

The complaint

Mr D complains that Erudio Student Loans Limited closed and defaulted his student loans after he missed a deferment application.

What happened

Mr D took out student loans in 1995 and 1996. The loans became payable in 1999 and Mr D has completed deferment applications since that time as his income hasn't met the threshold required to begin repayments. Mr D applied annually and says he expected the loans to be written off after 25 years, in line with their terms and condition.

In 2017 Mr D updated his address online with Erudio. But Mr D has explained he later moved and forgot to amend it again.

Mr D has told us that despite forgetting to amend his address he received email reminders about the deferment applications he needed to complete from Erudio so continued to apply. But last year, Erudio wrote to Mr D about the deferment process and sent postal reminders that the application needed to be completed. After the deferment period ended in June 2021, Erudio sent Mr D arrears letters. In September 2021 the new resident wrote to Erudio to say Mr D no longer lived at the address on file.

Erudio proceeded with the termination and closure of Mr D's loan. As a result, the total loan amount became due and was no longer eligible for an age related write off.

Mr D complained but Erudio said the issue had been caused after he failed to update his address and because it hadn't received a deferment application last year. Mr D has explained that due to the proximity of the age related write off after 25 years he thought the loans had been cancelled. Erudio didn't uphold Mr D's complaint.

An investigator at this service looked at Mr D's complaint and upheld it. They agreed Mr D hadn't updated his address but thought Erudio could've done more to contact him avoid the loan closures and default. Erudio didn't respond to the investigator's most recent view so Mr D's complaint has been passed to me to make a 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.

All parties accept Mr D didn't update his address in line with the terms. Erudio has forwarded systems evidence to show Mr D had previously updated his address online in 2017 so knew what the process was. But Mr D has told us his address wasn't updated due to an oversight on his part, not because he didn't know how. And I accept that's the case.

Mr D has pointed out he received deferral information for some years by email so was expecting to receive the same in 2021. But Erudio wrote to Mr D about the deferment and subsequent arrears instead. I accept that if the address was correct Mr D would've received

this correspondence. But I also accept Mr D made a reasonable assumption that he would be contacted by email as he had in previous years. Erudio hasn't commented on why it changed the method of contacting Mr D about his deferments last year.

I also think it's reasonable to note that in September 2021 Erudio received returned post from a third party that confirmed Mr D hadn't resided at the registered address for two years. Erudio updated its records but continued to proceed with the account closure process that led to default. But we know Erudio had previously successfully corresponded via email, so I think it would've been reasonable to try and contact him that way. Erudio says it sent Mr D text messages, but given the seriousness of the situation, another alternative would've been to call Mr D.

Whilst I agree Mr D ought to have updated his address, I accept it was a genuine oversight that persisted for some time because he was corresponding via email. Erudio hasn't explained why it chose to correspond in the post for 2021, but I'm satisfied that change was also part of the background to Mr D's deferment being missed. And Erudio was aware Mr D hadn't lived at the address on file in September 2021, before the loan was terminated. I'm satisfied there were reasonable alternatives Erudio could've considered to contact Mr D.

Putting things right

In my view, the fairest way to resolve Mr D's complaint is to rewind the current position and reinstate Mr D's loans. Erudio should then consider and process a deferment application from Mr D for 2021. If Erudio has recorded any defaults or adverse information about the loans on Mr D's credit file, it should delete it.

I'm conscious Mr D would've either been eligible for further deferments in 2022 or age related write offs. Erudio should bear this in mind when reworking the loan accounts and settling this case to ensure Mr D isn't disadvantaged.

My final decision

My decision is that I uphold Mr D's complaint and direct Erudio Student Loans Limited to settle in line with the above guidance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 3 October 2022.

Marco Manente
Ombudsman