

The complaint

Mrs M's unhappy Erudio Student Loans Limited have said she's liable to repay the loans she's got with them.

What happened

Mrs M said since 1996 she's had student loans, with around £12,000 owing. The type of loans she has allow her to defer payment to the loans if she meets certain criteria – one of which relates to her income. Another criteria allows her to ask Erudio to write off the loans when she reaches a certain age.

In January 2020 Mrs M started working full time for the first time since taking out the loans. This meant her income increased, and she was no longer eligible to defer her loan repayments in October 2020 (when her latest deferment ended) as she had previously – because her income was now higher than the threshold for deferring. But, around this time she also became eligible for the age related write off of the debt.

One of the conditions attached to the debt being written off, is that no arrears have built up – this happens if Mrs M didn't return her deferment forms on time in previous years. If there's no deferment, then the payments are due – and if payments aren't made, then those payments become arrears.

Erudio said, in May 2014 to February 2015, and again in March 2016 to September 2016 arrears built up as Mrs M didn't return the deferment forms in time. So, because of that, unless she were to clear the arrears, she wouldn't be eligible for the loans to be written off.

When speaking to Erudio on the phone, Mrs M understood she'd be able to set up a repayment plan to clear the arrears, but later found out this wasn't the case – so she complained.

Erudio said arrears of £2,431.44 was outstanding from the above two periods when a deferment wasn't in place. They said they'd listened to the call Mrs M had with them on 3 November 2020, and said she'd explained she couldn't repay the arrears in one go, so that's why she was considering a repayment plan. Erudio said Mrs M told them the arrears accrued on her account previously as she didn't realise the importance of returning them on time. Before the call Erudio had issued a Notice of Default letter on 11 October 2020, which gave Mrs M 28 days to fully clear the arrears, otherwise the account would end. This meant she'd have to start making payments to it – and this wasn't mentioned in the call but should have been.

Overall, Erudio accepted they'd given Mrs M incorrect information about what would happen but didn't think this had affected Mrs M's position about the account not being written off. So, they paid her £150 compensation.

Unhappy with this Mrs M asked us to look into things. One of our Investigators did so, but found the arrears had built up fairly, meaning the age-related cancellation wasn't an option –

and although incorrect information had been given, she didn't think that'd changed anything for Mrs M.

Mrs M didn't accept this – saying she didn't think it'd been made clear enough to her that she could have paid at least one of her loan arrears thereby clearing a larger portion of the outstanding loan. She said she doesn't think it matters whether she could afford future payments or not as that wouldn't be a factor. So the complaint has been passed to me to decide.

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.

My starting point in this case is to decide whether the arrears Erudio said have accrued in this time is correct. I say that because it has an impact on the options available to Mrs M. If the arrears were correctly accrued, then she's not eligible for the age-related cancellation option. If they weren't fairly accrued, then she could be.

Arrears accrued between 2014-2016

I've noted Mrs M's comments that she didn't realise the importance of returning the forms. This is important because if Erudio didn't make it sufficiently clear to her, then it might not be fair that arrears did build up – as she might not have understood the impact on her. But, having looked at everything that's been provided, I'm satisfied Erudio did enough to make her aware.

Erudio have provided evidence to say Mrs M was deferring her loan since 2002 – so said it's fair to say she knew about deferring the account, and the implications of what would happen if she didn't.

I think that's likely true. Although I don't have all the evidence from 2002 onwards, I can see that when Mrs M's accounts were bought by Erudio they wrote to her letting her know this. In letters sent in February 2014, they told her they were aware her account was in deferment but those would continue. These letters also set out the process for continuing the deferments as well.

Arrears letters were sent in October and November 2014. And I can see on some of them, Erudio ask Mrs M to contact them to discuss the outstanding arrears, and say if she doesn't, then they might default the account. In addition, some of the letters say "*This could result in you losing the right to defer your loan repayments and to other benefits such as age related cancellation*".

The letters sent in February, October and November 2014 are all correctly addressed, so I think it's reasonable to say Mrs M would most likely have received them.

And I think that's supported by Mrs M getting in touch in November 2014 with Erudio, saying sorry for not sending back the forms. She then does in November 2014 but doesn't provide the evidence Erudio require. This is ultimately received in May 2015.

Mrs M and Erudio have provided an email exchange from July 2016 where Erudio have told her she's been in arrears since May 2014 – but due to an error on their part in 2015, they'll remove a years' worth of arrears. Erudio said Mrs M could now apply for a further deferment period and upon successful receipt of that they'd roll back another three months' worth of arrears. Mrs M's reply to that is to say thank you and "*It seemed that arrears were added to my accounts & there was nothing I could do about it so this is absolutely tremendous news! I'll complete an online deferment request ASAP*".

I don't think Erudio's email is as clear as it could be – as at this time there's still arrears outstanding since May 2014, until February 2015 – and they could have set this out.

But taking into account all of the information I've been provided with, I think Mrs M did know the importance of deferring on time – and had been told about the consequences of not doing so.

I've looked at the two time periods Erudio said Mrs M wasn't in deferment - May 2014 to February 2015, and again in March 2016 to September 2016. I've not seen anything to suggest they've made any errors when applying the arrears for these times. So, I won't be asking them to remove the arrears.

Erudio's actions in October and November 2020

As a result of finding that the arrears have been fairly accumulated, this means Mrs M isn't eligible for the age-related cancellation as Erudio have said.

Mrs M argues though that they told her she could clear the arrears through a payment plan when she spoke to them.

I can see Erudio accept they told her the wrong information – when they said she could set up a payment plan to clear the arrears as actually this wasn't an option. The call where they told her this was on 3 November 2020, and a notice of default had already been issued on 11 October 2020 giving Mrs M 28 days to clear the arrears. And, because she didn't, her account was then terminated – meaning she could no longer get the age-related cancellation.

In the call, Mrs M also says she can't afford to clear the arrears – as she's in arrears with other priority debts. So, although she was told the wrong information, I don't think that's changed the situation she's in. She's quite clear and detailed in not being able to pay the arrears. Had things happened as they should, then Erudio would have reminded her she had to clear the arrears in line with the 11 October 2020 letter – to which she'd seemingly have said she couldn't do that – because she couldn't afford much more than she was already paying.

Mrs M said it doesn't matter whether she could afford future payments or not – they've still given her the wrong information. I take her point, but I do think it matters. I say that because I also need to consider what she'd have done if the correct information had been given and whether her situation would be different. But I think even if she'd been correctly told what she could do, it wouldn't have changed anything because she's said she wouldn't have been able to clear the arrears in full.

I do agree some compensation is appropriate, as I think Erudio have handled things poorly when speaking to her. But I think the impact of the misinformation is limited, because regardless of what she was told she wouldn't have been able to apply for the age-related cancellation anymore – which would unfortunately still leave her in the very difficult situation she's in. So, overall, I'm satisfied the £150 award is fair and I understand this amount has already been paid to Mrs M.

My final decision

For the reasons I've explained above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 11 January 2022.

Jon Pearce
Ombudsman