

The complaint

Mr R complains on behalf of his daughter Mrs G that Erudio Student Loans Limited has incorrectly refused a deferment of Mrs G's student loan repayments.

What happened

Mr R applied for a deferment of Mrs G's student loan repayments in September 2018. This application was declined as Erudio said Mrs G's income was above the threshold for deferment. Mr R on behalf of his daughter entered into lengthy correspondence with Erudio following this decision and asked it to reconsider. Erudio refused, and a final response letter was sent in January 2019. At this point Mr R told Erudio that Mrs G wasn't working and couldn't pay back the loan. Erudio suggested that a further application for deferment was made. This was submitted in March 2019.

Erudio asked for further information about Mrs G's employment and a letter was provided from Mrs G's employer about her income. Based on this information, Erudio calculated that Mrs G's income was still over the threshold and so this application for a deferment was also refused. As there had been no payment to the account since it became due in September 2018 Erudio took steps to default the account.

Mr R wasn't happy with Erudio and says that the period of unemployment should be taken into account when calculating the gross annual income. So, he brought his complaint to this service.

Our Investigator looked into the complaint, but he didn't think Erudio had done anything wrong. He thought that the deferment request had been correctly refused based on the income information and that given the time that repayment had been outstanding it wasn't wrong for Erudio to default the account.

Mr R didn't agree and asked for an ombudsman to review the complaint. He replied to say in summary that the delay by Erudio in dealing with the deferment request meant that Mrs G didn't qualify and that the period of unemployment should be taken into account when calculating the gross income for the year.

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 understand the point Mr R is making about the calculation of annual income and I can see why he considers it is unfair that a deferment wasn't granted to his daughter. I have looked at the relevant regulations and I am sorry to disappoint Mr R and his daughter, but I agree with the investigator and I can't say that Erudio has done anything wrong.

As the investigator has explained to Mr R, this service can't look at the refusal of the earlier deferment request as it wasn't brought to us in time. But it is relevant background information about how the current complaint has come about.

When Mr R applied for a deferment request in March 2019 his daughter had not been working between 18 September 2018 and 28 January 2019. But on 28 January 2019 she started a new job and at the time of the deferment request she was earning above the threshold for deferment.

The deferment request is a forward-looking exercise. The Student Loans Regulations 1988 state that a deferral can be granted if the gross income for the **relevant month** is not more than the deferment level and that the gross monthly average for the following 3 months will not, or is unlikely to be, more than the deferment level.

The deferment level is set between 1 September and 31 August and for the September 2018 to August 2019 period the deferment level was a gross annual income of £30,737. In the month of March 2019 taking Mrs G's monthly income and multiplying it by 12 takes Mrs G over the deferment level. So, I can't say Erudio was wrong to refuse the deferment.

If Mr R had applied for the deferment in October 2018 when Mrs G wasn't working, then it is likely it would have been granted even though she went on to get a job earning over the threshold amount a few months later. I can't see that Mr R made the second deferment request until after Mrs G had gone back to work so I can't say that Erudio is at fault.

As I said at the outset, I understand why Mr R is complaining that the earlier period of unemployment was not considered because overall for the year September 2018 to August 2019 Mrs G will not have earned above the deferment amount. But the regulations don't operate that way and so the earlier period of employment isn't taken into account when deciding whether Mrs G is entitled to defer repayments because it is about what Mrs G will be earning in the coming months.

As Erudio hasn't made any error I can't ask it to re-instate the loan or defer any repayments. It has acted correctly by defaulting the loan after payments weren't made. I can't ask Erudio to do anything more. If Mrs G is having difficulty making repayments, I would expect Erudio to act positively and sympathetically in arranging a repayment plan.

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 Mrs G to accept or reject my decision before 9 November 2020.

Emma Boothroyd
Ombudsman