

complaint

Mr B complains that Erudio Student Loans Limited didn't send him a deferral application form ("DAF") when it should've done. As a result he didn't apply in time to defer his loan repayments. And this, in turn, led to him running up arrears.

Further he complains that it didn't send him a notice of arrears when it should've done so he wasn't aware of what had happened. Rather he thought the deferral was still ongoing.

He explains that he's only in this situation because of Erudio's mistakes. He points out that he has behaved as he should've done in relation to his loans for 17 years and it's unfair that he's being penalised for Erudio's failings.

our initial conclusions

Our adjudicator said he could see where both Mr B and Erudio were coming from.

He could well understand why Mr B felt the onus was on Erudio send him the DAF rather than on him to go chasing it up. And he accepted that it was likely that Mr B had no idea that anything was wrong until he contacted Erudio when he began to get concerned in December 2015.

But he could also see why Erudio might reasonably have expected Mr B to act sooner given that his deferral period had ended in November 2014. It said Mr B had been told in advance when the deferral period was going to end. And he had many years of deferring his loan so he might reasonably have been expected to have known the process by now.

For all of these reasons our adjudicator thought the fair and reasonable outcome was for Erudio to write off 50% of the arrears.

Erudio agreed to this. Mr B didn't. He said, in summary, at most he should be responsible for 50% of the arrears that had built up by the time he got a notice of arrears from Erudio in June 2015. And maybe this was too much because the reason he didn't get the DAF in the first place was because of an administrative mistake by Erudio. This wasn't his fault so why should he fairly have to pay for what Erudio had done.

Further he pointed out that he should've received a notice of arrears in December 2014 as Erudio has acknowledged. Again, if this had happened, he would've filled in his DAF and avoided all of this.

Mr B remained unhappy that instead of apologising for these mistakes and writing off the arrears that had built up because of its mistakes, Erudio had come after him for the arrears. And had only initially offered a very inadequate £50 to try and make amends. He said none of the information provided by Erudio says the onus is on the borrower to contact it for the DAF. Rather it says it'll send the DAF out in advance.

He added Erudio says if loan repayments are deferred the borrower need take no further action. And he had received no notice that his deferral had in fact expired and that he was racking up arrears until months had gone by.

He suggested that Erudio hadn't provided any information about what the best approach was in these circumstances. So he, as a borrower, was left to his own devices to come up with the solution. It seemed he felt most let down by Erudio.

For all these reasons Mr B wasn't prepared to accept the settlement that was on the table. He asked that an ombudsman take a fresh look at 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. I've finished reviewing Mr B's complaint. I think the offer that he's got in relation to the arrears is fair and reasonable. So I'll not be asking Erudio to do anything more in relation to that part of Mr B's complaint. But I do think the way it dealt with his complaint caused him distress and inconvenience and I don't think the £50 it offered goes far enough. I explain below why I've come to these conclusions.

why I don't think that writing off all of the arrears is fair and reasonable

There's no doubt that Erudio messed up. It should've sent Mr B a DAF well before his deferral period ended in November 2014. It didn't do this. I accept that he was waiting for the DAF to be sent to him. And given how he'd behaved in the past I think if he'd have received the DAF, he would've returned it.

But Mr B knew or ought reasonably to have known, given how many times he'd deferred, that the deferral had to be applied for every year. This is so that he could show and Erudio could confirm that he still met the deferral criteria. There wasn't a process under which deferrals could automatically rollover. As anything might have happened to his income since he'd last applied and been accepted for the repayment deferral.

Erudio says up until it made a mistake, Mr B's deferral period had ended at the same time every year for many years. And it also says he would've been told when he'd successfully deferred in 2013 that his deferral period would come to an end in November 2014. I can't see that Mr B has said otherwise. It's true he got no reminder notice in November 2014 that his deferral had ended but I don't think that meant he acted reasonably in taking so long to chase this up. Rather I think when no DAF arrived and November 2014 had come and gone Mr B might reasonably have taken action at that point. I think a quick call or email to Erudio might've been all that was required. I don't see why Mr B might not have reasonably known to do this just because Erudio didn't specially say contact us if you've got a query about your DAF not turning up.

Ideally I agree with Mr B he'd have got a notice of arrears from Erudio in December 2014. But I'm not as sure as I need to be that if he'd received the notice of arrears in December 2014 he'd have acted. I say this because he didn't take action when he received a notice of arrears in June 2015. Instead he waited until December 2015 before he looked into what had happened.

So because of the things I've said above I don't agree that the only reason Mr B ran up the arrears is solely because of Erudio's initial mistake in not sending the DAF. Rather I think it was the combination of the DAF not being sent and Mr B not chasing up the DAF, Erudio not sending a notice of arrears in December 2014 and Mr B not responding to the notice of arrears in June 2015 that together led to this unfortunate situation. If follows I don't think

Erudio should write off the whole of the arrears. It offered to write off 50% and I think that's a fair and reasonable offer in all of the circumstances.

why I think Erudio should pay Mr B £150 for distress and inconvenience

That said, I don't think this gives Erudio carte blanche to go around forgetting to send DAFs to its customers. After all it only has to send this once a year. This is its primary business; it always had Mr B's correct address. It said it would send a DAF in advance and it should've done this. And its letter explaining why it didn't do this was pretty poor. It said it didn't meet Mr B's expectations so it was apologising. But I think it should've mentioned it hadn't lived up to its own promise to send its borrower his DAF at the right time. It wasn't just a question of not meeting Mr B's expectations. I think it likely this approach to dealing with Mr B's complaint caused him distress and inconvenience and £150 is a fair award for this.

my final decision

My final decision is that Erudio Student Loans Limited must write off 50% of the arrears that Mr B ran up. And it must also amend his credit file to reflect this if it has registered anything about the arrears on Mr B's credit file.

It must also pay him £150 for distress and inconvenience.

It must pay Mr B within 28 days of the date on which Mr B accepts my final decision. If it pays later than this it must also pay interest on the £150 from the date of the final decision until the date of payment at the rate of 8% simple per year.

If it considers it's legally required to deduct income tax from that interest, it must send a tax deduction certificate with the payment so that Mr B can reclaim the tax if he's able to.

Mr B should refer back to Erudio if he's unsure of the approach it has taken and both parties should contact HM Revenue & Customs if they want to know more about the tax treatment of this portion of the compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 15 August 2016.

Joyce Gordon
ombudsman