

## The complaint

Mr W has complained that Erudio Student Loans Limited didn't make sufficient efforts to get in touch with him, causing him to miss his deferment deadline.

## What happened

Mr W has a mortgage-style student loan agreement with Erudio. In 2020, Mr W applied for deferment on his student loan. He had moved, but forgot to update his address.

Erudio wrote to him by post asking for some extra documents to confirm Mr W's income that year. They wrote to his old address, and continued to write to it over the following months when they didn't hear back. They didn't try any other methods of communication, and did not perform any checks or traces to see if the address they were using was up to date.

The deadline went by without Erudio receiving the required evidence, so they ended the deferment period and required Mr W to start making repayments on his student loan. They sent this notification to the old address, as well as the subsequent chasers and letters notifying him about arrears and a default. Mr W didn't see these, so the account defaulted.

Eventually, Mr W found out what had happened and complained. He explained he'd moved property and hadn't got the letters. But Erudio said that as they hadn't received the evidence they wanted by the deadline, they felt they were correct to end the deferment period. And as they hadn't received payments for six months after that, they felt they were right to default the account too.

I sent Erudio and Mr W a provisional decision on 4 June 2021, to explain why I thought the complaint should be upheld. In that decision, I said:

*My role here is to look at not just the letter of the law and regulations, but also what is good industry practice and what I consider to be fair and reasonable in the circumstances.*

*It seems to me that both sides share responsibility for what happened here. On Mr W's end, he didn't remember to update his address. It's an understandable mistake, and it's quite common to forget to update one's address with every single company in one's life – put simply: these things happen. But it is what caused Erudio to write to the wrong address.*

*Erudio, meanwhile, did not take any reasonable steps to make sure that they were writing to the most up-to-date address, or that Mr W had actually received their correspondence. And they did not make any efforts to use alternative ways of getting in touch with him. Even when Erudio hadn't had any reply from Mr W in months and critical deadlines were looming, they continued to send letters without checking things. Despite the fact that Mr W had kept them updated every year and this was most unusual, and despite that they knew it was in their customer's best interests to fulfil his deferment, Erudio didn't pick up that something was probably wrong and didn't do anything about it.*

*For example, Erudio could have run an address trace – which is a standard practice in the industry, or they could have got in touch with Mr W using the alternative contact methods they already had on file. Technically speaking, Erudio may not be required to use a contact method other than post. But I do not think that their actions here – or inactions – constitute good industry practice, nor a reasonable approach to the situation. I think it would have been far more reasonable for Erudio to have checked Mr W's address, or to have tried different methods to contact him in case the letters weren't getting to him for any reason – after all, they can simply get lost in the post, too.*

*So this situation was not caused only by Mr W's inaction in failing to update his address, but also by Erudio's inactions, too. The question, then, is what I think would have happened differently.*

*Mr W has provided his P45 from the time, showing that he earned well below the income threshold that year. He's also forwarded confirmation from his employer that he didn't earn anything further and didn't have a P60 as he wasn't employed by them by the end of the tax year. And he's provided confirmation from his university that he was a full-time student for the rest of the tax year. So it would appear that, had Mr W received Erudio's requests for evidence, he would have been able to support his continued deferment.*

*Since both sides share responsibility for things going wrong, I think the fair way to resolve this is to treat the situation as if things had gone right – i.e. to put the account in the position it would have been in had Mr W's deferment application been successful.*

*Another way to think about this is that the point of this loan was that Mr W would only repay it once he had a certain amount of income. I must consider whether it would be fair for Mr W to be made to repay the loan before he was supposed to, and before he has the appropriate income to do so, just because he had a minor administrative oversight which was compounded by Erudio's lack of care. I don't think that's fair in these circumstances – I think it's much fairer to put things back to the way they should've been.*

I said I'd consider anything else anyone wanted to give me – so long as I received it by 2 July 2021. Both sides replied, and I'll talk about their replies below.

### **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.

Erudio argued that it wasn't obligatory for them to check they had the right details or to try the other contact methods they had on file when they didn't hear back. But as I said in the provisional decision, I look at not only the letter of the law and regulations, but also at what is good industry practice and what I consider to be fair and reasonable in the circumstances. Technically speaking, Erudio may not have been *obligated* to take reasonable action to make sure Mr W had received their contact. But I don't think that their actions and inactions constituted good industry practice, nor a fair and reasonable approach to the situation.

Erudio argued that we cannot tell them to change their processes. But I have not done so. Further, Erudio have to treat customers fairly. They should avoid putting processes over people, and they should not treat customers unfairly just because a process tells them to. To clarify, I am not telling Erudio to change their process – I am telling them to put things right where they went wrong in the circumstances of this particular case.

Erudio pointed out that Mr W had made an error by not updating his address. But I already pointed that out in the provisional decision. I accept that Mr W made an error – albeit a minor and common one – by forgetting to update one of the many companies one may need to update when moving. This mistake was then compounded by Erudio's lack of care. Both sides share some responsibility for what happened. So the most reasonable approach is to put things back in the position they would've been in had things gone as they should have.

Erudio then argued that Mr W had failed to make payments. But that's primarily because Erudio were writing to the wrong address, so I don't think that's particularly relevant here. Had he received Erudio's correspondence, it looks like Mr W's deferral would've been successful, and so he wouldn't have needed to make those payments anyway.

Next, Erudio disagreed that Mr W was only supposed to repay the loan when his income reached a certain threshold. But that's the main point of the deferment system. And it's right that I took that into account when considering what should've happened.

Lastly, Erudio said they couldn't formally backdate the deferment or reinstate the account. But they can instead make arrangements such that the account is treated as if had been reinstated and as if the deferment had been successful. Erudio argued it would be unfair to do so as they might lose certain enforcement rights. I took that into account, but I think it would be far more unfair for Mr W to be made to repay this loan before he was supposed to, and before he had the appropriate income to do so, and to suffer a default, just because he had a minor administrative oversight which was compounded by Erudio's lack of care.

So having reconsidered the case, I've come to the same conclusions as before.

Mr W accepted the provisional decision, but asked if we could make sure his default was removed. Per the provisional decision, I'm directing Erudio to remove any arrears or default from his record and to put the account in the position it would be in had it not defaulted. And they'll need to make sure the default is not on his credit file, either. I don't think there's anything further that will need doing there.

### **Putting things right**

I direct Erudio Student Loans Limited to take such actions as are necessary to put this account in the position it would've been in had the 2020 deferment application been successful.

That means backdating Mr W's deferment as if the 2020 application had succeeded, or making arrangements so the account is treated as if the 2020 application had succeeded.

It also means either reinstating the terminated loan, or if they're no longer able to do so, then it means making arrangements so the debt is treated as if it had been reinstated – including honouring the original terms and conditions (which may involve writing off the loan when Mr W reaches a particular age), removing any arrears or default from Mr W's record, and ensuring Mr W's credit file has not been adversely affected.

Lastly, I direct Erudio to make arrangements such that Mr W can continue to apply for deferment in 2021, even if he has missed this year's deadline. They should instead give him a new deadline starting from at least two months after the date of this final decision. And of course, I would advise Mr W to make sure that he has given Erudio his latest contact details, and to look out for any correspondence about the matter.

Since Erudio were not solely responsible for things going wrong, I do not award any further compensation.

### **My final decision**

I uphold Mr W's complaint, and direct Erudio Student Loans Limited to put things right in the way I set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 5 August 2021.

Adam Charles  
**Ombudsman**