

The complaint

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

What happened

Miss B has three student loan accounts from the 90s, which were sold to Erudio in 2014.

Each year, Miss B successfully deferred her loans – until 2021. Miss B says in 2021 she sent her deferment with an update of her address by post, but Erudio say they didn't get it.

The deferment deadline passed. Aside from two deferment reminder texts sent some months before the deadline, Erudio only contacted Miss B by post, to her old address. They continued to write to it over the following months when they didn't hear back. They didn't try any other methods of communication, nor perform any checks or traces to see if the address they were using was up to date. Miss B didn't get their letters, and the account defaulted.

In 2022, Miss B found out what had happened and complained. She explained she hadn't got Erudio's letters. She provided copies of what she'd sent in 2021, including evidence she was below the income threshold for repaying her student loans. She also provided a deferment application for 2022, along with evidence she was still below the threshold.

Erudio said they hadn't got her letter at the time with her deferral and address change, and weren't responsible for the postal service losing post. They said Miss B hadn't updated her address online and hadn't contacted them to check the status or make any repayments, so they felt they were right to end the deferment period and later default the accounts. They offered Miss B £150 compensation for dealing with her poorly over the phone.

Our investigator looked into things independently and upheld the complaint. They thought Erudio had not made sufficient efforts to make sure Miss B was aware of what was going on before taking serious actions against her.

Erudio asked for an ombudsman to look at things afresh. They said they mainly correspond by post and that was their choice. They referred to other cases which hadn't been upheld. 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.

My role is to look at not just the letter of the law and regulations, but also what is good industry practice and what I consider to be fair and reasonable in the circumstances.

This case is quite finely balanced. On the one hand, Miss B has provided scans of contemporaneously dated documents which indicate she applied for deferral in time and updated her address. And while Erudio may not be responsible for the postal service losing post, neither is Miss B. With that said, I note that Miss B used an old form which had an old, now wrong address printed on it, so it's possible she may have sent it to that wrong address by mistake. I can't know for certain whether she sent her letter to the right place or not.

But even if I assume that Miss B made such a mistake, and that it wasn't a case of the postal service or Erudio misplacing the letter, it seems that both sides share some responsibility for what happened. Erudio didn't take any reasonable steps to make sure that they were writing to the most up-to-date address, or that Miss B had actually received their correspondence. Even when Erudio hadn't had any reply from Miss B in months and severe consequences were looming, they continued to send letters without checking things. Despite the fact that Miss B had kept her accounts updated for many years and this was most unusual, and despite the fact that they knew it was in their customer's best interests to fulfil her deferment or at least avoid a default, Erudio didn't pick up that something was likely wrong, nor do anything to mitigate the likely problem.

For example, Erudio could have run an address trace – which is a standard practice in the industry. Or they could have got in touch with Miss B directly by phone or email, which they had on file. It may well be that Erudio now prefer to send things by post, and there may not be a specific rule telling them to use another particular contact method. I'm not telling Erudio to change their processes across the board. But Erudio are required to treat customers fairly, and that will sometimes mean breaking from the normal process or doing things they're not technically compelled to do. I don't think that their actions here – or inactions – constitute good industry practice, nor a particularly reasonable approach to this situation.

Given the seriousness of the situation, it would've been much more reasonable for Erudio to check Miss B's address or try to speak with her directly in case their letters weren't getting through for any reason. After all, letters can simply get lost in the post, too.

But instead of making any reasonable efforts to check Miss B was actually aware of what was happening, Erudio instead moved quickly to default her. I don't think Erudio showed Miss B any reasonable consideration or forbearance. And a default doesn't seem fair when Miss B ultimately didn't receive the proper notice, was unaware it was coming, and didn't get the proper chance to avoid it.

I take Erudio's point that Miss B didn't receive confirmation her deferment had gone through, and she didn't get in touch after her letter to check in. But equally, there was an onus on Erudio to make sure Miss B got the proper updates and notices. It's also notable that in 2021, Erudio stopped sending their usual emails, so Miss B had reason to think they just weren't getting in touch as much anymore. And given that Miss B's deferments had been accepted every year for a long time, she didn't have a good reason to think she'd be rejected on the same circumstances. Again, it seems that both sides got things a bit wrong here.

The question, then, is what would've most likely happened had things gone right. Miss B has provided comprehensive evidence that she was below the income threshold in 2021 and 2022. Had she been made aware that her letter had not arrived, it seems most likely she would have provided the necessary evidence again for her continued deferment.

Since both sides share some responsibility for things going wrong, I think the fair way to resolve this is to put the accounts in the situation they'd be in had things gone right – i.e. to treat the accounts as if Miss B's 2021 and 2022 deferment applications were successful.

Another way to think about this is that a key tenet of these student loans is that Miss B would only make repayments once she had a certain amount of income. From what I can see, she is a single mother who's been well below the income threshold. I must consider whether it would be fair for Miss B to be made to repay her loans before she was really supposed to, and before she had the appropriate income to do so, because of a potential oversight on her part which may or may not have happened, compounded by Erudio's lack of reasonable care or forbearance. I don't think that's fair in these circumstances – I think it's much fairer to try to put things back to the way they should've been.

Erudio referred to two other cases, which they hadn't lost. Erudio should know that we look at each case on its own merits, and our decisions do not set a precedent in the way they may be implying. With that said, it may be worth noting that one of the cases they referred to involves a very different situation to this one, that the other has so far only had an informal opinion from an investigator and not an ombudsman's formal decision, and that Erudio have had other cases about this sort of issue upheld against them in the past.

Lastly, I've taken into account the poor customer service which Erudio gave Miss B, such as handling things badly on the phone and not getting back to her when they were supposed to. I think the £150 compensation they've offered is fair to put that right. I don't require them to pay any further compensation, since – as I noted above – I accept that Erudio were not solely responsible for things going wrong with Miss B's account.

Putting things right

I direct Erudio Student Loans Limited to put these loan accounts in the position they would've been in had Miss B's 2021 and 2022 deferment applications been successful.

That means reinstating each terminated loan. Or, if Erudio are no longer able to do so, then it means making arrangements so the account is treated as if it had been reinstated. This includes honouring the original terms and conditions and removing any related negative information from Miss B's credit file.

It also means backdating the 2021 and 2022 deferments, or otherwise making arrangements to treat the loans as having deferred in 2021 and 2022. And it means making arrangements such that Miss B can continue to apply for deferment for the upcoming 2023 to 2024 period, with a deadline starting from at least two months from the date of this final decision. I would advise Miss B to make sure that she has given Erudio her latest contact details, to make sure she applies within the deadline, and to look out for correspondence about the matter.

Lastly, Erudio should make sure that Miss B receives the £150 compensation they offered. So if their previous cheques are no longer valid, then they should reissue the payment.

My final decision

For the reasons I've explained, I uphold Miss B'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 B to accept or reject my decision before 28 June 2023.

Adam Charles
Ombudsman