for the deferment to be granted Mr W says he provided three months payslips to the Student Loans Company. In April 2014 Mr W says he applied to Erudio for a deferment as he had done previously with the Student Loans Company. Erudio sent Mr W a lengthy form to complete to apply for a deferment (called a DAF) and Mr W asked Erudio to accept his application for a deferment without a completed DAF.

Also around this time Mr W told Erudio that he only wanted to receive communication in writing through the post. Erudio say that Mr W was told that an application for deferment wouldn't be accepted without the DAF. As there was no deferment in place Mr W's account became due for repayment. Arrears accrued on the account and Erudio wrote to Mr W about this. A notice of default was sent to Mr W in June 2016. Mr W says that he moved house and so the letters didn't reach him.

The account has now been assigned to debt collectors. Mr W is unhappy because he was always eligible for the repayments to be deferred and he considers that Erudio have been aggressive and unsympathetic in pursuing him for this debt.

Our Investigator didn't recommend that the complaint should be upheld. She thought that Erudio were entitled to ask Mr W to complete the DAF and it wasn't wrong for the business to refuse to defer the loan repayments without the completed form. She considered that Erudio had kept Mr W up to date with the status of the account and Mr W hadn't told Erudio that he had changed address.

Mr W didn't agree and replied to say in summary that he was always entitled to a deferment of his repayments and Erudio had enough information by way of his payslips from the outset. He said that it was unfair for the business to be pursuing him now, especially when the loans would be written off soon in any event.

Mr W asked for an ombudsman to review his complaint.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and

reasonable in the circumstances of this complaint.

I have reviewed everything carefully and considered in particular Mr W's letter to Erudio in 2014. I can see that in that letter Mr W said that he was not prepared to complete the DAF and as far as he was concerned the information requested was intrusive and unnecessary. Mr W sent Erudio the same information as he sent the Student Loans Company and said that should be sufficient to grant the deferment.

Mr W made it clear to Erudio that he wanted all future communication in writing sent by post to his address. In these circumstances I think it was especially important for Mr W to keep Erudio informed about any change of address as this was the only method the business had of contacting him. The fact that he moved house and didn't receive any of the letters is not something I can hold the business responsible for. I can see that the business wrote to Mr W about the arrears and sent him a default notice in 2016. Mr W was aware that he needed to apply yearly for a deferral and he didn't contact Erudio about the status of his loans at any time before the account eventually defaulted. The business had no way of knowing whether Mr W's circumstances were the same and without any contact from Mr W I can't say that the business was wrong to default the account.

I don't dispute that Mr W was eligible to defer his repayments but I think it is fair and reasonable for him to follow the process set out by Erudio. I understand that Mr W didn't want to complete the form and felt it was intrusive but that doesn't automatically mean that his payslips were enough and should have been accepted by Erudio. I think that it is fair for the business to request information in support of an application and without that information I can't say Erudio was wrong to refuse the request on the information it had.

It is possible that Erudio may have subsequently agreed to a deferral before the account defaulted but as there was no contact from Mr W I can't see that the business did anything wrong. As there was no deferral arranged the account became payable and as no instalments were paid the account defaulted and the whole amount became due.

I do sympathise with Mr W as he considers that he would have been entitled to a deferral and so it is unfair for Erudio to chase him for a debt that he shouldn't be responsible for. I note what he says about the debt being written off anyway in a few years. I don't know what Erudio would have decided if Mr W had completed the form in 2014. I can only look at whether the business has acted fairly and reasonably and without the completed form or any contact from Mr W I can't say that the business acted unfairly or unreasonably.

The debt is now due and given what Mr W says about his financial situation I would expect Erudio to treat him positively and sympathetically in arranging any repayment plan.

I note what Mr W says about the business and how it has treated him. I have also taken into account he says that it didn't respond to his request for a copy of the contract. Erudio says it didn't receive his request. I don't think that this makes any difference to what I have decided about the defaulted account but I can understand why Mr W is unhappy about it.

I sympathise with Mr W and the position he is now in but I can't say that the business was wrong to take the action it did, as this accurately reflected the status of Mr W's account at the time, so I can't now ask it to undo the default and re-instate the deferral.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 14 July 2020.

Emma Boothroyd
Ombudsman