

## **complaint**

Mr M complains that Erudio Student Loans Limited has defaulted two of his student loans.

## **background**

Mr M said that he'd had many years of deferment of his student loans, without any problems. He said that he met the eligibility criteria for deferment, because of his low income. But he said that now Erudio was refusing to backdate his deferment date, and stated that he hadn't been responding to letters, even though he'd been in regular contact with it.

Mr M said that he'd told Erudio he'd done his deferment application, and it had led him to believe that once the application was done, then his account would be up to date, and it wouldn't be defaulted. But he said that it was defaulted, and now he was facing debt recovery action.

Mr M said that he wanted his loans reinstated, and deferment accepted. He wanted Erudio to remove any arrears from his loans, and any adverse information from his credit file. And he wanted it to apologise.

Mr M has sent us documents, presumably obtained through a freedom of information request, which set out that the consortium now managing student loans proposed to take a more robust approach to deferment. This document states that the consortium will request more detailed evidence for deferments, and will test that evidence more robustly.

Mr M has told us that he started his course in 1995. The two student loans that Erudio now manages were taken out in 1998 and 1999. The loans were sold to Erudio in March 2014. The loans were deferred then, Erudio said that Mr M would be contacted before the deferment period ended.

Mr M said that his deferment application was put in 17 August 2018. But he told us that a that notice of default was issued on 22 August and a termination letter 21 September. Mr M indicated that his deferment had then been granted.

Erudio said that it had bought two of Mr M's loans. He was still supposed to apply for a deferment through the original body that used to administer the loans, and that body would tell Erudio whether the deferment was successful or not.

Erudio said that Mr M's existing deferment ended on 19 June 2018. A deferment application form had been issued to Mr M eight weeks before this by the original body that used to administer the loans. Mr M's was therefore due to make a payment on 20 June 2018. But Erudio said Mr M didn't pay, so he started to accrue arrears on the account.

Erudio said that Mr M had rung on 17 August, to say that he was going to email back the deferment form to it. Erudio told him then that he needed to send that form to the original body that used to administer the loans. Mr M asked how long this would take to process, and Erudio said it didn't know, but a hold would be put on the account to give him time to send this in.

Erudio said that it had then told Mr M that if further arrears accrued, that this would lead to his account terminating, and Erudio said that Mr M had agreed to this. He was also advised

about the rollback of arrears once deferment was accepted. Erudio said it had never told Mr M that a hold on his account would stop a termination of his loan.

Erudio said that the original body that used to administer the loans had confirmed that Mr M's deferment was incomplete when it terminated his loan account. Erudio didn't think it had done anything wrong by terminating the account.

Our investigator upheld this complaint. She said that Mr M had told Erudio that he'd put in a deferment application before the notice of default was issued. Our investigator said that Erudio's call handler gave the impression that all actions on the account would be stopped while the deferment application was processed, and reinforced that impression by saying that the deferment could be backdated for three months.

Our investigator said that a notice of default was actually issued only four days after Mr M's call. She said that she wouldn't expect the notice of default to be issued until after the 30 day hold period. She thought if that had happened then the deferment would've been completed by the time the default notice was up, and the termination would've been prevented.

Our investigator didn't think that Erudio had acted fairly by terminating the account. So she thought that it should reinstate the account, and cancel the default.

Mr M didn't agree with that. He said that Erudio should do more. It should pay compensation for the stress that all this had caused him. It should remove any extra arrears that had accrued since the end of this deferment on 19 June. And it should accept that his deferment had been accepted, and update its records accordingly.

Erudio didn't agree with what our investigator said either. It said that its call handler had only said that calls about the debt would stop, not that letters would stop. Mr M got a notice of default, and Erudio thought he should've got in touch with it after that. Erudio also said that it wasn't possible now to reinstate the agreement, as it had been legally terminated.

Our investigator said she had listened to the call again, and didn't agree with Erudio. She thought that if the account was only on hold to stop calls, then this should've been explained rather differently to Mr M. And our investigator didn't agree that the agreement couldn't be reinstated. It had been terminated incorrectly, so it should be possible to reinstate it.

Our investigator said that she did think that if Mr M's account hadn't terminated, then three months of arrears would've been removed once the deferment was agreed. So she said that three months of arrears should be removed from the account once it was reinstated.

Our investigator said that she didn't feel that Erudio should pay compensation, because Mr M had contributed to the delays in the deferment being accepted.

Mr M accepted the revised view, but Erudio didn't. It wanted this case to be considered by an ombudsman, so it was passed to me for a final decision.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've reached the same overall conclusion on this complaint as our investigator, and for broadly the same reasons.

I understand that Mr M hadn't applied for a fresh deferment in advance of the previous deferment having ended. But I also understand that Mr M had done the same thing previously, without the severe consequences that he faced on this occasion.

Mr M contacted Erudio to say that he was making a deferment application on 17 August. I've listened to that call, and like our investigator, I think that the call handler gave Mr M the impression that a hold would be put on his account for that application to be processed. I think, in particular, that she was right to say that if the account was only on hold to stop calls, then this should've been explained rather differently to Mr M. I think it was reasonable for Mr M to conclude, from this call, that he had a 30-day breathing space to get his deferment application in, before further action would be taken.

Mr M was sent a notice warning of upcoming default, only a few days after he made the call. Erudio said that it thought Mr M should've called it again, after this. But Mr M has received this sort of notice before, in 2017. The default was stopped then because his deferment application was accepted. So it doesn't seem unreasonable for Mr M to have thought the same was likely to happen this time.

Mr M's application for deferment wasn't accepted before the default date mentioned in the notice, and Erudio defaulted his loans. I think it's also worth noting here that Mr M has told us that his previous default applications involved significantly less paperwork. Mr M said he only previously needed to send in bank statements, but this time he was asked for much more, including for further information after the application was sent in.

When this case was passed to me, I thought that the main issue outstanding was whether Mr M actually received a deferment. I didn't think that it would be fair to ask Erudio to remove the default on these two loans, and reinstate them, if Mr M didn't actually qualify for that deferment in the end. But I've now received confirmation that Mr M did qualify for a deferment, which was granted on 5 October 2018.

That means that our investigator was quite right to say that if Erudio had placed a hold on Mr M's account for 30 days, then issued a notice of default after that, his deferment would've been granted before Mr M's loan defaulted. I agree with her that this is what Erudio should've done, so I agree that, because it didn't do that, then Erudio should now remove these defaults from Mr M's credit file, reinstate the loans, and roll back the arrears on each loan by three months.

Mr M has said he also wants compensation for what Erudio did. Whilst I do think that Erudio made a mistake in this case, I also agree with our investigator that this problem could've been avoided if Mr M had applied for a fresh deferment when he was first invited to do so. So I don't think that Erudio is the sole cause of the problems Mr M has experienced, and I think that the requirement to reinstate these loans in the way I've set out above provides a fair and reasonable outcome to this complaint.

### **my final decision**

My final decision is that Erudio Student Loans Limited should remove the defaults for the student loan accounts ending 3757 and 1598 from Mr M's credit file. It should reinstate these loans, and remove three months of arrears from each loan.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 13 June 2019.

Esther Absalom-Gough  
**ombudsman**