

The complaint

Ms B complained that Erudio Student Loans Limited (“Erudio”) incorrectly defaulted and terminated her student loan agreement, when she had applied for repayments to be deferred.

What happened

Ms B took out a student loan some years ago. The student loan agreement allows for repayments to be deferred, if specific criteria are met and evidenced. Deferments need to be renewed annually by the account holder.

Ms B’s most recent period of deferment ended on 9 June 2018. Erudio had written to her in May 2018 to let her know it hadn’t received a completed deferment application form and so repayments on her account would become due on 10 June 2018. Erudio also wrote to Ms B in June 2018 to let her know that her loan agreement was at risk of being terminated if her account was in arrears. And if the agreement was terminated, then Ms B risked losing all of her contractual rights such as deferment of repayments and loan cancellation. Ms B didn’t make any repayments.

Erudio sent Ms B a Notice of Sum in Arrears letter on 11 September 2018 and a Default Notice on 13 September 2018, which asked Ms B to pay the arrears listed. Shortly afterwards, Ms B submitted a deferment application.

Erudio began to process the deferment application and wrote to Ms B on 25 September 2018 to tell her she needed to provide additional specific evidence, in relation to her income, before it would make a decision about the deferment. The letter said Ms B had 60 days to submit the additional evidence or the deferment application would expire. Erudio sent reminder letters to Ms B several times during the following two months. The information wasn’t sent by Ms B and Erudio wrote to her on 27 November 2018 and said that as it didn’t receive a completed deferment application, the current period of deferment had ended and Ms B was required to make repayments on her loan.

Ms B didn’t make any repayments and as a result Erudio sent a Default Notice to Ms B on 13 February 2019. Ms B wrote to Erudio on 5 March 2019 and provided further information in support of her September 2018 application for deferment. Erudio wrote to Ms B on 14 March 2019 and said Ms B hadn’t made any repayments on her account so her account had defaulted and Erudio terminated her loan agreement. Erudio said the termination of the agreement meant Ms B could no longer apply to defer repayments and she also lost the rights she had to have the debt cancelled in the future.

Ms B complained to Erudio. It didn’t uphold her complaint. It said Ms B’s deferment period ended in June 2018. It said an account is eligible to default after four full months of arrears have accrued. So it sent a Default Notice to Ms B on 13 September 2018, advising that the outstanding arrears would need to be paid to stop the default. Erudio said Ms B didn’t make any repayments.

Erudio said it received Ms B’s deferment application in September 2018 but decided it needed further evidence of Ms B’s income. It wrote to Ms B but didn’t receive a response and so the deferment expired. Erudio said the default had been suspended when the

deferment was applied for, so a new Notice of Default was issued in February 2019 when the application wasn't completed. This letter asked Ms B to contact it by 11 March 2019 to pay the outstanding arrears. As no payment was received, the account defaulted and a letter confirming this was sent on 14 March 2019.

Erudio said it received a letter from Ms B on 11 March 2019, which was the day her account terminated. It said the letter didn't contain a deferment application form and the information was not sufficient for a deferment to be put in place. Erudio said it's aware Ms B said she stayed in contact with it and so doesn't think it was fair the account was defaulted. Erudio said the only letters received were 21 September 2018 and 11 March 2019, so Ms B was not in constant contact with it.

Ms B remained unhappy and referred the complaint to this service. She said she fulfilled the terms of the deferment of her account before her account was terminated and so it was incorrectly terminated.

Our investigator didn't uphold the complaint. She said Ms B didn't send the additional information requested in September 2018 until March 2019, which was after the deferment period had ended. Ms B told our investigator she had difficulty understanding what Erudio needed from her, but our investigator said Ms B could have contacted Erudio to clarify what was needed. Our investigator said Ms B would have needed to submit another deferment application form in March 2019 if she wanted to make another application for deferment. Our investigator said it wasn't made explicitly clear to Ms B that she needed to complete another form, but it was made clear in November 2018 that the deferment process had ended.

