

The complaint

Miss P complains that Erudio Student Loans Limited (Erudio) terminated and defaulted two loans despite successfully applying for a deferment.

What happened

Miss P had two student loans taken out via the Student Loans Company (SLC) that were administered by Erudio. In February 2019 a new deferment application was set up with SLC. In April 2019 Miss P's existing deferment ended and payments for her loans became due. Miss P has told us that she experienced problems submitting her tax return which meant she wasn't sent the document required from HMRC to complete the deferment application.

In April 2019 another deferment application was sent to Miss P. On 21 May 2019 Erudio says it sent Miss P a notice of sums in arrears letter because no payments were being made and no deferment was in place. Erudio says another arrears letter was sent at the beginning of June 2019.

On 20 June 2019 Miss P contacted Erudio to say she was having problems obtaining her HMRC documents. Another deferment application was sent to Miss P by SLC in August 2019.

On 21 September 2019 Erudio sent Miss P a notice of default advising that if no payments were made by 20 October 2019 the account could be terminated. Miss P spoke with Erudio on 21 October 2019 and was advised to send three months' bank statements to SLC in support of her deferment request. The account remained open on Erudio's systems at this time.

Miss P was able to obtain the necessary document from HMRC and sent it, along with a deferment application, to SLC. The deferment was approved on 31 October 2019 but Erudio terminated the loans on the same day and has since reported adverse information to the credit reference agencies.

Miss P complained and Erudio responded on 7 January 2020. Erudio apologised for giving Miss P incorrect information when she called on 21 October 2019 and sent her a cheque for £50. But Erudio said the decision to terminate was correct because Miss P hadn't made payments or agreed a plan. Erudio advised that as the loans had been terminated Miss P no longer qualified for deferment.

Miss P referred her complaint to this service and it was passed to an investigator. They thought Erudio's decision to terminate and default the loans was unfair and asked it to reinstate them, apply the deferment and remove three months arrears in line with the process. The investigator said that if Erudio was no longer able to reinstate the loans it should make arrangements for the debt to be treated as if the loans had been reinstated and honour the original terms.

The investigator recently added that they thought Erudio should remove any negative information reported on Miss P's credit file from 31 October 2019 onwards.

Erudio didn't accept and said the loans couldn't be placed on hold while Miss P gathered information. Erudio said the onus was on Miss P to defer or pay the loan and that she should have agreed a payment plan. Erudio said the correct default process was followed and that it had acted in line with industry guidance when terminating the account. As Erudio didn't accept the investigator's view, Miss P's case has been passed to me to make 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.

Miss P has explained that she was caught in a difficult position as information she needed from HMRC was significantly delayed. Miss P has told us that she sent the necessary documents and deferment application to SLC on 30 October 2019, the first day the information was available. And on 31 October 2019, SLC approved Miss P's deferment request. Whilst I can see the deferment period ended in April 2019, from the information I've seen, I'm satisfied Miss P sent the required evidence to SLC at the earliest possible point.

Erudio responded to the investigator's view and said that, under the terms, the onus was on Miss P to either make her payments or defer. Erudio said if Miss P wasn't able to afford repayments, she should have arranged a payment plan but none was in place.

I understand Erudio's point and can see the terms say it can cancel a loan if repayments aren't made. But, as a service, we consider cases on a fair and reasonable basis. And I think there were circumstances beyond Miss P's control in this case that meant it wasn't fair for Erudio to terminate Miss P's loan accounts in the way that it did.

Erudio says Miss P failed to update it and that a notice of default was sent requiring payment by 20 October 2019. I can see Miss P discussed her accounts with Erudio on 21 October 2019 and that, at that point, they hadn't been terminated. Erudio's case file shows that it didn't take the step of requesting termination of Miss P's accounts until 31 October 2019. That was the day after the SLC received Miss P's deferment application and the same day it was approved. Whilst I can see the deferment application was overdue, it was ultimately approved by SLC. I think the fairest way to resolve Miss P's complaint, is to reinstate the loans and apply the deferment to Miss P's account.

As I think Miss P's deferment application was made late due to issues that were outside of her control, I don't think it would be fair for Erudio to continue reporting negative information on Miss P's credit file after it was approved. In line with the investigator's comments, I think the fairest approach is for Erudio to remove any negative information it has reported since 31 October 2019, including the termination and default of Miss P's loan accounts.

Having considered everything that both Miss P and Erudio have said and provided, I agree with the investigator that this complaint should be upheld.

Putting things right

To resolve Miss P's complaint, Erudio should:

- Reinstate Miss P's terminated loans
- Apply the deferment as agreed by SLC on 31 October 2019
- Remove three months of arrears in line with the deferment guidelines
- If, for any reason the above is not possible, Erudio should make arrangements for the debts to be treated as if the loans have been reinstated – including honouring the original terms and conditions (which may include writing off the loans)
- Remove any negative information reported on Miss P's credit file from 31 October 2019. This should include information relating to the termination and default of the loan account.

My final decision

My decision is that I uphold this complaint and direct Erudio Student Loans Limited to settle as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 5 March 2021.

Marco Manente
Ombudsman