

The complaint

Mr H complains that Erudio Student Loans limited unfairly declined a deferment application and terminated his loan agreement.

What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

Mr H had a student loan with Erudio. In April 2021 Mr H submitted income evidence by way of payslips as part of a deferment application. Erudio calculated an average gross income figure across the three months and says Mr H's income was over the £30,646 deferment threshold. As a result, the application was declined and Mr H's student loan payments became due from the end of May 2021.

No payments were made and arrears accrued on Mr H's account. A notice of default was sent to Mr H in August 2021 asking him to clear the arrears by 13 September 2021.

Mr H spoke with Erudio on 13 September 2021 and asked questions about the deferment income threshold. Erudio agreed to consider another deferment application using the new deferment threshold figures before it terminated Mr H's loan agreement. Mr H forwarded details of his income along with payslips for June, July and August 2021. The payslips included information about the total income Mr H had earned in the tax year along with his gross monthly income. They also showed that in July 2021 Mr H had received a bonus.

The loan remained open and Erudio assessed the application on 14 September 2021. It says it calculates the gross income by taking an average of the income received as shown in the three monthly payslips provided. Using this method, Erudio said Mr H's income was just over the £36,284 deferment income threshold. Erudio didn't contact Mr H to ask about his bonus income. Erudio sent Mr H a letter confirming it had declined the application and another letter to say it had terminated his student loan on 14 September 2021. As a result, Mr H is now unable to defer future payments or qualify for an age related write off.

Mr H complained but Erudio didn't agree it had acted unfairly or made mistakes in the way it calculated his income or closed his loan. An investigator at this service looked at Mr H's case and said they thought Erudio had dealt with it fairly.

Mr H responded and said the way Erudio had taken his bonus income was wrong. Mr H provided a copy of his P60 for the tax year 2021 that showed his income was in fact lower than the deferment threshold. And Mr H also said he was concerned the April 2021 deferment application was unfairly declined as well. As Mr H asked to appeal, his complaint has been passed to me to make a decision.

What I've provisionally 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've reached a different view to the investigator. I take Erudio's point that Mr H wasn't in regular contact about the arrears on his loan until a very late stage in the collections process. But I think it's fair to note that Erudio agreed to consider another deferment application from Mr H when he called on 13 September 2021. The loan remained open so Erudio could look at the application. Given this was a make or break moment for the loan, I'd have expected Erudio to take particular care when assessing the deferment application it received. I'm not persuaded it did that. I'll explain why.

I first want to talk about the April 2021 deferment application. Mr H has recently said his income evidence shows he earned less than the £30,646 threshold. But I haven't found evidence of mistakes. Erudio's forwarded Mr H's payslips from the months preceding his application. They show a steady monthly income. When calculated on an annual basis the payslips indicate Mr H earned slightly more than the deferment threshold. I'm satisfied that application was fairly assessed and declined by Erudio.

However, the threshold changed on 1 September 2021. At this point Mr H was over three months in arrears. But the threshold changed from £30,646 to £36,284 and Erudio agreed to consider another deferment application on that basis. As I've said above, I'm aware Mr H was in arrears at this stage, but Erudio still needed to give his application a fair review.

The way Erudio used Mr H's bonus was ultimately the difference between whether the application was approved or not. Erudio says it doesn't assume bonus income received is annual and normally takes an average over the payslips it receives. But Erudio's also confirmed it would've used a pro rata annual figure if it'd been aware this was an annual bonus. Using the annualised bonus method to calculate Mr H's income, it falls just below the deferment threshold. Had Erudio taken Mr H's bonus as being paid annually, his deferment application would most likely have been approved. In my view, this would've been a fairer approach in Mr H's case.

I note Erudio says Mr H didn't make the nature of his bonus clear on the application. Whilst that may be the case, Erudio could've asked. And I think that would've been a fairer approach, especially given the consequences of the application being declined. Erudio could've contacted Mr H. I also think it's wrong to say Erudio had no indication of the frequency of bonus payments. Mr H's payslips show year to date earnings. And it's a simple process to review them and see he wasn't receiving quarterly bonuses. I'm satisfied there was sufficient information on file for Erudio to have sought to check with Mr H before moving to decline the deferment application. I think it's fair to note Mr H forwarded a copy of his P60 which shows his income for the period in question did fall below the deferment threshold. In my view, this adds weight to Mr H's argument that his loan was unfairly terminated.

Erudio has a policy whereby it can backdate a deferment by up to three months. So if Mr H's application had been approved in September 2021 it could've been backdated by three months, reducing the arrears figure. I haven't seen anything that shows why this wouldn't have been a fair option for Mr H. So I also intend to tell Erudio to backdate the deferment by three months.

The consequences of terminating the loan have been significant as Mr H is no longer able to defer or qualify for an age related write off. That doesn't feel like a fair resolution to Mr H's situation. Based on the information I've seen so far, I intend to uphold Mr H's complaint and tell Erudio to take steps to reinstate the loan, back date the deferment for 2021 and provide some guidance and support to Mr H.

I can see this issue has been ongoing for a long time and Mr H has told us how distressing it's been. I think Erudio unfairly terminated the loan agreement and caused an unreasonable

level of distress and inconvenience. So I also intend to tell Erudio to compensate Mr H for the trouble and upset caused by paying him £300.

I invited both parties to respond with any additional comments or points they wanted to make before I made my final decision. Mr H confirmed he had nothing further to add. We didn't hear back from Erudio.

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.

As neither party has provided new information, I seen no reason to change the conclusions I reached in my provisional decision. I still think Mr H's complaint should be upheld, for the same reasons.

Putting things right

To resolve Mr H's complaint Erudio should do the following:

- Reinststate Mr H's student loan accounts and rewind them to the position they were in prior to termination
- Retrospectively approve the deferment application as of 14 September 2021
- Backdate the deferment by three months and recalculate the arrears
- Within four weeks of acceptance, contact Mr H with a view to completing a deferment application for 2022
- Within four weeks of acceptance, contact Mr H with a view to discussing arrangements to clear the remaining arrears
- Pay Mr H £300 for the distress and inconvenience caused

My final decision

My decision is that I uphold Mr H'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 H to accept or reject my decision before 11 January 2023.

Marco Manente
Ombudsman