Our investigator concluded Erudio had acted fairly when it terminated Ms B's account, as it had given Ms B enough notice that the account would be terminated if the arrears were not paid, which they weren't. And, at the time the account was terminated, a completed deferment application had not been received.

Ms B was unhappy with this outcome and so this complaint has come to me for a decision.

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.

Having done so, I'm not upholding this complaint. I'll explain why.

My understanding is that Ms B needs to submit a new request for deferment of repayments on her student loan account every year. And if this request for deferment isn't made, then monthly repayments on her account have to be made by her in the usual way. If these monthly repayments aren't made and the account falls into arrears, then Erudio can terminate the loan agreement and ask Ms B to repay the loan in full. And if a request to repay in full is made, then Ms B can no longer apply to have payments deferred and loses the right to have her loan considered for cancellation in the future.

The crux of this complaint is that Erudio terminated Ms B's loan agreement in March 2019, at around the same time Ms B forwarded the evidence of her income, which had been requested by Erudio in September 2018. Ms B believes Erudio should have processed the evidence she sent in March 2019 as part of the earlier application. Ms B also believes she provided enough information in September 2018 for Erudio to be able to fully process the application then.

Looking at the September 2018 application, I think Erudio made a reasonable request when it asked for further evidence of Ms B's income. And I don't think Ms B sent enough information for her application to be approved in September 2018. For instance, Ms B submitted a letter from her partner with her application, indicating that he supports her financially. Erudio asked for information about the level of support being provided, along with proof that this amount was being paid into her bank account. And it's allowed to ask for this because some of the criteria for deferment are based on the account holder's income, which might need to be proved. I realise that Ms B said in March 2019 that she submitted this letter in error, but Erudio had no way of knowing that in September 2018.

Ms B also said the letters sent by Erudio asking for more information in support of her September 2018 deferment application weren't clearly enough worded for her to know what was being asked of her. However, I've looked at the letter sent on 25 September 2018 and I'm satisfied that what was being requested was clearly worded. It may well be the case that Ms B wasn't sure what she needed to do, but it was clear she needed to do something if she wanted her deferment application to be processed. I think Ms B could have contacted Erudio to clarify what was needed. I'm also satisfied that Erudio gave Ms B a reasonable amount of time to submit the additional information.

Erudio wrote to Ms B on 27 November 2018 and made it clear that as the information hadn't been received within the required 60 days, and so a completed deferment application hadn't been submitted, the current period of deferment had ended. The letter also lets Ms B know she can reapply for deferment on Erudio's website.

I'm satisfied that when Ms B sent the additional information to Erudio in March 2019, it had already done enough to let her know that the deferment process ended in November 2018, that it was no longer processing her September 2018 application and that she would need to reapply to start the deferment process again. So I don't think Erudio acted unfairly when it said it hadn't received a completed deferment application in March 2019 and because Ms B's account was in arrears, subsequently defaulted and then terminated Ms B's agreement.

I'm mindful of the fact that when Ms B wrote to Erudio in March 2019, it was her intention to have her repayments deferred. And I think Erudio would have been aware of her intention when it received her letter. So I've considered whether Erudio should have started a second deferment application process and contacted Ms B to let her know to resubmit a new deferment application form. But I would only ask it to do this if there were exceptional circumstances that meant Ms B wasn't able to submit the additional information within the required 60 days. But I can't see that there are any exceptional circumstances in this case. Erudio have acted fairly during this process and I could only ask it to do something different if it acted unfairly or if exceptional circumstances applied.

Ms B also complained that Erudio suggested she hadn't stayed in contact with it. She felt she had and so it wasn't fair that the account was defaulted and terminated. I can see that Ms B wrote to Erudio twice prior to her account being terminated – once in September 2018 and once in March 2019 so I don't think Erudio was acting unfairly when it said Ms B wasn't in constant contact with it.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 4 August 2020.

Martina Ryan
Ombudsman