

The complaint

Miss W complains that Erudio Student Loans Limited (Erudio) unfairly terminated her student loan account and applied a default.

What happened

Miss W had two student loans which were taken out in 1998, totalling around £5,500. This type of loan is written off after 25 years as long as the terms and conditions are adhered to. The loans had been successfully deferred until October 2021. When Miss W applied to have them deferred after this, the application was declined as her gross monthly income was above the threshold for deferment. So Erudio began asking Miss W for payments towards the loans.

Miss W called Erudio in December 2021 to discuss payments with them. On the call the agent told her she was required to make monthly payments of £104.01 and the account was currently two months in arrears which equated to £208.02. Miss W implied this was unaffordable and so the agent tried to complete an affordability assessment, also known as and income and expenditure (IE) but Miss W said she found this intrusive and didn't want to continue with it – she asked for a direct debit to just be set up instead.

The agent began setting up the direct debit and explained the date of each month it would be taken and the amount (£104.01), he asked Miss W was that ok and she said no it wasn't ok and asked if he could make the payments lower. The agent explained if she wanted to pay less the arrears would accrue. He explained what this meant for Miss W, he also explained that was why he had wanted to complete an IE with her to see if he could help. Miss W asked if the account could be placed on hold.

The agent agreed to place the account on hold for sixty days to give Miss W time to take some advice, he gave her numbers of organisations that might be able to help her. He explained that at the end of the sixty days letters would restart. Miss W asked if Erudio would email her, and the agent said they would write to her by letter as there was arrears on the account and this is always dealt with by letter. The sixty-day hold ended on 16 February 2022.

Erudio sent Miss W a notice of default letter (ND) on 26 January 2022, as the account was now four months in arrears. They wrote to her again on 24 February 2022 telling her the account had terminated and the full amount of the loan was now due.

In March 2022 Miss W let Erudio know that she had moved address some time in February 2022 and said she hadn't received the letters they'd sent and asked them to reinstate the loan.

Miss W complained to Erudio, she felt they were unfair to terminate the loan when it was so close to being written off. Erudio didn't uphold her complaint and so she brought it to this service. Our investigator didn't think this was a complaint that should be upheld, in summary he said Erudio had acted fairly when applying the default to Miss W's account. Miss W didn't agree she said at the time of the call she was not in a good place to deal with things and

didn't think her side of things had been taken into account. She also mentioned she had suffered a bereavement and that the investigator hadn't considered this or the fact she had moved house. The matter has now 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.

I realise that I've summarised this complaint in less detail than the parties and I've done so using my own words. I've concentrated on what I consider to be the key issues. The rules that govern this service allow me to do so. But this doesn't mean that I've not considered everything that both parties have given to me.

Having read and considered the whole file, I've reached the same outcome as the investigator and for broadly the same reasons. I'll explain, but in doing so I'll keep my comments to what I think is relevant. If I don't comment on a specific point, it's not because I haven't considered it but because I don't think I need to comment on it in order to reach the right outcome.

Before I go on to explain my findings, I'd like to offer Miss W my condolences on her loss of her family member.

I've listened to the call where Miss W arranges for her account to be placed on hold for sixty days. And it's clear in the call that Miss W doesn't think it's fair that her loans can't be deferred. But as her salary exceeds the threshold for deferment, she was obliged under the terms of the agreement to begin making the contractual monthly payments. Miss W is clearly reluctant to do this as she infers it will not be affordable, but she isn't willing to complete the IE as she finds it intrusive. Had she done this, and it showed her disposable income to be at an amount that made the monthly payments unaffordable Erudio could have made an arrangement to pay with her. However, even if this were the case it would still mean that she wasn't meeting the contractual monthly payments and so wouldn't have necessarily avoided the termination of the account or the application of the default.

On the call the agent explains what happens when arrears on an account reaches four months. He explains the default process and how it works and also confirms that when there are arrears on an account all correspondence is by letter. He goes on to explain when there is no payment arrangement in place there is a risk of the account of the account terminating if the arrears build up. Based on this I'm satisfied that Miss W was made aware of the risk of not making payments towards the account. She was also aware at the point that she asked for the sixty-day hold to be placed that there were already two-months of arrears outstanding, so at the end of the sixty days the account would already be at four months arrears.

While I appreciate Miss W says she didn't get the default letters, I've seen evidence that Erudio sent the letters, so I'm satisfied they met their obligation to write to Miss W to inform her of the intention to default if she didn't act in 28 days. The ND was sent on 26 January 2022, so before Miss W says she moved, so while I accept what she says about not receiving it I can't hold Erudio responsible for any failings in the postal service. And even if the letter crossed at the time of Miss W moving it's her responsibility to keep Erudio up to date with any address changes. And given she did know they would be writing to her by letter only, as they confirmed this on the call, I think it's fair to say she ought to have known the importance of doing so.

I've also thought about what might have happened if she had received the letters and I'm not

persuaded it would have changed things. I say this because Miss W made it clear on the call, she had with Erudio that she couldn't afford the contractual monthly payments for the loan. And so, I think the termination of the account and the default were inevitable and would have happened at some point.

I know Miss W believes it was unfair of Erudio to terminate the loan when they were so close to age write off. But as Erudio explained on the call loans with arrears are not eligible for the age write off and I don't see a way that Miss W was going to be able to clear the arrears given she had said she couldn't afford the contractual monthly payments, so I don't think she has lost out here.

I appreciate Miss W has said she was impacted by a family death but, even when asked she hasn't elaborated on this, other than to say a family member went to sleep and didn't wake up. And while I accept this is terribly sad it's impossible for me to assess if this affected either her ability to make her monthly payments or her capacity for dealing with the situation. I've also given consideration to the fact that she didn't make Erudio aware of this until now, so I don't think they could have taken this into consideration when dealing with her.

During the first call with Erudio she tells them she is having money deducted from her wages towards a student loan. Erudio explained that they don't take payments in this way and that it may be for a different student loan if she has one. Miss W wasn't clear if she did or not, but the agent explained if she didn't, she should contact HMRC who will be able to help her reclaim the money if its been paid in error. I just wanted to highlight this again and reiterate to Miss W that these payments were not going towards the Erudio student loan, as it appears she was confused about where those payments were going. And if she doesn't have another active student loan, she should pursue this as she could be due money back.

Based on all of the above, I'm satisfied that Erudio has acted fairly when terminating Miss W's account and so it follows, I won't be asking it to reinstate the loan or remove the default.

I know Miss W will be disappointed with this outcome. But my decision ends what we – in trying to resolve her dispute with Erudio– can do for her.

My final decision

For the reasons set out above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 18 January 2023.

Amber Mortimer
Ombudsman