

complaint

Mr C complains that Erudio Student Loans Limited unfairly refused his deferment application.

background

In March 2015, Mr C applied to renew his repayment deferment for another year.

He provided Erudio with three payslips covering January to March 2015. During this period Mr C had earned overtime and been paid an annual bonus.

Erudio refused Mr C's application because his earnings, based on his most recent payslips, took him over the Government's income threshold for the year.

Mr C says he explained that overtime wasn't a regular feature of his income. He also asked Erudio to take into account his 'year to date' earnings, as set out in his March payslip. These showed that his earnings for the last year had been below the threshold.

However, Erudio refused his application and asked Mr C to start making repayments, which he did.

Two months later, Mr C submitted a further application supported by more recent payslips, which showed that his income had gone down again. Erudio agreed to the deferment and refunded the two payments Mr C had made in the interim.

Mr C is unhappy that he had to use/find funds to make the payments only for the money to be refunded approximately three months later. He feels Erudio should have relied on the year's earnings to date figure in his March payslip. He believes he is entitled to compensation for lost interest and for the inconvenience he's been caused.

He is also unhappy that Erudio backdated the deferment, rather than start it from the date his application was agreed.

Erudio says it correctly assessed his application. It also says it was right to backdate the deferment. Otherwise Mr C wouldn't have been entitled to a refund.

One of our adjudicators has looked at Mr C's complaint. She didn't recommend the complaint should be upheld. She felt Erudio had acted in accordance with its deferment guide.

Mr C doesn't agree with the adjudicator's conclusions, essentially for the same reasons he has detailed in his complaint form. He would like an ombudsman to review his complaint.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Erudio's guide explains that applicants must provide information about their income, which should be based on the month in which the application is completed and the applicant's expected income over the next two months.

The application must be supported by proof of income. Erudio requires copies of wage slips confirming gross income for the last three consecutive calendar months.

Mr C's application coincided with a period when his earnings for the three months immediately before his application were higher than normal. But Mr C feels Erudio could have applied common sense and used the year's income to date figure on his March payslip to assess his application.

Although I understand Mr C's frustration, Erudio is entitled to calculate his income in this way, and this is made in Erudio's guide to applicants. In any event, the past year's earnings aren't always going to be the same as future earnings.

Erudio also made it clear to Mr C that he could apply for deferment at any time during the year should his circumstances change. That is, if his income for the previous three months fell below the deferment threshold. Although I appreciate Mr C probably doesn't agree that his circumstances ever changed because he knew his monthly income was going to return to 'normal' after March.

It is unfortunate that Mr C had to submit two applications, but this is because the timing of his first application fell during a month when his income was higher. I do not agree that Erudio did anything wrong or acted unfairly.

Mr C is also unhappy that Erudio backdated the start of Mr C's deferment. But this is the logical consequence of having the two payments refunded, as Erudio has explained.

my final decision

I realise Mr C won't be happy with this outcome. But for the reasons given I do not uphold his complaint against Erudio Student Loans Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 7 April 2016.

Athena Pavlou
ombudsman