

## **The complaint**

Mr S complains about a loan he had with Erudio Student Loans Limited.

## **What happened**

Mr S took out a student loan in around 1995. Mr S says he has never met the income threshold to repay the loan and so each year he deferred the loan repayments. Mr S says that in October 2015, his situation changed, and since then he's been in receipt of housing and council benefits.

Mr S says that he has had a lot of difficulty deferring his loan repayments with Erudio, and Erudio has continued to say that the loan repayments are due. Mr S says that there's no reason why Erudio shouldn't defer the repayments – he states he has provided Erudio with all documentary evidence to support his situation, however Erudio haven't accepted these. And have since passed the loans onto a debt management company, where charges have been added to his account and he says he has been threatened with county court action.

Mr S says this situation has caused him a lot of frustration and stress. And to put things right, he would like Erudio to recall his loans from the third-party and recommence the deferment payment process, based on his ongoing financial and health situation.

Erudio responded to Mr S's complaint to say that following it taking over the management of the loan in 2014, Mr S submitted successful deferment applications in 2014 and 2015. However, in 2016 it didn't receive a deferment application from him. Because it didn't receive an application, the repayments became due, and as Mr S didn't make the repayments, the account fell into arrears.

Erudio say that the next application it received from Mr S was in April 2017. However, it didn't receive the evidence it required to defer the loan repayments, and it didn't get any response to its requests for additional information. Because of this, the loan repayments remained due, and the account continued to accrue arrears. The account eventually defaulted in November 2018. Once the account defaulted and the full balance became due, Erudio say Mr S lost the right to further deferment. Mr S's account was then placed with a third-party and court action considered.

Because Erudio didn't get the information it required to defer the loan, it didn't think it had done anything wrong in requesting repayments to the loan and subsequently defaulting the account.

Our investigator looked into things for Mr S. He reviewed all of the information provided to him by both parties and provided a timeline of events. The investigator didn't think that Erudio had done anything wrong in requesting additional information from Mr S before it could defer the repayments. While the investigator agreed that what Mr S had provided Erudio with showed that he was below the income threshold to be accepted for a deferral, there were some discrepancies in his income information – and so he didn't think it was unreasonable of Erudio to ask for more information before agreeing deferral. Given that Mr S

didn't provide the information required, or make any repayments to the account, the investigator thought it was fair of Erudio to terminate the agreement.

However, the investigator found that Mr S hadn't made any repayments to the loan account since the last deferment period ended in July 2016. But Erudio didn't default the account until November 2018. The investigator thought it took too long for Erudio to default the account, and it should have defaulted the account by February 2017 at the latest. The investigator said that Erudio should re-work the balance to remove all interest applied after February 2017.

Mr S initially accepted the investigators view that Erudio had fairly terminated the account and rejected his deferral application. And he accepted the investigators view that he should get a refund of any interest that was applied after February 2017.

Erudio later got in touch with Mr S direct after it had looked at the late default date. It agreed to backdate the default to 28 days after Mr S's account fell into four months of arrears, which would be September 2016. It confirmed that the default wasn't being reported to the credit reference agencies. Erudio also arranged for £190.54 of interest that was applied to the account after September 2016 to be removed.

After this, Mr S got back in touch with our service to say that he no longer accepted the investigators view. He said that there was no reason why Erudio shouldn't have deferred his loan repayments because he has always earned under the threshold. Mr S is also unhappy that Erudio involved a debt company after the account was terminated.

Because Mr S didn't agree, the complaint has been passed to me to make a decision on the matter.

### **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, it is my decision not to uphold Mr S's complaint. I appreciate this will come as a disappointment to him, but I will provide reasoning for my decision below.

I can see that Mr S successfully deferred his repayments in both 2014 and 2015, so I've gone on to look at what happened after the last deferment period ended in July 2016.

From looking at the information provided by Erudio, I can see that once an application for deferred repayments was successful, the loan repayments would be deferred for 12 months, at which point a new application would need to be made for the following 12 months, or repayments would commence. In Mr S's case, his deferral period ended in July 2016. And I can see that Erudio wrote to Mr S in advance of this to let him know that he would either need to submit a new application for deferment, or the monthly repayments would become due.

But Mr S didn't submit a new application at this time, nor did he make repayments to the account. And so arrears began to build up.

It wasn't until April 2017, nine months after his previous deferment period had ended, that he submitted a new application to Erudio for deferment. In the application, Mr S confirmed that his income was under the threshold for him to start repayments. But some of the information he gave Erudio about his income was inconsistent. For example, on the application form he stated that his income was £14,044.92, but the information he sent to support this showed

his income was £17,385. Because of this, Erudio asked Mr S for more information before it could make a decision on his application.

I can see that Erudio tried to contact Mr S on many occasions over the course of a few months to request the information – both by letter and by phone. But it didn't hear anything back from Mr S. Mr S told this service that he didn't respond because he thought he'd already provided sufficient information. I think, based on the letters I have seen, it was clear that Erudio needed more from Mr S before it could continue with his application. And while Mr S might have been of the opinion that he'd already provided enough, this wasn't for him to decide. I don't think it was unreasonable of Erudio to request more information from Mr S given the inconsistencies I've mentioned above.

Based on what I've seen, I agree with Mr S that the information he had provided showed that his income was under the threshold – I don't think this is in dispute. But there is a process for completing the application, and because Mr S's application wasn't complete, as he failed to respond with the requested information, the repayments under the agreement became due.

Mr S didn't make a payment after the last deferral period ended in July 2016 – so arrears built up on the account. I can see that Erudio has sent Mr S many letters requesting repayment, and letters to inform him that the account would be terminated if he didn't bring it back up to date. As Mr S didn't respond to these letters, or make a payment, the account was terminated. The terms and conditions of the account allow Erudio to do this where a customer falls behind with their repayments – so I don't think it has treated Mr S unfairly by terminating the account.

As the account has now been terminated, Mr S has lost his right to defer any future repayments and the debt is now due to be repaid. Again, this is part of the terms and conditions of the account, and so it isn't unfair that Erudio has enforced this. The account is now with a third-party, which Erudio are able to do where an account has defaulted, so Mr S will need to contact the third party regarding future payments.

Separate to what our Investigator said, I can see that Erudio has now agreed to backdate the default date of the account to September 2016. As a result, it has removed any interest charged to the loan account after this date from the overall outstanding balance. This appears to be in line with guidelines set by the Information Commissioners Office (ICO) on when an account should be defaulted.

### **My final decision**

For the reasons set out above, I don't uphold Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 18 February 2022.

Sophie Wilkinson  
**Ombudsman**