

The complaint

Ms P complains Link Financial Outsourcing Limited trading as Honours Student Loans (HSL) didn't cancel her student loans when she expected them to.

What happened

Between 1996 and 1998 Ms P took out three student loans with the Student Loans Company (SLC). She says she deferred her loan repayments for every year until 2023 when she started to earn above the threshold for repayment of them.

These loans had an age-related cancellation – they'd either be cancelled after 25 years, or when the consumer had reached the age of 50. Ms P says the last loan was taken out in October 1998, so she was expecting the loan to be cancelled in October 2023. Or, if not then, when she reached the age of 50 later on.

One of Ms P's loans was sold to another company, who I'll refer to as E – the remaining two loans stayed with HSL.

E cancelled the loan they held with Ms P in October 2023, but HSL didn't. They continued to ask for payment. Ms P complained about this.

HSL replied to Ms P's complaint, they said Ms P applied for the last loan on 29 April 1999 – so it wouldn't be eligible for cancellation until April 2024 under the 25 year cancellation criteria. In respect of E cancelling her loan, HSL said they're a different company and it's not something they can answer as to why E did this.

HSL added as Ms P was out of deferment, and no payments were being made, she was in breach of contract and asked her to return her deferment form – or continue making payments. Overall, they didn't uphold her complaint.

Unhappy with this Ms P asked us to look into things, saying she'd spoken to SLC who told her they had no record of her taking out a loan in April 1999. Ms P also let us know she'd cancelled her payment towards the loans in October 2023, and hadn't resumed payment despite HSL's requests – as she didn't think she owed them anything.

One of our Investigators considered things, and overall felt HSL hadn't done anything wrong, so didn't uphold the complaint. Our Investigator did though find out Ms P's last payment made to her (not when her last loan was taken) was 29 April 1999 – which is why HSL were using this date.

Ms P didn't accept this, asking if this had been checked with E and SLC, or were we just taking HSL's word for it. As Ms P didn't agree, 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.

Based on the information I have, Ms P's two student loans with HSL worked on a deferment unless you earn above a certain threshold basis. This meant until Ms P earned a certain amount of money each year, she could defer. Once in a deferment, this meant Ms P wasn't required to make any payments.

Ms P has said she deferred every year, until February 2023 when she began to earn above the threshold for deferment. As a consequence, she began making payments towards her student loans as she was required to. HSL say Ms P didn't start making payments until April 2023 – so she was already two months in arrears when she started.

Ms P's understanding of when these loans would be cancelled was October 2023 – because she believed her last loan was taken out in October 1998 and she'd then qualify for cancellation due to having the loans for 25 years.

Ms P spoke to E, who did end up cancelling her loan with them – but HSL didn't. And while I understand Ms P's genuine belief she didn't owe the money on the loans anymore, HSL say she does owe this money. So, I need to decide who is right.

HSL's original explanation to Ms P, and our service, is that the loans were taken out in April 1999 – which is why the 25 year period wasn't up until April 2024.

But, they've since given a different explanation – that is the April 1999 date is the date Ms P was last paid any money from a loan (rather than just taking it out). So, it'd seem what HSL are saying now is Ms P took out a loan at some point 'before' April 1999, but took the last payment from the loan in April 1999. And, as a consequence, the 25-year time period starts from that point.

I think this distinction could have been helpful in Ms P's understanding of what's gone on. But I don't think this has impacted the overall outcome of the case.

HSL told Ms P that she had to continue making payments past October 2023. I've arranged for our service to check with SLC, and they've confirmed her 25-year age related cancellation didn't begin until April 2024.

So, I find HSL were right to ask Ms P to make the repayments past October 2023. And although Ms P was given the wrong information by HSL initially, I think E telling her she was eligible for an age-related cancellation on her other loan would have meant she felt HSL were wrong even if they'd given her the right information.

I completely understand why Ms P is concerned about HSL and E coming up with different answers to what is essentially the same issue. I arranged for us to ask HSL and SLC this. Both of whom said they can't confirm the situation, but it's possible E uses a different method to calculate the 25-year age related cancellation date.

Whether that's true or not I can't say – if it is, then Ms P has benefitted on her loan with E.

But, as my focus is on her case with HSL, all I can say is they have legitimately asked her to repay the debt, and unfortunately she didn't.

Our service discussed options with HSL, to see if Ms P could potentially pay back a smaller portion of the arrears to then have the loan written off – but HSL weren't agreeable to that.

This leaves me with only formally deciding what I think is a fair and reasonable outcome. And that is HSL haven't done anything wrong so I've no grounds on which to require them to write off the loan or accept a reduced amount so Ms P can take advantage of one of the cancellation terms.

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 Ms P to accept or reject my decision before 1 April 2025.

Jon Pearce
Ombudsman