

complaint

Mr E complains that Erudio Student Loans Limited repeatedly failed to close his loan account after he had settled the loan in full, and chased him for arrears that were not owed.

background

In 2014 Mr E asked Erudio how much he needed to pay to fully settle his student loans. He was told two different settlement figures. He paid the higher figure, but it was wrong – the lower figure was the correct one. So Erudio apologised and refunded the overpayment. It also paid him £25 as compensation. It told him that his account was fully settled and had been closed. (This complaint is not about that issue.)

However, in September 2015 Erudio sent Mr E an annual statement for his loan account. It said the account was still open, and he owed an amount of money equal to the refund he'd received the year before. He complained (I'll call this "the first complaint"). Erudio apologised and told him his account was now closed.

Six months later, in March 2016, Erudio sent Mr E a letter saying his account was in arrears. He complained (the second complaint), and Erudio apologised and told him that this time it really had closed his account.

Six months later, in September 2016, Mr E received another annual statement. It said he owed the refund, plus a few pennies in interest. In response to his third complaint about this problem, Erudio apologised and paid him £100. It insisted that this time his account definitely had been closed. But by now, Mr E had lost confidence in Erudio. He complained to our service.

Erudio promised that Mr E would receive no more statements or arrears letters. It said the account had been closed with a small residual balance, which it had written off. It provided screenshots of its record of the loan account to show that there were no arrears outstanding. It said the account was now "marked as inactive." It said the account had never been reported to a credit reference agency, so Mr E's credit file had not been affected. And it wrote to him again to apologise and to assure him that he would receive no further correspondence.

Our adjudicator upheld this complaint. She thought that Erudio should increase its compensation to £200. Erudio did not agree, so this complaint has been passed to me for an ombudsman's decision.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

On one hand, I can understand the reasons why Erudio says that £100 is enough to resolve this matter. Every time Mr E complained, Erudio quickly realised it had made an error. It never insisted that he did have to pay the money it had asked him for. And his credit file was not affected. So there has been no financial impact on Mr E – just the inconvenience of having to challenge Erudio. And the amount of money Erudio asked him for was small – less than £35 – so I don't think this would have been a terribly stressful situation.

On the other hand, I do think it is quite ridiculous how many times this problem recurred. Closing an account should be a simple and straightforward matter. The problem shouldn't have happened the first time, but for it to happen two more times is inexplicable. Erudio's customers should be able to rely on what Erudio tells them. But it explicitly told Mr E three times that his account was closed, and three times it was wrong. And it repeatedly pursued him for a debt it didn't owe. Mr E says he felt "hounded," and that Erudio's behaviour borders on harassment.

I can't punish Erudio for what it's done – I can only tell it to pay fair compensation for the trouble it has put him to. But I take into account Mr E's description of how this made him feel, and the fact that it happened three times at six-month intervals, after he had complained about it twice.

I also think it is regrettable that in correspondence with our adjudicator, Erudio denied that the account had been settled in full. It said there was still a small residual balance on the account, but it was not going to pursue it. The screenshot it sent us shows that the balance has been written off. And Erudio referred to the final response letter it had sent Mr E in 2014 (about the original complaint), which, it said, "confirms the customer paid a settlement figure and not the full amount for the account."

I've read the 2014 letter, and I don't agree with Erudio's interpretation of it. (It's too long to quote it all here, but the following clause is consistent with the rest of the letter. The emphasis is my own.) It says: "You accepted [the higher settlement figure] and made a debit card payment for [the higher figure] *to fully repay your loan.*" So I think it makes it clear that Mr E had paid off the loan in full.

I am reinforced in that conclusion by two other matters. Firstly, the September 2016 final response letter summarises Mr E's complaint as follows: "You are unhappy you have received an Annual Statement as you were previously advised your account was closed as you had paid the account *in full.*" (My emphasis.) Mr E's understanding is not contradicted or corrected by Erudio in its letter. If he had only part settled the complaint, I think Erudio would have said so in both letters, or at least in one of them.

Secondly, the residual balance on Mr E's account is only a few pence more than the overpayment which was refunded in 2014. It would be higher than that if he had only part settled the debt and Erudio had agreed to write off the rest. And I don't think it's likely that he would have part settled the debt if he could have fully settled it by paying less than £35 more. So I'm sure that the residual balance only exists because the refund in 2014 was incorrectly recorded on his account. The March 2016 final response letter says in terms that that is where that balance came from.

The residual balance shouldn't be there – the account balance should be zero. And I note that the account *still* hasn't been closed, just "marked as inactive," which isn't quite the same thing.

There are no *arrears* outstanding, further correspondence has been suppressed, and the account does not appear on Mr E's credit file, so it makes no practical difference to Mr E. But I do think this adds insult to injury. In Mr E's own words: "I paid them the amount I owed fair and square. They're not doing me a favour by not chasing me for it!" I agree with him, and I think this merits some additional compensation.

Taking into account everything that has happened, I think that £200 would be fair compensation for Erudio's errors since 2015. £100 of that has been paid to him already.

Although I have said I don't think it will make any practical difference whether Mr E's account is closed or is allowed to remain as it is, I do think that it would give him additional peace of mind if it was completely closed. So I will require Erudio to do that.

my final decision

So my decision is that I uphold this complaint. I order Erudio Student Loans Limited to:

- Pay Mr E £100, in addition to the £100 it has already paid him.
- Reduce the residual balance on his account to zero and close the account.
- Not to ask him for money again, or send him any more account statements, other than a closing statement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 9 February 2017.

Richard Wood
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