

The complaint

Miss M has complained that Erudio Student Loans Limited defaulted her accounts after writing to the wrong address.

What happened

Miss M has two mortgage-style student loans with Erudio. Certain aspects of them, such as deferment, have been managed by the Student Loans Company (SLC). Miss M had another student loan with a different company that was also administered by SLC. SLC would often deal with both sets of loans at the same time, such as by allowing Miss M to only submit one deferment application to cover both companies' loans.

In 2019, Miss M's address was updated with SLC. However, this arose from contact about the other company's student loan, and SLC did not pass the new address to Erudio. Erudio say this was for data protection reasons. It appears that SLC did not tell Miss M that they had not updated her address with Erudio.

Miss M explains that she made arrangements to repay that other company's student loan. She says SLC told her that no further action was needed, and didn't mention Erudio.

In 2020, the deferment period ended for Miss M's Erudio loans. Erudio wrote letters to her old address where she no longer lived. They did not try any other methods of contact, nor check if this address was up to date. After getting no reply, they defaulted her accounts.

In 2021, a debt collection agency got in touch with Miss M on Erudio's behalf, and she found out what had happened. She complained, but Erudio felt they'd done nothing wrong.

The complaint's been passed to me to decide.

I sent Miss M and Erudio a provisional decision on 22 June 2022, 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 at what is good industry practice and what I consider to be fair and reasonable in the circumstances.

Miss M had some responsibility to keep her contact details up to date. But she did make SLC aware of her correct address, and SLC were dealing with her Erudio account. So it was perfectly reasonable for her to think that Erudio had her current address. Indeed, it doesn't look like Miss M was ever told that SLC wouldn't pass her address to Erudio. And I can't see any good reason why Miss M would think that'd be the case – after all, SLC were happy to pass her deferment details between the two different companies. And her deferment applications would have involved not just Miss M's personal data like her address, but sensitive financial data too. So I don't find Erudio's data protection arguments to be valid.

Further, from what I understand, SLC told Miss M she didn't need to take any further action. And they were aware of her Erudio loans. So this suggests that Miss M may have been misadvised by SLC.

Miss M then didn't get any notice from Erudio that anything was wrong, since they only contacted her by post, and they only wrote to the wrong address. I can't see that Erudio took any reasonable steps to make sure that Miss M had actually received their correspondence. For example, they didn't check her address or try any other contact methods, despite having her phone number and email address. Even when Erudio hadn't had any reply from Miss M in months and critical deadlines were looming, they didn't check things – despite the fact that Miss M had dealt with these loans for decades and this was most unusual.

Technically speaking, Erudio were not strictly required to run an address trace or try other contact methods. But those sorts of things are standard practice in the industry. So I do not think that Erudio's actions here – or inactions – constitute good industry practice, nor a reasonable approach to the situation. It would have been far more reasonable for Erudio to have just checked Miss M's address or tried to reach her another way.

Had Erudio done so, it looks like it would have avoided the situation we're in now. From what I understand, Miss M had already made arrangements to pay off the other company's loan, and she then arranged repayments with Erudio's debt collector once she knew what the situation was. So it seems most likely she would have dealt with Erudio's loans had she actually been made aware that she was behind, thereby avoiding a default.

But Miss M was unaware of what was going on with her Erudio loans. SLC knew her current address, and they handled her Erudio loans, so she had no good reason to think that Erudio didn't know her current address. Meanwhile, Erudio did not take reasonable steps to make sure Miss M actually knew the situation, and instead wrote exclusively to the wrong address. So Miss M never got the proper notices, nor the proper opportunity to avoid a default. It follows that I think the default was unfair.

Of course, I do acknowledge that Miss M also had some responsibility to keep track of her loans. And it also sounds like some of the fault may lie with SLC rather than Erudio. So with that in mind, I do not plan to tell Erudio to pay compensation here. But all the same, it looks like as a consequence of each party's errors, Miss M has ended up with a default that she didn't get the proper chance to avoid. That does not seem fair. It follows that the most sensible thing to do now is to remove the default and reinstate the accounts.

To be clear, I am not making a general finding on Erudio's processes as a whole. But first and foremost, Erudio need to treat customers fairly – and often that will mean departing from their normal process. They need to avoid prioritising processes over people, and they should not treat a customer unfairly just because a process tells them to. So I am not telling Erudio to change a particular process. I am telling them to put things right where they went wrong in the circumstances of this particular case.

Both sides responded. I'll talk about their responses 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.

Miss M explained she was happy with the provisional decision, though she reiterated that this had all had a significant and stressful impact on her. And I do appreciate where she's coming from. But as before, Miss M did also have her own responsibility to keep track of her loans – this wasn't solely Erudio's fault. And so while I am sympathetic to the unfortunate stress Miss M went through, I do not think it would be appropriate for me to tell Erudio to do anything more than reinstating the accounts.

Erudio disagreed with the provisional decision. They reiterated their arguments about not getting Miss M's updated address due to data protection, but I explained before why I do not think those arguments are valid.

Erudio also said they were not obligated to use other contact methods or to check they had the right address. But again, this was already addressed in the provisional decision: *"those sorts of things are standard practice in the industry. So I do not think that Erudio's actions here – or inactions – constitute good industry practice, nor a reasonable approach to the situation. It would have been far more reasonable for Erudio to have just checked Miss M's address or tried to reach her another way."*

Erudio argued that, not least based on her contact with SLC, Miss M should have reasonably known she had an account with Erudio, and should have got in touch with them. But again, my provisional decision already took into account Miss M's own responsibility, and that the situation had not arisen solely from Erudio's actions and inactions. For example, as above, this is why I have not told them to pay Miss M compensation.

Lastly, Erudio felt the only reason Miss M didn't get notified about the default was because she failed to update her address. But that's clearly not the case. Aside from the fact that her address was updated with SLC – giving her good reason to think that Erudio knew it – she also didn't get notified because Erudio didn't undertake any standard, good industry practice such as checking they had the right details or using any of the other contact methods they already had on file.

Simply put, this is a case where the customer never received the proper notices before the default, was not given the proper opportunity to avoid the default, and the business made no reasonable efforts to make sure their customer was actually getting their correspondence and knew what was happening. It naturally follows that I still don't think this default was fair.

Putting things right

I direct Erudio Student Loans Limited to take such actions as are necessary to put these loan accounts in the position they would've been in had Miss M been aware of each loan's status and then been able to apply for deferment or make payments.

That means reinstating each terminated loan, or if Erudio are 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, removing any arrears or defaults from Miss M's record, and ensuring Miss M's credit file has not been adversely affected.

That also means making arrangements to either treat the account as deferred now – if Miss M has been eligible this whole time. Or if Miss M would have been ineligible to defer anyway, it means making arrangements for her to make repayments now, starting with a clean slate.

My final decision

I uphold Miss M'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 Miss M to accept or reject my decision before 15 August 2022.

Adam Charles
Ombudsman