

## **The complaint**

Mr D complains that Erudio Student Loans Limited is pursuing him for a student debt despite him asking for the payments to be deferred.

## **What happened**

Mr D took out a student loan in 1994. Throughout the years Mr D had made deferment applications as a result of his earnings. The latest deferment application expired in June 2017, which meant that the monthly payments towards the loan became due.

In June 2018 Mr D was told that his account had been terminated, and the full balance of the loan became due. This is because under the terms and conditions of the loan, once the final monthly payment on the loan became due, the terms and conditions (for example including the possibility of deferring payment) ceased to apply and the balance became payable.

Mr D called Erudio shortly after receiving this letter and was told that Erudio had failed to send all the reminders and statements that would ordinarily be sent in such situations. He was told that Erudio would look into matters and get back in touch with him – in the meantime his account would be held and no further action would be taken.

Mr D didn't receive a call back, and a year later, in August 2019 he received letters that told him the debt had been passed to a collections agency. He said he called towards the end of August to log his complaint about this and ask Erudio to take the debt back so he could discuss repayment options. He was also told that collections activity would be paused while his complaint was looked into, but the collections firm continued to repeatedly contact him anyway.

Erudio looked into Mr D's concerns. It said that his application for deferment of payments expired in June 2017. It said that it sent Mr D the forms to fill, but as these forms were not sent back to it, the payments became due on the 10th of each month.

In May 2018 the final scheduled payment was called, and that's when the account 'matured'. It explained that as a result, it exited the terms and conditions of the student loan, and the related cancellation and deferment process no longer applied. This meant that the loan was now due in full, and Erudio said that it wrote to Mr D in June 2018 to explain this to him. It acknowledged that when Mr D called shortly after this letter, he was told he would receive a call back – and this didn't happen. But it said that the absence of the call back made no difference to the status of his account.

It also didn't agree with Mr D that communication with him had been poor. It explained that it had sent a number of arrears letters to Mr D throughout the years, as well as annual statements and a Remedy of Account in May 2018. It said that given the balance was now due in full, it was no longer able to defer payments and the account was being managed by a debt collection agency on its behalf.

Mr D remained unhappy and referred his complaint to this service. One of our investigators looked into the complaint. She considered that it wasn't unreasonable for Erudio to require repayment of the loan in full given the terms he'd agreed when it was taken out. She said

that the 60th payment became due on 29 May 2018 and at that point the loan matured. The investigator also acknowledged that Mr D hadn't deferred payment since June 2017, but had been sent several reminders about this.

However, the investigator didn't think Erudio had treated Mr D fairly in the way it communicated with him after May 2018. In short:

- Mr D received a letter in June 2018 which said it enclosed another letter - but Erudio confirmed that it had never sent the previous letter which was referred to. The investigator thought that the previous letter was the one which would've explained the situation to Mr D and provided context to him around why the loan needed to be repaid. The investigator thought this meant that receiving the June 2018 letter out of the blue would've caused him more stress and anxiety than would've otherwise been the case – even though the investigator acknowledged that the loan would've matured regardless.
- She understood why Mr D felt he hadn't been given a fair warning that his account would be passed to a third party to collect the debt. She said that after receiving the 19 June 2018 letter, he called Erudio. During that call he was told that Erudio might not have followed the correct process in relation to this account. The adviser told Mr D that he would need to look into things, and that Mr D didn't need to do anything further until Erudio got back in touch.
- So the investigator accepted that, following this call, it was reasonable for Mr D to not make further payments or take any further action, as that was the impression he was given.
- Mr D was caused further distress as a result of being told in August that his account would be put on hold and no further collections activity would take place – only to then receive further letters and calls requesting payment of the loan.

As a result of the above, the investigator considered that Mr D was caused trouble and upset for which a compensation payment of £150 was fair and reasonable. Mr D accepted what the investigator said, but Erudio disagreed.

In short, it said that it acknowledged the situation may have caused Mr D some distress – but it said that the account had matured correctly and most of the correspondence and conversations Erudio had with Mr D confirmed this.

As agreement couldn't be reached, the matter was passed to me to decide.

### **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 should say at the outset that I agree with both the investigator and Erudio in relation to the maturity of the loan. So that's not something I'm going to comment on any further as I'm satisfied the investigator has clearly and fully explained why Erudio didn't do anything wrong in relation to that.

So my decision is going to focus on the award of compensation which the investigator has said is fair and reasonable.

And having reviewed the chronology of this case and in particular Erudio's communication with Mr D, I'm persuaded that the mistakes it has made have clearly caused Mr D trouble and upset for which he should receive some compensation.

For example Erudio sent Mr D a letter in June 2018 which essentially reminded him that the terms and conditions of the loan had now been 'terminated', and that he had been told about this in an earlier letter. It explained that despite this, he had still not made a payment towards this loan – and that if he didn't do so, the loan would be passed to collections agency. Erudio has since confirmed that the previous letter wasn't ever sent – so the first Mr D heard of the termination of the terms and conditions was this reminder. I'm persuaded by Mr D's explanation that this caused him stress when he received it – and I think this is why he immediately called Erudio after receiving this letter.

In that call Mr D confirmed that he wasn't aware that his account was at risk of being terminated – and asked how this happened. He was initially correctly told that the last deferment application expired in June 2017, and Mr D was told that this was why his account had been terminated. There was some further discussion with the adviser around the background to his case, and then the adviser confirmed that the loan matured in May 2018 – but that the letter confirming this hadn't been sent, as it was superseded by the account termination letter which Mr D received in June 2018.

Looking through the case, the adviser told Mr D that it looked to him as if Erudio hadn't followed the correct process before terminating his account.

In particular the adviser emphasised that they would generally send several reminders and statements which he couldn't see had happened in Mr D's case. So he said that he would make some enquiries and get back in touch with Mr D. He confirmed Mr D didn't need to do anything at the time, and that the account would be 'held' until he resolved the issues and got back in touch with him. He even confirmed that, while unlikely, he couldn't 'rule out' the possibility that the termination of the account might be reversed.

Having been reassured in this way that nothing further would happen on his account, I can understand that receiving letters from both Erudio and the debt collection firm that his account had been passed to them would've been upsetting. I say this bearing in mind that he had been very clear in his phone call in June 2018 about the financial pressures he was under with a small child.

Mr D has said that he called in August 2019, shortly after receiving these letters, to complain. He was told that the account would be put on hold while Erudio looked into his concerns. Like the investigator, whilst I've not had the opportunity to listen to this call, I'm persuaded by Mr D's testimony – and given that he was given a similar message in June 2018, I'm satisfied on balance that this is probably what he was told. And so I'm persuaded that, despite being given this message, receiving further letters and phone calls from the debt collection agency about this debt would've caused further stress and worry. For all these reasons, I think Mr D's complaint should be upheld.

### **Putting things right**

Given all of these circumstances, I'm satisfied that the investigator's award of £150 for the trouble and upset caused to Mr D by Erudio's poor communication is fair and reasonable. Whilst I'm satisfied the account termination would've likely followed the same process, I'm persuaded that better communication as well as being in touch with Mr D when it committed to doing so would've avoided a lot of the stress he experienced.

### **My final decision**

My final decision is that I don't uphold this complaint. Erudio Student Loans Limited must pay Mr D £150 within 28 days of when we tell it he accepts this final decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 12 March 2020.

Alessandro Pulzone  
**Ombudsman**