

The complaint

Mr M complains Link Financial Outsourcing Limited trading as Honours Student Loans (HSL) terminated his student loans unfairly.

What happened

Mr M had two student loans with HSL which they terminated following a deferment application. The loans were originally provided by the Student Loans Company (SLC) and Mr M has been able to apply for deferment of the repayments of the loans each year if he met certain criteria. If he successfully deferred, then he didn't have to make any loan repayments, if he didn't successfully defer, then the loan repayments became due. And if the loan repayments weren't made, the loans would be in arrears. These accounts could be eligible for an age-related cancellation – but various reasons could stop that – including outstanding arrears.

Mr M's account, along with others, was sold to HSL to administer – with SLC retaining responsibility for the deferment process each year.

Mr M says HSL terminated his loans shortly after submitting his latest deferment which is unfair because they didn't give him a deadline to work towards. Mr M asked HSL to work with him towards a solution, but says they've rejected this despite his mental health condition which makes it difficult for him to focus and organise. Mr M says HSL should have given him a specific deadline.

HSL said they didn't have to give Mr M a specific deadline because there were outstanding arrears for over 24 months – and as he'd not maintained his agreement his loans were at risk of termination. The loans were then terminated on 23 May 2024. They received his deferment application on 29 May 2024, but as the accounts had already terminated his deferment couldn't be processed. Overall, they didn't think they'd done anything wrong.

Unhappy with this Mr M asked us to look into things. One of our Investigators did so, and found HSL had treated Mr M fairly, so didn't think they needed to do anything further.

Mr M didn't accept this, saying in particular it was important that after he'd told HSL about his mental health condition that they should have helped him and haven't. Mr M also raised concerns about HSL's communication.

Our Investigator explained Mr M's concerns about communication needed to be addressed in a separate complaint – but otherwise as he couldn't resolve Mr M's concerns arranged for the complaint to be passed over 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've considered all of the information provided by both parties in reaching my decision. If I've not reflected or answered something that's been said it's not

because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is.

Our Investigator confirmed with Mr M his concerns are (in my own words) as follows:

- HSL terminated his student loan accounts without any notice
- HSL terminated the loan accounts immediately after they received his deferment application form and evidence
- HSL are now asking for the full balance of the loans to be repaid, when they should be cancelled due to their age
- HSL aren't taking into account his mental health condition which compromises his ability to focus and organise tasks – and have refused to consider this after terminating his accounts.

I'll address each point in order. And I think it'll help to explain my role is to consider if I think HSL have done anything wrong.

HSL terminated his student loan accounts without any notice

Mr M says HSL didn't tell him they would be terminating his account. He's specifically thinks HSL had to give him a date by which he needs to pay off the arrears, and says HSL didn't do that.

HSL say they didn't have to give Mr M a date. They'd sent him enough documents and their email of 9 May 2024 made it clear they could terminate the accounts at this point. HSL have also pointed to The Education (Student Loans) Regulations 1998 Schedule 2, Part 1 in support of this.

To decide this, I've first looked at the law HSL have quoted. They've specifically quoted paragraphs 4, 5, 9, 10 and 11.

Having read these, they essentially relate to Mr M's requirement to pay the loan unless he can defer. And it explains the deferment process. So, I don't think the paragraphs they've quoted are overly relevant to Mr M's complaint.

But, I think Paragraph 15 is relevant and it says:

If the borrower does not make a repayment under the agreement when it is due, the lender may ask him to repay the loan in full immediately. The lender may do this even if the borrower's obligation to make other repayments is currently deferred.

Our Investigator listed out all of the communication – and explained Mr M was in arrears leading up to the period of May 2024 – so I won't repeat all of that.

But, what I think this means is because Mr M had existing arrears, HSL were essentially entitled to terminate the loans and ask for full repayment of them at any point. Mr M had been told about the arrears on multiple occasions but hadn't made any plans with HSL to clear them. And although Mr M says he wasn't given any notice, I can't agree with that. The relevant part of the email of 9 May 2024 said:

Please note throughout the duration of your loan term there were outstanding arrears for at least 24 months, as you have not maintained your agreement, your loan is at risk of termination, if your loan is terminated before your deferment is granted, you will lose (sic) the right to future deferment and payment of the full balance will become due.

Because of this, I can't agree HSL terminated Mr M's loans without notice. And I've not been able to find anywhere they had to give him a specific date before terminating his accounts. So, I don't uphold this part of his complaint.

HSL terminated the loan accounts immediately after they received his deferment application form and evidence

I can see why it would look like this to Mr M. He was in the process of asking for a deferment, and had sent documents in to SLC (I believe) on 29 May 2024 – but afterwards received HSL's notification dated 23 May 2024 that they'd terminated his account.

In line with Paragraph 15 of The Education (Student Loans) Regulations 1998 Schedule 2, Part 1, I can't say HSL have done anything wrong. I say that because Mr M was in arrears, hadn't made any effort to repay them, so it was open to HSL to terminate his loans. Because of that, I don't uphold this part of his complaint.

HSL are now asking for the full balance of the loans to be repaid, when they should be cancelled due to their age

Mr M is concerned HSL now want full repayment of the loans when they should be cancelled.

HSL say the age-related cancellation isn't available anymore, because the loans have been terminated. And they're not expecting Mr M to repay the full balance immediately, they're happy to work with him to put together an affordable payment plan.

The age-related cancellation is a feature of the loans Mr M had. But, to be eligible, he couldn't have any arrears outstanding – which he did at the time of termination. So, regarding the age-related cancellation, I'm satisfied HSL are correct in saying Mr M's loans are no longer eligible for this.

And HSL have offered to work with Mr M to come to a repayment plan which is as I'd expect. So, I don't uphold this element of his complaint.

HSL aren't taking into account his mental health condition which compromises his ability to focus and organise tasks – and have refused to consider this after terminating his accounts.

Mr M says HSL aren't treating him fairly by not taking into account his mental health condition. He says they've exploited someone with a known disability.

In his response to our Investigator's outcome, Mr M has talked in detail about his mental health condition. I thank him for doing so, as I can see from what he's said it's not something he finds easy to do. The more information our service has, the better chance we've got of fully taking into account what's happened and ensuring we reach a fair outcome.

I'll first address what HSL knew before the termination of the account. Mr M has told us he didn't tell HSL about his condition or how it affects him. With that in mind, I can't say HSL could or should have adapted any of their communications or actions – as they can only do so if they know they need to.

Mr M goes on to ask why, when HSL were then told about his mental health condition, didn't they reverse their actions to terminate his loans.

As a reminder to Mr M, I'm required to decide if I think HSL have done anything wrong. Mr M has said HSL have, by not reversing their decision, treated him unfairly.

I can't agree with that. I think HSL treated Mr M the same way I'd expect them to treat all of their customers. They didn't do anything wrong in terminating the loans as I've said above – so I can't really say it'd be fair for them to reverse a correctly and fairly made decision due to information they didn't know about beforehand.

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 M to accept or reject my decision before 21 October 2025.

Jon Pearce
Ombudsman