

## The complaint

Mr H complains that Erudio Student Loans (Erudio) unfairly defaulted and terminated his account while he was in the process of trying to defer it.

## What happened

I set out the background to this complaint and my initial findings in my provisional decision dated 28 November 2023 (below)

### *What happened*

*Mr H had a student loan account which comprised of three separate loans, he had successfully deferred payment on this account for many years. His most recent deferment ended on 14 August 2021. Monthly payments became due from this date onwards. A letter was issued to the address registered on the account confirming the deferment period had come to an end.*

*Further letters were sent to Mr H on 31 August 2021, confirming what the monthly payments would now be for each loan.*

*No payments were made towards the loans and on 16 September Erudio sent Mr H three Notice of Sums in Arrears (NOSIA) letters, one for each loan.*

*On 22 September 2021, Mr H began his application to defer his loan payments for another year. Mr H doesn't reside or work in the UK and the country in which he resides operates a different tax year to the UK – January to December. In his online application he sent his pre-submission tax assessment form, as he had done in previous years. Erudio wrote to Mr H, the next day, saying this was the incorrect information and requesting he supply the correct information. They sent reminders on 14 October 2021 and again on 3 November 2021, Mr H didn't respond.*

*On 23 November 2021, Erudio cancelled the deferment application and wrote to Mr H letting him know the deferment of the loan had expired and payments were now due. There was an email exchange between Mr H and Erudio on 25 November 2021 where Erudio ask Mr H to provide a copy of his 2020 tax return, they also explained he would need to submit a new deferment application as the previous one had expired. Mr H agreed to resend it over the weekend. Mr H says he thought he had done this but must have forgotten to as no new application was made. And as no payments had been made and there was no successful application for deferment Erudio terminated the account on 14 January 2022, meaning the balance on all three loans became due. They wrote to Mr H to let him know, they didn't get a response and so sent NOISA letters to him for all three accounts on 16 February 2022.*

*Mr H contacted Erudio on 21 February 2022 to explain that there had been some confusion with his application to defer. He said he hadn't received the letters Erudio had sent, as the address listed on his account is not where he lives but is his UK correspondence address. And that unfortunately due to covid the property had been*

*empty at the time these letters arrived, as the residents had been shielding elsewhere.*

*Erudio asked for some more information to consider reinstatement of the loans. But ultimately told Mr H that the account had been terminated and so couldn't be reinstated. Mr H complained as he felt the account had been terminated unfairly due to him not receiving the letters. He felt very strongly that Erudio could have emailed or called him to let him know what was happening, as he had been communicating with them by email and phone throughout the process.*

*Erudio didn't uphold Mr H's complaint they said they had fairly terminated the account. They said his deferment in previous years had been accepted automatically, with no manual review of the documents he'd submitted. They accepted there had been some confusion explaining what information they required and offered Mr H £50 to recognise this. Mr H remained unhappy and so brought his complaint to this service.*

*Our investigator upheld Mr H's complaint, in summary he said:*

*Erudio should have been able to tell from the tax documents Mr H submitted that the address listed on his account was not where he resided. And so should have done more to contact him. Had they done so Mr H would have acted urgently to prevent the account from being terminated. He asked Erudio to reinstate the account, process the deferment application and remove any adverse data from Mr H's credit file.*

*Mr H accepted the investigator's findings, but Erudio did not, they said it is Mr H's responsibility to provide correct address details. They explained the letters they sent, regarding arrears and termination are statutory ones that have to be sent by post, it is not their process to do this by email also. They also said that Mr H was on notice in November that his application to defer had expired and he hadn't submitted a new one with the relevant documents.*

*The matter has now been passed to me to decide.*

### ***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 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.*

*There is no dispute from either party that Mr H had started the deferment process in September. So, I think it's accepted that he always intended to defer the loans. Erudio have argued that Mr H was on notice in November 2021 that the deferment hadn't gone through, and he needed to submit a new application and information.*

*For the many years he has deferred, prior to this deferment application, Mr H has said to the best of his knowledge he has always submitted the pre submission form. This is because it's all that's available at that time of year, given the way the tax year runs where he resides. But even if that's not the case, Erudio has accepted, in its final response letter (FRL), it wasn't clear in explaining what information it needed*

from Mr H when it was communicating with him.

I've thought about Mr H's responsibility here to make sure he applies to defer in time. And normally I would say, Mr H forgetting to submit the second application is the cause of the account termination, but given what I've said above, I think even if Mr H had resubmitted his application to defer, he would have again included the incorrect information. I say this because, it was only made clear to him where he had gone wrong in Erudio's FRL, which was after the account had terminated.

So, I've gone on to consider what Mr H has said about his expectation that Erudio should have called or emailed him before terminating the account. Erudio have said they followed their internal process by sending letters and it was Mr H's responsibility to make sure the address on his account was up to date.

I agree it's Mr H's responsibility to keep his account details updated, but I've also thought about the circumstances in the wider context. Mr H has had his UK correspondence address on his account for many years. And it appears he has always, in the past, received correspondence without issue, so I can see why he was happy to leave the address as it was. The issue arose here because during the Covid-19 pandemic, the normal resident of that address was in a bubble and staying at a different address when the letters came. So, I accept Mr H wasn't aware of the letters Erudio had sent until much later, so couldn't act on them at the time.

