

The complaint

Mr O complains that Erudio Student Loans Limited ('Erudio') made errors during the deferral process on his student loan account which resulted in the account entering a position of default.

What happened

Mr O has three student loans dating back to the late 1990s. Erudio purchased the loans from the original lender in 2014. They are combined under one account.

The rules relating to this style of loan allowed Mr O to defer repayment every 12 months in the event his annual income was under a certain threshold.

In April 2014 Erudio wrote to Mr O explaining that repayment of his loans was due to start at the end of his current deferment period on 27 May 2014. The letter said that if Mr O wanted to defer repayment of the loan for another 12 months, he would need to return a deferment application form to show he was eligible to do this.

Mr O says he must have completed and returned the form as he always returned correspondence when he was asked to. Erudio says it never received the form and didn't hear from Mr O until a few years after this – despite its efforts to contact him.

No payments were made on the account between 2014 and 2016. In 2016 Erudio sent Mr O a default notice explaining that if he didn't pay the arrears on the account it would enter a position of default and the whole balance of the loans would become due. Payment was not received so the account was defaulted.

Mr O says he moved address in September 2015 so didn't get all of the letters Erudio sent him and didn't know his account had been defaulted. He says he made Erudio aware he was moving. Mr O undertook a university course in 2019. He says he's been unable to get funding for the course because of the problems with the Erudio account and this has jeopardised his qualification.

When Mr O contacted Erudio in 2019 it made a number of administrative errors (which it has admitted to) including, misplacing Mr O's income and expenditure form, giving him an incorrect email address to correspond with and setting up a direct debit for him for repayments of an agreed repayment plan when this wasn't in fact possible. In its response to Mr O's complaint Erudio offered him compensation of £150 for these errors. But it didn't accept it had made an error defaulting Mr O's account. It said Mr O never deferred repayment of the loans after 2014 so they became repayable from then onwards and no payments were received.

Our investigator didn't think Mr O's complaint should be upheld. She said she thought Erudio had sent the deferment application to Mr O in April 2014 and reminders that his account was in arrears and she was satisfied it had no record of any communication from Mr O about the deferment after this. So, she didn't think it had unfairly defaulted Mr O's account in 2016. She thought the compensation Erudio offered Mr O for the errors it made in 2019 was

reasonable.

Mr O disagreed with the investigator. He said in summary:

- Erudio has not proved he never returned the deferment application form.
- He always returns important financial correspondence when required and there would have been nothing for him to gain by not completing and returning the application.
- Given Erudio made such a mess of dealing with him in 2019, it's most likely it made similar errors in 2014 and either didn't write to him or lost his deferment application form.

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.

Mr O was required to apply for deferment annually in order to delay the repayment of his loans. Having seen records of Mr O's account history from the original lender, Mr O was not making payments for the vast majority of the time, yet arrears were not accruing. So, it seems most likely to me that Mr O must have deferred his loans a number of times before Erudio purchased his account.

Mr O says he was of the understanding that his loans were in a continual state of deferment. I've not seen anything from Erudio or the original lender that leads me think Mr O was specifically told this. But it is possible the process for applying for deferment was different under the previous lender.

However even if this was the case, I think Erudio made Mr O aware that he needed to apply for deferment in 2014. Erudio sent Mr O a deferment reminder and application paperwork in April 2014 and Mr O has provided a copy of this letter to us so there's no doubt he received it. The letter clearly states that the first monthly repayment on the account was due at the end of the current deferment period on 27 May 2014 and that Mr O would need to complete and return an application form if he wanted to defer repayment for another 12 months.

I've seen copies of the original terms that would most likely have been applicable when Mr O took out his loans. These say that if he wished to defer repayment of his loan, the relevant administrator needed to be satisfied he was eligible to do so every 12 months. So, even if the application that Erudio asked Mr O to complete was different to what he was used to, Erudio was still permitted to require Mr O to complete one so it could be satisfied he was eligible to defer.

Mr O says he always returns correspondence so his application must have been lost by Erudio. I do not doubt what Mr O says about having nothing to gain by ignoring Erudio's letter. But I've seen Erudio's internal system notes and there is no record of it receiving the deferment application form from Mr O. I recognise that Erudio made errors when dealing with Mr O in 2019 including losing written correspondence he'd sent them. But I don't think this makes it more likely than not that it lost Mr O's application in 2014. One series of errors in 2019 doesn't necessarily mean that similar errors would be made five years earlier.

However even in the event Mr O did send the deferment application form and Erudio lost it, Erudio wrote to Mr O on at least four separate occasions after this to notify him that his account was in arrears. If Mr O thought he had sent his deferment application, I think it's

likely he would have got in touch with Erudio to query why he was receiving arrears letters. Mr O has said he thought he was in a position of deferment so I think he should reasonably have been aware that something wasn't right with his account.

Mr O says Erudio must not have sent any of these letters. I've seen copies of the letters Erudio said it would have sent. They are dated in July and September 2014, and January and March 2015 and are all correctly addressed to the same address Mr O says he lived at until September 2015 – and where he'd previously received letters from Erudio. I find it unlikely none of the four letters would have reached him.

Mr O says he made Erudio aware that he changed address. Erudio says he didn't. There is no record on Erudio's contact notes of Mr O doing this. I think on balance if Mr O had called or written in to change his address then Erudio would have a record of this because it's contact notes for Mr O look fairly comprehensive – for example there are records and notes of numerous telephone calls Mr O made to it in 2019 which is when he began contacting Erudio about his complaint. I think it's most likely Mr O didn't notify Erudio of his new address in September 2015.

So, while Mr O didn't receive the letter Erudio sent him in 2016 explaining that it was about to default his account, I don't think Erudio was at fault for this because it wouldn't have been aware that Mr O had changed his address.

Overall, I don't think Erudio unreasonably or unfairly defaulted Mr O's account. It didn't receive a deferment application form in 2014, made Mr O aware the account had entered a position of arrears, and tried to contact him at his last known address when the account was about to default. So, I don't think it needs to re-instate Mr O's account or return his loans to a position of deferment. However, Erudio must ensure it treats Mr O with due consideration and forbearance in respect of the outstanding balance and reach a reasonable repayment arrangement with him.

When Mr O got in touch with Erudio in 2019 it handled things poorly. But I think the compensation it has paid Mr O is fair for the distress and inconvenience its errors are likely to have caused.

My final decision

For the reasons I've explained above my final decision is that I do not uphold Mr O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 9 December 2020.

Michael Ball
Ombudsman