

## **The complaint**

Mr S complains about Erudio Student Loans Limited (ESL) and the arrears they have applied to his loan account.

## **What happened**

In 2014, Mr S's student loans were transferred to ESL to manage. As part of the loans' terms and conditions, Mr S was able to defer payment of his loans as long as he could prove he earned below the deferment threshold. This deferment needed to be applied for each year.

In May 2015, ESL sent Mr S the deferment forms to complete, as per their process. But Mr S says he didn't receive these, and so didn't complete a deferment application. Because of this, Mr S's account accrued arrears as monthly payments were due and there wasn't a payment method set up.

In May 2016, Mr S applied for a new deferment. But he raised concerns about the arrears that had accrued on his account. ESL approved Mr S's deferment for the next year and refunded three months arrears as part of this process. But they explained as a deferment wasn't in place for the previous year, the remaining arrears would need to be paid unless Mr S was able to provide medical evidence to show why he was unable to complete it. They offered to arrange a payment plan and signposted Mr S to an organisation who provided debt advice.

Mr S didn't agree a repayment plan with ESL as he didn't think the arrears should be paid, and he was in financial difficulty at the time. Because of this, ESL issued a notice of default and advised Mr S's debt may be passed to a debt collection company. Mr S was unhappy with this, so he raised a formal complaint.

Mr S didn't think the arrears had been applied fairly. He explained he didn't receive the deferment letters sent by ESL, and that he was under the impression the deferment lasted for two years. He was unhappy that ESL had threatened debt collection on the amount and that the arrears meant he may be ineligible for the debt to be written off, in line with the terms of agreement. He explained he had a mental health condition which made it difficult to complete the forms and he was unhappy that ESL didn't accept the redacted medical evidence as proof of this. So, he wanted ESL to accept the medical evidence he provided and to remove the outstanding arrears on his account.

ESL didn't agree. They thought they'd applied the arrears fairly, in line with the terms of the agreement, so they didn't think they needed to do anything more. They explained the option of deferment was a choice and not an obligation if a customer earned below the threshold. So, an application to defer needed to be made each year unless medical grounds allowed them to extend this. And they didn't think the medical evidence Mr S supplied gave enough information for them to make a decision on whether the deferment periods should be extended, and whether the arrears should be removed.

They explained if Mr S was able to provide unredacted medical evidence, they could reconsider this. But they also explained this wasn't a requirement for Mr S, so it was his choice whether he wished to do so.

They also explained there were several ways in which Mr S could complete the application. And that Mr S could appoint someone to complete this application on his behalf if he wished. And they offered Mr S the chance to contact them to arrange a repayment plan, to pay the arrears. Mr S remained unhappy with this response, so he referred his complaint to us.

Our investigator looked into the complaint and didn't uphold it. She recognised Mr S's concerns about not receiving the deferment documents. But she'd seen they'd been sent, so didn't think this was the fault of ESL. As a deferment wasn't in place, she thought ESL had acted fairly, in line with the terms of the agreement, by applying the arrears. And because of this, she thought they were fair to issue notices regarding the debt and what may happen if the arrears remained unpaid. She also understood Mr S's concerns about the medical evidence, but she didn't think ESL were unfair to ask for unredacted information so they could make a decision. And she thought ESL offered alternative ways to complete the application, so didn't think the application process was inaccessible to Mr S. So, she didn't think ESL had done anything wrong and didn't think they needed to do anything more.

Mr S didn't agree. He didn't think it was fair that a deferment had to be applied for when a customer earned below the income threshold. He thought the deferment should be made obligatory, to prevent situations like this occurring. He also didn't think it was fair that he was left financially impacted by an error with the documents in the post. He thought the medical evidence he supplied was sufficient, so he wanted the arrears to be removed and his deferment periods to be extended. As Mr S didn't agree, the complaint has been passed 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 the complaint for broadly the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

First, I want to recognise the impact this complaint has had on Mr S. I've no doubt Mr S's intention was to defer his payments to the loans. And I recognise this is because he earns below the payment threshold. I've seen Mr S's comments where he discusses his financial situation and the outstanding debt he has, and I appreciate this means he doesn't have the means to clear the arrears straight away. Because of this, I recognise how upsetting it would've been for Mr S to realise the accounts had built arrears and the worry this would've caused. And I can appreciate how receiving communication from ESL explaining the debt may be passed to a third party, and how the arrears may affect his eligibility for it to be written off, would've made this worse.

But for me to say ESL should remove the arrears, I'd need to be satisfied they'd done something wrong. So, I'd need to see that by applying the arrears they acted unfairly, or outside of the terms of the agreement Mr S held with them. And if I think the arrears were applied fairly, I would then need to be satisfied that ESL acted unfairly when deciding the medical evidence Mr S supplied was insufficient for them to remove the arrears, and extend the deferment period, on medical grounds. And in this situation, I don't think that's the case.

