

The complaint

Mr O complains that Erudio Student Loans Limited unfairly terminated his student loan.

What happened

Mr O had a student loan made up of various accounts, one of which was administered by Erudio. In 2018, the loan was subject to six months arrears before a deferment application was approved. A rollback for three months of arrears was applied by Erudio. From that point, the loan remained three months in arrears and Erudio sent Mr O regular Notices of Sums in Arrears.

Mr O continued to apply for deferment across all his loans via the Student Loans Company (SLC) each year. Last year, deferment period was due to come to an on 19 August 2022 but Erudio has explained it didn't receive notice that SLC had approved a new deferment. As a result, when the deferment period ended, payments became due on the Erudio loan.

Mr O has told us that he applied to SLC to complete a new deferment before the existing deferment ended on 19 August 2022 but the application wasn't received. Mr O's told us he wasn't aware there were no new deferment arrangements in place.

Erudio has explained that because Mr O's loan carried existing arrears of three months at the end of the deferment period in August 2022 it was quickly identified as being at risk of terminating. Erudio issued a Notice of Default to Mr O on 23 September 2022, when the loan was four months behind. Mr O has explained he didn't receive the Notice of Default Erudio sent him.

A Termination Letter was sent to Mr O on 22 October 2022 explaining the loan had been terminated and that the full balance of £4,550.97 was due within seven days. Mr O contacted Erudio and raised a complaint. Mr O went on to make another deferment application via SLC which was approved in November 2022. Mr O's explained that another business that administers other parts of his student loans agreed to backdate the deferment by three months. But Erudio refused on the basis Mr O's loan with it had already been terminated.

Erudio issued a final response but didn't agree it had acted unfairly or made a mistake. An investigator at this service looked at Mr O's complaint. They thought Erudio had followed the correct steps when terminating Mr O's loan and didn't uphold his complaint.

Mr O asked to appeal and said it was unfair that the failure of SLC to receive and process his initial deferment application had impacted the termination of his loan with Erudio. Mr O also said he first became aware of the status of his loan when he received the Termination Letter but by that time it was too late to do anything. Mr O said Erudio should've applied the arrears rollback to his loan account and reinstated it when the deferment application was approved by SLC in November 2022. As Mr O asked to appeal, his 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.

I'm aware I've summarised the events surrounding this complaint in less detail than the parties involved. No discourtesy is intended by my approach which reflects the informal nature of this service. I want to assure all parties I've read and considered everything on file. I'm satisfied I don't need to comment on every point raised to fairly reach my decision. And if I don't comment on something, it's not because I haven't considered it. It's because I've focused on what I think are the key issues. My approach is in line with the rules we operate under.

Mr O has raised questions concerning the existing arrears on his loan with Erudio. Erudio has explained that in 2018 six months of arrears built up before the next deferment period was approved. But when the new deferment application was approved, a roll back was applied reducing the arrears by three months. That meant Mr O's loan was three months in arrears from that point. Mr O's pointed out the terms don't require repayment of arrears whilst the loan is subject to deferment. Whilst that's the case, Erudio was obliged to send Mr O regular updates about the position of his loan. And I can see that regular Notices of Sums in Arrears have been sent to Mr O as required notifying him of the position of his loan and existing arrears.

I think it's fair to add that Erudio has provided a copy of a contact note following a call it had with Mr O in October 2021. It shows that on 29 October 2021 Mr O discussed the status of his account and the arrears position. I'm satisfied the phone note shows Mr O was aware that his loan was three months in arrears at that time and that a payment was required to bring it up to date.

Mr O's told us that he applied to SLC to defer his student loans in good time. But no deferment application was received and processed by SLC so Erudio wasn't told about a new deferment period. I understand Mr O thought he'd taken the necessary steps, but I've not seen anything that shows he the new deferment period was confirmed by SLC or Erudio before the end of the existing period. So I can't say Erudio acted unfairly when payments became due on the loan in August 2022.

Mr O's added that he didn't receive the Notice of Default from Erudio so wasn't aware of the status of his account. Like the investigator, I've checked the Notice of Default and can see it was correctly addressed, in line with the details we hold for Mr O. I'm satisfied the Notice of Default was sent to Mr O as claimed by Erudio and would've most likely been received.

In response to the investigator, Mr O's pointed out his deferment application was approved by SLC in November 2022 and that the other business that administers his student loans agreed to backdate arrears by three months. I take Mr O's point, but by the time SLC received and approved Mr O's deferment application his loan with Erudio had already been terminated. When the loan was terminated the terms ceased to apply which meant Mr O was no longer eligible to defer repayments.

I'm sorry to disappoint Mr O but I'm satisfied Erudio sent him regular notice of the arrears for the loan from 2018 and discussed the missed payments in October 2021. I haven't found anything that shows Erudio made a mistake or treated Mr O unfairly by taking the decision to terminate the loan when further arrears built from August 2022 and no deferment was confirmed by SLC. I'm very sorry to disappoint Mr O, but as I'm satisfied Erudio fairly terminated the student loan I'm not telling it to do anything else.

My final decision

My decision is that I don't uphold Mr O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 2 November 2023.

Marco Manente
Ombudsman