

complaint

Mr B complains that Erudio Student Loans Limited hasn't accepted his deferment application for his loan.

background

Erudio contacted Mr B in 2016 to explain his latest deferment period on his loan was coming to an end. Mr B didn't complete a new deferment application and didn't make any payments towards the loan so arrears started to accrue. Erudio called Mr B in April and May 2017 to discuss the arrears. Mr B told Erudio he had moved address so hadn't received any letters.

Mr B submitted a deferment application online in May 2017. He stated his income was from a combination of employment and self-employment. But he didn't supply any evidence of his earnings. Erudio contacted Mr B to say he needed to supply three months wage slips for his employed income and either 3 months invoices, a letter from his accountant or a tax return to evidence his self-employed income.

Mr B provided Erudio with three months bank statements in October 2017. Erudio wrote to him to say this wasn't sufficient evidence to demonstrate what he was earning. Because he didn't respond, Erudio declined the deferment application. Erudio then sent him a notice of default in November 2017 because of the amount of arrears that had built up on the loan.

Because Mr B didn't respond to the notice of default within 28 days, Erudio terminated the loan agreement and the whole outstanding balance became due. Mr B contacted Erudio shortly afterwards and was told he could no longer defer his loan. He then complained and said:

- The original loan agreement he signed doesn't allow for the agreement to be terminated.
- Erudio had altered the wording of the agreement.
- Erudio should have tried to call or email him to discuss the deferment first before sending a notice of default.
- He'd sent sufficient information to demonstrate his income was below the deferment threshold.

Erudio agreed it had given Mr B some incorrect information in an email it sent to him about what the notice of default said regarding deferment. But it didn't agree with any of the other points Mr B had made. It said it had made reasonable attempts to contact him and had explained what information was needed to consider the deferment application further which Mr B didn't provide.

Our investigator didn't recommend the complaint be upheld. He said that Mr B hadn't sent sufficient evidence of his gross income and it was entitled to decline his deferment application on that basis. He thought the terms of the loan agreement allowed Erudio to terminate it and he thought Erudio had done enough to try and warn Mr B about that possibility.

Mr B disagreed. In summary, he said he was self-employed therefore his bank statements showed his gross income. He didn't think Erudio had shown he received any of the letters or emails they say were sent. He said he wasn't behind on his payments as his deferment application was in contention at the time and no demand for payment had been made prior

to the notice of default. Lastly, he said his income was clearly below the repayment threshold which Erudio hasn't contested.

The complaint has been 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.

deferment application

Mr B did submit a deferment application online but from what I've seen he didn't include any evidence of his income. When Erudio asked him to send him evidence it was clear about what Mr B needed to submit. Mr B only submitted three of his monthly bank statements. These showed his self-employed gross income. But Erudio had also asked Mr B to evidence his gross income from his other employment.

Mr B had stated he was employed and self-employed and earned an income from both. So he hadn't provided Erudio with the required information in order for it to accept his deferment application. I can see Erudio did write to him to explain the bank statements weren't sufficient evidence but Mr B didn't respond. Mr B says he didn't receive those letters/emails. But I'm satisfied Erudio did send them. And in any event Mr B was already reasonably aware of what evidence he needed to send and that what he actually sent wasn't sufficient. So for those reasons I don't think Erudio acted unfairly in declining his deferment application.

Mr B says it was clear his income was below the required threshold so he says he was entitled to defer his loan. And whilst that might be true, he hadn't done enough to evidence that was the case. So I don't think Erudio had to accept the application without the evidence it had asked for.

termination of the agreement

The wording of the agreement Erudio has relied on has been disputed by Mr B. He's provided us with a copy of the agreement and says this is the only one that should be relied on. Erudio says it hasn't changed any of the wording in the agreement and I've not seen anything to make me think it has either. But in any case, the terms in the agreement I refer to in this decision have come directly from the agreement Mr B has supplied to us.

The agreement says that Mr B can defer his loan for 12 months at a time so long as certain criteria are met. Clause 6.2 says he can defer if *"(a) we have not already asked you to repay the loan in full"*. A notice of default was sent to Mr B in November 2017. This explained that if he did not pay the current arrears or come to an arrangement (which could have included completing a deferment application) within 28 days, his loan would be terminated and become repayable in full. Because Mr B didn't comply with the notice, his loan became repayable in full and he lost his right to defer. This is in line with the terms of his agreement.

Clause 5.2 says *"If you do not make a repayment under the agreement when it is due, we may ask you to repay the loan in full immediately."* Mr B says that he wasn't behind on any repayments because his deferment application was in dispute at the time. But I don't agree. Mr B's previous deferment period had ended almost a year prior to the latest application he

submitted. If Mr B doesn't defer, then his agreement says he has to start making repayments. So he was already in arrears before he submitted his deferment application.

It appears Erudio were still willing to allow Mr B to defer anyway (despite being almost a year in arrears). But Mr B didn't provide the required evidence in order for the application to be accepted. And I can see he didn't want to provide Erudio with his current address which made it much harder to contact him. I can see Erudio did eventually trace Mr B's current address and sent him numerous letters about the account being in arrears prior to sending him the notice of default. Mr B also didn't contact Erudio in the timescale given by the notice of default despite saying he received that letter. So for those reasons I think Erudio has acted fairly in terminating the loan and asking for full repayment.

contact

Erudio has shown that it did send letters and emails out to Mr B. He says these weren't received and he says Erudio hasn't shown he got them. But I'm satisfied from the evidence Erudio's provided that it likely did send them.

Mr B has received some correspondence from Erudio including the notice of default and information about what evidence he needed to submit for his deferment. The other correspondence which Mr B says wasn't received was sent and addressed in the same way. I'm not sure why those weren't received, but I don't think this was because of anything Erudio did wrong.

Mr B says Erudio should have contacted him by phone to discuss the deferment before sending the notice of default. I can see that Erudio did call him in April and May 2017 when it was originally going to default the account due to the amount of arrears. But Mr B said he would complete a deferment application and he was told what would happen if this wasn't accepted. Although it might have been helpful to call him again later in the year, I'm satisfied that overall Erudio made reasonable attempts to notify Mr B of the evidence he needed to submit, the failed application, the arrears and default.

my final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 1 March 2019.

Tero Hiltunen
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