I've first considered whether ESL acted fairly when applying the arrears to Mr S's account. I think it's important for me to explain that the loans Mr S hold are automatically payable. So, any customer must apply for a deferment on the payments if they fall below this payment

threshold. This is so customers who still wish to pay even if they earn below the threshold are able to do so. I appreciate Mr S doesn't feel this is fair, but this was a process set by the original student loan provider. And our service is unable to comment on processes but in place by businesses. I've also seen that Mr S agreed to this process when he took out the loans. So, I can't say ESL have done anything wrong by managing the loans in this way.

I've seen the terms of this agreement, which I think explain clearly that a deferment period lasts a year at a time. And I think they make it reasonably clear that a deferment application needs to be made each time. I've seen Mr S believes his deferment application made in 2014 was for two years, but I've seen no evidence to show this was confirmed by ESL.

What I have seen is ESL sent new deferment documents to Mr S in May 2015. This suggests to me that ESL expected Mr S to complete the usual process of applying for a deferment each year. Mr S says he didn't receive these documents. But I've seen they were sent to him. And it wouldn't be fair for me to hold ESL responsible for any issues with the postal service.

I understand Mr S feels he's been held responsible himself. But I don't think that's the case. As I've explained, I've seen no evidence to show it was confirmed that Mr S only needed to apply for a deferment every two years. Without this, I think it's reasonable for me to assume Mr S would need to apply every year. So, when Mr S didn't receive any communication about a new deferment application, I would've expected Mr S to contact ESL to query this and ensure a deferment was made. This is because I think the terms of the loan made it clear that deferment of the loans was an option Mr S would need to apply for and provide evidence to show he's eligible. So, I think the onus was on him to ensure a deferment was in place.

Mr S didn't do this, so there was no deferment in place between May 2015 to May 2016. I've seen when Mr S re-applied for a deferment in 2016, ESL agreed to remove three months of the previous years' arrears. So, the arrears outstanding are from May 2015 – February 2016. I think this showed ESL acted reasonable, taking Mr S's concerns and financial situation into account. But, as I don't think there was a deferment in place, I think the monthly payments of the loan were payable between these months. As Mr S didn't pay these, I think ESL have acted fairly when applying them as arrears to the account. And this is in line with the terms of the agreement Mr S holds with ESL. So, I can't say they've done anything wrong when doing so.

I understand Mr S suffers from a condition which makes it more difficult for him to complete the deferment applications. And he thinks ESL failed to consider this when applying the arrears. But I've seen Mr S managed to complete the deferment application the year before, and in the years after. I've seen ESL have also made Mr S aware of different ways in which he can complete the application, rather than through the post. And they've also explained Mr S would be able to ask a representative to complete an application on his behalf if he needed it. I can't see that Mr S made ESL aware of this difficulty before the missed deferment in 2015, so I don't think ESL did anything wrong that meant Mr S was unable to complete the application. As Mr S has stated, he didn't receive the documents so didn't try to make an application, rather than attempting to and finding it difficult to complete.

I've then considered Mr S's complaint surrounding the medical evidence he provided to ESL. Mr S has provided ESL medical evidence to show his mental health was impacted at the time of the missed deferment, and this impacted his ability to complete the application. Because of this, he wanted the deferment period to be extended longer than a year at a time, and the arrears on the account removed. But ESL have said this medical evidence isn't sufficient for them to make a decision. So, I've thought about whether ESL have acted fairly in relation to this. And I think they have.

As Mr S is asking for ESL to alter the deferment process on medical grounds, I think the onus is on Mr S to provide sufficient evidence to show he qualifies for this. And as Mr S is asking for an exemption, I think ESL are entitled to set the parameters for what evidence is sufficient. In this case, Mr S has provided a photograph of three letters from three dates, with redacted writing shown on one of the letters. While I think this shows Mr S has an ongoing health condition, it doesn't specify what this is or importantly, how this impacted him in making a deferment application. So, I don't think ESL have acted unfairly by deciding this information isn't enough to make a decision on the deferment extension, or removal of arrears. ESL have said they will consider this again if Mr S provided unredacted medical evidence. It is Mr S's decision as to whether he wishes to do so.

And finally, I've considered Mr S's concerns about the arrears impacting his eligibility to have the loans cancelled. ESL have confirmed this may be the case, but Mr S hasn't yet had the loan for long enough to be in a position to qualify. ESL have offered Mr S the option of agreeing an affordable repayment plan to clear these arrears. So, I think ESL have acted fairly by making Mr S aware of the possible implications having the arrears may have. And as I think the arrears have been applied fairly, and ESL have offered Mr S ways forward to remove/repay the arrears, I don't think they've done anything wrong.

I understand this isn't the outcome Mr S was hoping for. And I recognise it leaves him with arrears outstanding, which he doesn't feel he is in a financial position to pay. But I hope it goes some way to explaining why I don't think ESL have acted unfairly and outlines the options Mr S has moving forwards.

### **My final decision**

For the reasons outlined above, I don't uphold Mr S's complaint about Erudio Student Loans Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 10 June 2021.

Josh Haskey  
**Ombudsman**