

complaint

Mr T complains that Erudio Student Loans Limited failed to warn him that arrears were accruing on his account and refused his request to remove the arrears.

background

Mr T had three student loans with the Student Loan Company ("SLC"). In early 2014 Erudio took over these loans, although the responsibility for processing applications to defer repayment remained with SLC. Later that year Mr T moved house. He insists that he phoned both companies and told them his new address. He also says he set up a mail redirection service with the post office.

Early in 2015 Mr T began a new job, and his income meant that he was no longer eligible to defer repayment. He expected to receive a letter from SLC asking him whether he wanted to defer his loans or begin to repay them, but the letter was sent to his old address and he didn't receive it. He didn't apply to defer repayment, and didn't begin to repay either, and so the account fell into arrears. The arrears letters were sent to his old address until November 2015, which is when he first became aware of the arrears. There is a dispute about exactly what happened next, but in March 2016 his account was defaulted.

Mr T complained to Erudio. Erudio did not agree that it had done anything wrong, but as a gesture of good will it offered to reinstate his contract, as its process to terminate his contract had not yet been completed. This offer was conditional on him making the contractual monthly repayments on his loans, and agreeing to a repayment plan for the arrears. Mr T did not accept that offer, as he did not believe that he should be liable for any arrears. He complained to our service.

Our adjudicator did not uphold this complaint. She thought that Mr T should have done more to manage his account. So she said that Erudio's offer (which remains open) was reasonable, and that it didn't need to do more. Mr T asked 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. Having done so, I agree with our adjudicator's decision, and for broadly the same reasons.

I've seen Erudio's contact notes for Mr T's account. There is no record of the phone call he says he made to tell it he had moved. There's no explanation of why, if he had set up a mail redirection, he didn't receive the letter which was sent to his old address in February 2015 to tell him that his deferment period was coming to an end. So I don't think there is enough evidence to hold Erudio responsible for the fact that he didn't receive the letter.

Mr T was expecting that letter, because he had been sent it every year since he graduated. He knew that his loan repayment had been deferred for one year, which was due to expire in April 2015. But when the letter didn't arrive, he did nothing. He says the first time he contacted Erudio was in November 2015, seven months after his deferment period had expired. By then his account was in arrears by seven months. That's not Erudio's fault, and so I can think of no reason why Erudio should write them off.

When Mr T phoned Erudio in November he made a credit card payment of £50. That wasn't enough to clear the arrears. He says Erudio told him it would post him a form with which to begin his repayments, but it didn't arrive, even after he phoned Erudio once again to chase it. But the system notes say that the form was emailed to him.

Mr T says the next contact he had from Erudio was the termination letter in March 2016. I've seen the default notice Erudio sent to Mr T in February 2016. It's addressed correctly. If Mr T didn't receive it, that's likely to be because it was lost in the post, and I can't hold Erudio responsible for that.

I can't see any record of the phone call Mr T says he made to chase the repayment form. But I've listened to the phone call he made in March when he received the termination letter. He told Erudio that he hadn't been aware of the arrears until then, and that he thought he had set up a direct debit to pay £50 a month. The call handler told him that he hadn't provided his bank account number and sort code, which would have been needed to set up a direct debit. And she said that even if he had been paying £50 a month, that wouldn't have covered his arrears, or his contractual minimum payments. I think that would have been made clear to him in November. I don't accept that he didn't know about the arrears in November – he called Erudio because he'd received a letter about his arrears.

In the March phone call Mr T said that the person he'd spoken to in November hadn't clearly explained Erudio's process, or what he needed to do, and he hadn't heard anything since then. Since I haven't got a recording or a detailed note of that call, I'll give him the benefit of the doubt and assume that the November call handler didn't explain everything properly. But I think it would still have been clear to Mr T at the time that his arrears were more than £50, and that his contractual payments would have been more than £50 a month. It therefore should have been obvious that his arrears would continue to build up while he didn't make any more payments (or only paid £50 a month).

Mr T said that part of his confusion arose from the fact that the loan kept changing hands. But it has only changed hands once, from SLC to Erudio in 2014, which he knew about at the time. It didn't change hands again.

The termination letter was sent 11 months after the expiry of Mr T's last deferment period. He knew when that deferment ended. Other than one token payment, he took no action to begin making payments until he received the termination letter. I can't see that Erudio is responsible for that, or that it has done anything wrong. So I don't think there is sufficient reason for me to say it should write off the arrears. And Erudio has still offered to reverse the termination, reinstate the contract, accept monthly repayments of the debt, and agree a repayment plan for the arrears. I agree that that is fair.

my final decision

My decision is that the offer made by Erudio Student Loans Limited in its final response letter (which I understand still remains open) is fair, and I don't require it to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 1 March 2017.

Richard Wood
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