

The complaint

Mr M complains that HSL have unfairly refused to cancel his student loans despite him having met the threshold for them to do so.

What happened

I set out the background to this complaint and my initial findings in my provisional decision dated 1 August 2025 (below).

The complaint

Mr M complains that HSL have unfairly refused to cancel his student loans despite him having met the threshold for them to do so.

What happened

Mr M took out three student loans the start dates of the first two loans were 16 November 1996 (loan 1), 19 January 1998 (loan 2). The start date of the third loan (loan 3) is in dispute – Mr M believes it was taken in 1998. HSL say it was taken in May 1999.

The loans were sold by the government a number of years ago and are now administered by two different companies. In Mr M's case loans 1 and 2 are administered by HSL and loan 3 is administered by a firm I'll refer to as E.

There is also a firm I'll refer to as S that is relevant to this complaint as they hold all the data about when the loans were taken and are responsible for the lending decisions that were made at the time, and for deferment decisions. They also inform HSL and E if there are arrears on linked accounts that are administered by the alternative firm.

Loans 1 and 2 had been deferred and the deferment was due to end in August 2023. Mr M believed that at the end of the deferred period the loans would be cancelled in line with the terms and conditions of the loans as they had been outstanding for 25 years.

The current regulation for cancellation of these loans says:

The Lender will cancel the borrower's liability to repay the loan if the borrower –

(a) Dies.

(b) Is not behind on any repayments under any agreement for a student loan and –

i. Was under the age of 40 when his last agreement for a student loan was made and he reaches the age of 50 or when the last agreement for a student loan has been outstanding for not less than 25 years whichever is the sooner, or

ii. Was aged 40 or older when his last agreement for a student loan was made and he reaches the age of 60, or

(c) If the borrower can show the lender that he gets a disability related benefit and because of his disability he is permanently unfit for work

HSL said the loans couldn't be cancelled as loan 3 hadn't yet been outstanding for 25 years and so the conditions outlined above hadn't been met. They said his loans wouldn't be eligible for cancellation until the 25th anniversary of loan 3 which would be in May 2024.

Mr M disputed the date of loan 3 and complained to HSL about this, he asked to see a copy of the loan agreement to prove that it had been taken out when HSL said it had. HSL explained that loan 3 was managed by E and so they didn't have access to the documentation around this loan but referred him to speak to E about it. They also explained that Mr M would need to make his monthly payment towards the loans in the meantime or apply for a deferment.

Mr M didn't agree that he should have to go to other parties to get the information. He argued that as HSL were the ones relying on that information to be able to keep the loans active, they should ask E or S for the copy of the agreement and resolve the matter. As Mr M didn't make any payments towards loans 1 and 2 or apply for a deferment arrears began to accrue on the account.

As the accounts had accrued arrears, they were no longer eligible for cancellation in May 2024.

Mr M brought his complaint to this service. Our investigator didn't uphold his complaint in summary they said they said that they didn't think HSL had acted unfairly in directing Mr M to E to obtain the credit agreement for loan 3. And that Mr M could have mitigated his circumstances by applying for a deferment as he had done in the past to stop the arrears accruing in the meantime.

Mr M didn't agree and so the matter has 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 think it's important to firstly explain I've read and taken into account all of the information provided by both parties, in reaching my decision. If I've not reflected something that's been said in this decision 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

Mr M says he took out loan 3 in 1998 and HSL say S has provided them with a screenshot showing it was May 1999. E has also told this service that the loan began in May 1999. But I don't actually think it matters here when the loan was taken out, as E have also confirmed to us that loan 3 was paid off in October 2018 so I don't believe the start date is relevant here. I'll explain why.

The rules allow for the loans to be cancelled if the terms quoted above are met. In Mr M's case he was under the age of 40 when he took all of the loans and at the stage he thought the loans should be cancelled in August 2023 there were no arrears on any of the accounts. So, he met that part of the criteria at the time.

The next test is - when he either reaches 50 or when the last agreement for a student loan has been outstanding for not less than 25 years whichever is the sooner. In this case the last

loan – loan 3 had been cleared in 2018 so it could never reach the point that it was outstanding for 25 years.