While thinking about Mr H's point that Erudio could have contacted him by a different medium, I did some research. I looked at Erudio's website to see what its customer's can expect. And in the FAQ section of the site, under the heading "Default process" I found the following:

***"How many 'warnings' do I get before I default?"***

*Our UK-based customer support team will make reasonable attempts to contact customers who are in arrears. Where possible (depending on sufficient contact details being available), we will contact customers by way of written letter and telephone; as well as issuing at least one Notice of Sums in Arrears and a Notice of Default letter".*

Having looked at the evidence provided to this service by Erudio, I can see they had Mr H's correct telephone number. Therefore, I'm satisfied they had sufficient contact details, as described on their website, to be able to phone Mr H. So, I contacted Erudio to ask why they hadn't followed what their website FAQs said they would do. Erudio said this wasn't their process and the information on the website was incorrect. They have since changed their website to say all contact regarding a default will be sent by post and so it's important to keep your correspondence address up to date.

Based on the above, I think Mr H was right to expect that Erudio would contact him by another medium, if his account was about to default. And I think, the fact that Erudio have now changed the website to reflect that won't happen, shows they also accept that the FAQ's should be something consumers can rely on to be accurate.

As I've detailed above, in my opinion, even if Mr H had submitted a second application to defer, it's more likely than not, it still would have had the incorrect documents submitted with it. So, it's possible the deferment still wouldn't have been approved leaving him back in the same situation. I've also explained why I think him not receiving the letters Erudio sent, was due to an unusual set of circumstances

*brought about by the covid-19 pandemic and national lockdowns.*

*So, that leaves me to consider all the other elements that led to this point, including the confusion around the information Mr H needed to provide, Erudio's knowledge of his intention to defer, the FAQ statement that Erudio would contact him by phone and post. And having considered these points I think Erudio should have done more here:*

- They should have been clear on the information they wanted Mr H to provide, especially as he hadn't been asked for this in previous applications, that had been auto-approved.*
- They should have called him to let him know his account was about to default, as their FAQs said they would*

*Because of this, I'm satisfied in the particular circumstances of Mr H's case the fair and reasonable outcome here is to wind back the clock, by reinstating the loans and processing the deferment application. I've given more detail about this in the 'putting things right' section below.*

*I've thought about if compensation is due here, but I don't think it is as some of Mr H's actions contributed to the overall situation.*

## **Putting things right**

To put things right I'm intending to direct Erudio to:

- Reinstatement of Mr H's loans
- Upon receipt of the correct tax documents, process the deferment applications for the year 2021 and beyond if Mr H wants to continue to defer the accounts
- Remove any adverse data relating to the loans from Mr H's credit file

I invited both parties to let me have anything in response they thought was relevant.

Mr H didn't respond

Erudio responded, they didn't say they disagreed but in summary made the following points:

Although they had agreed in their final response letter to Mr H that information, they had given him was confusing, they felt they had cleared this up before the account had defaulted and that Mr H had acknowledged he'd sent in the incorrect tax documents in a follow up email.

They were concerned that what I had said in my provisional (below) suggested that the criteria had changed by Erudio. But it hadn't, the information needed had always been the same but the auto approval meant that the previous applications had not been reviewed by a handler.

*"They should have been clear on the information they wanted Mr H to provide, especially as he hadn't been asked for this in previous applications, that had been" auto-approved*

## **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've thought about the points Erudio has made but they don't change things for me, I'll explain.

Erudio accepted that it could have been clearer when it was asking for information from Mr H. Mr H had in previous years submitted a summary tax document when deferring his accounts. These had been auto approved – so not looked at by a handler. I accept that in these applications he was using the incorrect tax document, but he didn't know that as it had never been pointed out to him and he had never had problems when using it before.

Erudio didn't explain to him that he needed to submit the full tax return when trying to sort this out. They said he had sent in a tax document for the wrong year 2019, rather than 2020. Mr H responded to this saying that the 2019 document was attached to the application but that the 2020 document was included with the original email, but he would send it through again. It's accepted by all that he didn't send it. But even if he had, I still maintain he would have sent through the 2020 tax summary document again for the reasons explained above. So, while Erudio may feel they had cleared matters up I don't agree that it was clear to Mr H that he was using the wrong document.

It was not my intention to imply Erudio had changed the criteria it sets for deferment applications, and I don't think that's what I've done. Mr H had never been asked to provide the submitted tax documents in his previous applications – for the reasons already explained. And so, I think Erudio did need to spell out for him what was different about this application. But as Erudio have objected to what's been said and for the sake of clarity, I do not think Erudio changed the criteria for deferment applications.

Hopefully my explanations have been helpful for Erudio.

## **Putting things right**

To put things right I'm intending to direct Erudio to:

- Reinstate Mr H's loans
- Upon receipt of the correct tax documents, process the deferment applications for the year 2021 and beyond if Mr H wants to continue to defer the accounts
- Remove any adverse data relating to the loans from Mr H's credit file

## **My final decision**

For the reasons set out above, I uphold this complaint and I require Erudio Student Loans Limited to carry out the actions as set out under the 'Putting things right' section of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 15 January 2024.

Amber Mortimer  
**Ombudsman**