

## **The complaint**

Mr W is unhappy with how Erudio Student Loans Limited have managed his loan account.

## **What happened**

Mr W has two student loans, both of which were taken over 25 years ago, and both of which are now managed by Erudio. Unfortunately, Mr W hasn't been able to work for several years due to a medical condition. Mr W is supported by his wife and has been deferring his student loan repayments each year following the development of his medical condition.

Mr W's most recent deferral was due to expire on 24 July 2019, so on 16 July 2019 Mr W completed a new deferral application form and sent it to Erudio for consideration.

Erudio rejected this application as Mr W didn't provide bank statements to show that his wife is supporting him. Erudio then sent correspondence to Mr W explaining why his deferment application had been rejected and that arrears were presently building up on his account.

On 24 November 2019, having not received the bank statements that they had requested from Mr W, and with the loan account now four months in arrears, Erudio terminated Mr W's account and sent a demand to Mr W for full repayment of the outstanding balance. Mr W wasn't happy about this, especially as he provided the requested bank statements shortly after the four month deadline. So, he raised a complaint.

Erudio looked at Mr W's complaint. But they felt that they had followed the correct process and that they'd been clear in their correspondence with Mr W what would happen if the account wasn't successfully deferred and continued to remain in arrears. So, they didn't uphold Mr W's complaint.

Mr W wasn't satisfied with Erudio's response, so he referred his complaint to this service. One of our investigators looked at this complaint. They felt that Erudio hadn't given due consideration to Mr W's circumstances, and they felt it should have been apparent to Erudio that these hadn't significantly changed. Our investigator also felt that Erudio's receipt of the requested bank statements shortly after the four month deadline had passed had presented them with a clear opportunity to fairly rectify the situation, which they hadn't taken.

So, our investigator recommended that the complaint be upheld in Mr W's favour and that Erudio should restore Mr W's loan to a deferred condition and pay £100 to Mr W to compensate him for the trouble and upset this matter had caused.

Erudio didn't agree with the recommendation made by our investigator, so the matter was escalated to an ombudsman for a final 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.

I issued a provisional decision on this complaint on 3 June 2021 as follows:

*It's clear that Mr W's personal circumstances haven't changed for several years such that I can only conclude that a fair and reasonable outcome here is for Mr W's loan account to be restored to a deferred position by Erudio, and I will be upholding this complaint on that basis.*

*However, given that Mr W didn't supply the full suite of documents required by Erudio, it's difficult to fault Erudio for declining Mr W's initial application in this instance. Furthermore, having sent several letters to Mr W requesting the missing information so as to enable the deferment of Mr W's account, and that information not being subsequently supplied by Mr W in a timely manner, it's also difficult to fault Erudio for terminating Mr W's account such as they did.*

*Because of this I don't feel that it would be reasonable to ask Erudio to pay compensation to Mr W for the inconvenience he's incurred, and this is because that inconvenience could have been avoided if Mr W had provided the necessary information to Erudio in a timely manner.*

*But Mr W did ultimately supply the information that Erudio required to enable them to process the deferment of his loan. And while this information was received by Erudio after the deadline that Erudio had given, the receipt of the information did allow Erudio to confirm what I can only conclude had always been the likely position of Mr W's personal position – which was that it hadn't changed from the previous year such that a deferment of Mr W's account on the same medical basis as the previous year was the obviously appropriate recourse.*

*As such, I do feel that Erudio missed an excellent opportunity to resolve this situation fairly and reasonably without the need for this complaint to have continued on to this position.*

*All of which means that my provisional decision will be that I uphold this complaint and that Erudio must restore Mr W's loan account to a deferred position such that the deferral took place from the end of the previous deferment period. However, I will not be provisionally instructing Erudio to make any payment of compensation to Mr W, for the reasons explained above.*

In my provisional decision letter, I gave both Mr W and Erudio the opportunity to provide any comments or further information that they wished me to consider before I moved to a final decision. Mr W confirmed that he was happy to accept my provisional decision. However, Erudio did provide a further submission - arguing against my provisional decision - for me to review.

In their submission, Erudio reiterate that they can't be held responsible for Mr W incorrectly completing the deferment application and they maintain that they held Mr W's account for several months with the account in arrears before defaulting the account and maintain that the process that they undertook in this regard was followed correctly.

I agree with Erudio's points here, and it was for this reason that I issued a provisional decision removing the requirement – as recommended by our investigator – that Erudio should pay compensation to Mr W. And I removed that requirement because I didn't consider it fair that Erudio should be asked to pay compensation to Mr W when they had followed correct processes.

However, it can be the case that correct processes can be followed and an unfair outcome can still arise as a result. And that's what I feel has happened in this instance.

Ultimately, Mr W's medical position has been such that he has had to defer the repayment of his loan for several years, and it seems apparent to me that Mr W's medical position hasn't changed such that the deferment of his loan shouldn't continue.

Because of this, it doesn't feel fair to me that Mr W's loan deferment shouldn't have taken place in this instance. And while I understand that Mr W didn't supply the full suite of documents necessary for his deferment to have been processed, it's apparent to me that this was an oversight on Mr W's behalf and I don't feel that it affects the fundamental fact here - which is that Mr W's medical position remains such that a deferment of his loan repayment is clearly a fair outcome. And I also feel that this should have been similarly apparent to Erudio.

So, while I appreciate that this might not be the outcome that Erudio were wanting here, it follows from the above that my final decision will be that I uphold this complaint in Mr W's favour, on the basis outlined previously in my provisional decision.

### **Putting things right**

Erudio must restore Mr W's loan account to a deferred position such that the deferral took place from the end of the previous deferment period.

### **My final decision**

My final decision is that I uphold this complaint against Erudio Student Loans Limited on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 4 August 2021.

Paul Cooper  
**Ombudsman**