Given this I've gone on to think about the intention of the criteria here, and I think it is there to make sure 'young loans' aren't cancelled because of age – so all outstanding monies owed need to be outstanding for at least 25 years before a cancellation can take place. I don't think the intention of the criteria is to exclude earlier loans from being cancelled just because later ones have been paid in full.

So, when this is the case I think the last loan becomes the last outstanding loan. Based on this I'm persuaded that HSL should have treated loan 2 as the last loan and considered Mr M's loans for cancellation when his deferment ended in August 2023.

I do understand that HSL aren't party to all of the information for loan 3 as it is administered by E, but I think they could have communicated with S to get more information for Mr M to help him and had they done so they would have realised loan 3 had already been paid in full, and could have followed the approach above. Had they done this, given the criteria above I believe Mr M's loans would have been cancelled and arrears would not have begun to accrue on them.

Having said that I do think that Mr M could have mitigated his circumstances by applying for a deferment as HSL advised him to. Had he done so and it had this been accepted, it would also have stopped arrears accruing and would have given him the space to dispute what was happening. And even in the event his dispute wasn't upheld, by the time the deferment had come to an end again the date HSL said his loans would be considered for cancellation would have passed and so he wouldn't have had to go through all the worry and stress he has said this has caused him.

Putting things right

To put things right here I think HSL should rewind the clock back and cancel Mr M's loans as they would have done if they had taken the approach I have outlined above.

I have considered if HSL should pay Mr M compensation here, but I don't think they need to. I say this because as I have highlighted above Mr M could have mitigated his stress and worry by taking action to defer the loans as he had done in the past.

My provisional decision

For the reasons set out above, I am intending to uphold this complaint and will require Link Financial Outsourcing Limited trading as Honours Student Loans to put things right as described above.

I invited both parties to share any further comments or arguments with me.

Mr M replied accepting my findings.

HSL also replied, they didn't accept my findings, they argued the current regulation doesn't refer to monies owed needing to be outstanding before a cancellation, but that the last borrowing being outstanding.

They also as part of their write off process they have to communicate with S, where there is a linked loan with another administrator – in this case E. When they do this S confirm the last date of borrowing but do not provide the outstanding balance as it isn't taken into account for the cancellation decision.

They said they do not have the authority to cancel loans that don't meet the criteria.

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 carefully about what HSL have said but I'm not persuaded their arguments make any difference here, I'll explain why.

It is not in dispute that the current regulation states all or part of the last borrowing has been outstanding for at least twenty-five years. HSL argue this doesn't mean the money has to be owing on that borrowing. But I disagree, I explained what I thought the intention of the criteria was in my provisional findings, so I won't repeat it here in full. But to summarise I think the intention here is exactly that there has to be an outstanding balance on the last borrowing for it to count – this is because the key word here is outstanding. The Oxford dictionary defines the word outstanding to mean *not yet paid, resolved or dealt with*. As such, if borrowing has been paid in full, it cannot, by definition, still be outstanding.

Loan 3 was paid in full in October 2018, so it can never reach the point of all or part of it being outstanding for 25 years. And so, it's fair and reasonable that in these circumstances loan 2 should have been treated as the last borrowing and that had reached 25 years in age and should have been considered for cancellation when the deferment ended in August 2023.

I do understand what HSL have said about them not receiving information from S about the balance but as I said in my provisional findings, when Mr M began disputing the date the loans were due for cancellation, I think they could have contacted S for more information about loan 3. And this would have highlighted that it had been settled already for a number of years.

As such I'm not persuaded to depart from my provisional findings.

Putting things right

To put things right here I think HSL should rewind the clock and reinstate loans 1 and 2 and then cancel Mr M's loans as they would have done if they had taken the approach I have outlined above.

My final decision

For the reasons set out above, my final decision is that I uphold this complaint and will require Link Financial Outsourcing Limited trading as Honours Student Loans to put things right as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 3 October 2025.

Amber Mortimer
Ombudsman