

The complaint

Mr S complains Erudio Student Loans Limited have asked him to repay a debt he doesn't have with them – making him feel harassed and bullied into making payments.

What happened

Mr S has a number of loans taken out with a company I'll refer to as S, but now managed by Erudio. The terms of these loans allow Mr S to ask for a deferment if he meets certain criteria – one of which is income and earnings below a certain amount. The deferment would mean Mr S doesn't need to make payments to the loans. But when this isn't in place, the loan repayments become due.

Mr S says he applied for a deferment in 2015, but it was incorrectly turned down. He's said following this, Erudio have contacted him to ask him to repay the debt which he doesn't think is fair as the issue of his deferment hasn't been resolved – he also says the debt isn't with Erudio, it's with S. He's said this contact has caused him to feel harassed and bullied. He's also unhappy Erudio defaulted the debt before he received an outcome to his concerns about the deferment with S.

Erudio said Mr S' loans are ones where the deferment is managed by S. They said S had explained why the deferment didn't apply, which did then mean the payments were due. Erudio said as a result of Mr S not making payments, they then defaulted the accounts. Erudio added Mr S was told on 17 May 2016 about S not agreeing the deferment – and the default wasn't applied until 30 July 2016. So, they couldn't agree he hadn't been told about S' decision before the default was registered. They also didn't agree they'd harassed or bullied him.

Unhappy with this Mr S asked us to look into things. One of our Investigators did so. He explained, in detail on several occasions, our service can't look into the actions of S. And, looking at Erudio's actions, he felt they'd acted fairly.

Mr S didn't agree with this. In summary, he said:

- There is still no explanation why Erudio defaulted the debt when no proper explanation for the lack of deferment had been given
- The loan administrators had made a serious error because the terms and conditions aren't clear

As Mr S didn't agree with the outcome the complaint's 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 think it's important to explain I can't look at the actions of S as they fall outside of our scope. That means I can't decide whether the deferment has or hasn't been dealt with

correctly – nor can I decide whether it's been communicated correctly or not. This also means I can't answer the questions in Mr S' most recent email – as this asks about how S processes data. Our Investigator has previously given Mr S alternative routes to pursue his concerns regarding S.

This means there are three issues regarding Erudio I can consider:

- Are they the legal owners of the debt
- Have they acted fairly in defaulting the debt
- Have they harassed or bullied Mr S in to making payments

Are Erudio the legal owners of the debt

It's common in lending such as loans for the provision to be included which says lenders can pass the debt on to another company.

Generally, a Notice of Assignment (NoA) would be sent at the time, confirming who the new owners were, and asking the individual to get in touch to make payment arrangements.

I've not been provided a copy of the NoA which I'd usually expect to see. But, I understand from the information provided the transfer took place in March 2014. So, given the timeframe I don't find it particularly unusual Erudio can't provide a copy of the information sent at the time – most financial businesses only keep records for six years.

With that in mind, I need to look at what I do have. Erudio have provided internal notes which reference letters, and different addresses for Mr S – this is in March and April 2014.

Erudio have been able to provide some letters issued in 2014 and 2015 regarding the debt. Specifically in November 2014 telling Mr S his deferment was coming to an end, February 2015 saying he was in arrears, and an annual statement from September 2015. All of these have been issued by Erudio.

On balance, although I don't have the NoA, I think it's likely it was issued at some point to Mr S. And, given what we know about the way these loans work, which again I can see our Investigator explained to Mr S, I'm satisfied Erudio are the legal owners of this debt.

That means they're entitled to ask for repayment of it and take other action the original lender may have – such as defaulting the account – if they think it's appropriate.

Have Erudio acted fairly in defaulting the debt

Mr S has said Erudio have acted unfairly in defaulting the debt because no proper explanation for not deferring it has been given.

I've seen copies of emails between Mr S and S regarding the deferment. In one email dated 29 April 2016 S explained they'd turned down the deferment correctly and wouldn't be changing this. This is following Mr S' comments to them they'd turned down the deferment incorrectly and his explanations about why he thought that.

As a reminder, I'm not deciding whether the deferment was turned down correctly. But it's relevant context in seeing whether Erudio acted fairly. At this point, I think it's reasonable for Erudio to think Mr S had raised his specific concerns with S, who didn't agree with them.

So, because of the deferment being turned down, the loan repayments become due. To avoid the default being applied, Mr S needed to make the required repayments to the loan – but I've seen no evidence he did that.

I have seen information suggesting Erudio wrote out to Mr S letting him know he was behind in his repayments. I've also seen Erudio knew he was disputing whether the deferment should or shouldn't have been in place. But, the key point here is S had told Mr S, on many occasions leading up to the default being applied in July 2016, the deferment had been turned down correctly.

As it was for S to make this decision, not Erudio, I think Erudio were entitled to rely on what S had decided. Effectively this was S' decision only. So, by S deciding the deferment didn't apply, Mr S had to make the required repayments. And, when he didn't then Erudio followed the correct process to apply a default to his account.

In case this is useful information for Mr S, defaults usually only last for six years and then drop off someone's credit file. Erudio have said the default date here is July 2016, so the default should have dropped off in July 2022.

Have Erudio harassed or bullied Mr S into making payments

Mr S has framed Erudio's contact in asking him to repay the debt as harassing and bullying because he doesn't think he has to repay it.

I can't decide if Mr S has been harassed, as that's a legal issue which if Mr S wants to pursue he'd need to take to court. But, in finding Erudio acted fairly in saying he does have to repay the debt, I can't reasonably say their requests asking him to do so is inappropriate or unfair. I've also not seen anything in the evidence I do have to suggest Erudio have written or said anything inappropriate to Mr S when asking him to repay the debt.

Summary

Overall, I'm satisfied Erudio are the legal owners of the debt, have fairly defaulted the debt, and haven't acted unfairly when asking him to make repayments towards it.

My final decision

For the reasons I've explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 5 April 2023.

Jon Pearce
Ombudsman