

complaint

Mr B complains as a representative of Mrs N about the way that Erudio Student Loans Limited (Erudio) deals with deferment of loans and how they treat customers with mental health conditions.

background

Mrs N has several student loans managed by Erudio. For several years Mrs N successfully applied for deferment of her loans due to her income falling below the required threshold to repay the loans. Mrs N had to re-apply for deferment each year in order to show her eligibility to defer the loans.

Erudio says that in 2014 they sent Mrs N a deferment application. Having had no response after two months, Erudio sent Mrs N a letter explaining that the deferral period had ended, and she needed to start repaying the loans. Mrs N contacted Erudio to say that her income was still under the required threshold. And so, Erudio sent out an application pack which was completed by Mrs N. Over the next two months Erudio asked Mrs N to supply more documents to them in order to evidence her application before it was accepted. Once the application was accepted Erudio said they could only roll back the deferment for three months. This left one month of arrears on the account as no repayments had been made by Mrs N during this time.

In 2015 Erudio sent a deferment application to Mrs N which she filled out and returned. Because Mrs N said she wasn't working and had no income, Erudio requested a signed letter from Mrs N's husband to confirm he was financially supporting her. Mrs N says that her husband sent this letter. However, Erudio have said that this document was never received and so the loans were not deferred. Erudio sent letters to Mrs N to tell her that she needed to repay her loans and arrears started to be added to the account as Mrs N made no repayments.

In 2016 Mrs N requested a deferment application from Erudio. During this call Mrs N disclosed that she was suffering from mental health conditions. Erudio placed a note on their system, added Mr B as a representative and froze the interest on the account from the previous month onwards. Erudio also suggested to Mrs N that if she got a letter from her GP, she may be able to defer her loans over a longer period or even have it written off. Erudio put a hold on the account for 30 days to allow Mrs N to see her GP.

Mrs N returned the deferment form to Erudio however they said that the application did not contain enough evidence of Mrs N's income so was marked as incomplete. Three months later Mr B phoned Erudio and was told that the deferment application had been unsuccessful. Erudio followed this up with several letters informing Mrs N that the loans were not in deferment, and arrears continued to be added to the account.

In 2017 Mrs N applied for deferment of her loans online, Erudio were not happy to accept bank statements as evidence of her husband's financial support so asked for a signed letter from him. Mrs N's husband supplied a signed letter and Mrs N's loans were successfully deferred.

Later that year Mrs N supplied a GP's letter to Erudio detailing her diagnosis and medication. Erudio said that the contents were insufficient for them to write off the loans or apply for longer deferment as they did not reference Mrs N's ability to work.

In 2018 Erudio sent a default notice to Mrs N due to the arrears on the accounts. Mr B complained to Erudio on Mrs N's behalf saying that the deferment process was not clear, and so it had been Erudio's errors which had led to arrears being added to Mrs N's account. He was also unhappy that Erudio wouldn't accept historical evidence to show her loans should have been deferred in earlier years. And he had told Erudio not to contact Mrs N directly.

In response, Erudio said that the arrears had been added correctly in line with their terms and conditions. Erudio said that regulations state they can only roll back loan deferment for three months and so they could not accept historical evidence to defer arrears arising previously. Finally, Erudio said that they had no record of Mrs N's contact preferences and so they updated their records accordingly for future contact.

Mr B was not happy with Erudio's response and so brought Mrs N's complaint to us. Mr B also added that he was unhappy with the way in which Erudio treat customers with mental health conditions. I sent Mrs N and Erudio my provisional decision on 24 January 2020. I explained that I thought Erudio hadn't acted unfairly or outside of the terms and conditions of the loans. I've copied my findings from my provisional decision below.

my provisional findings

In my provisional findings I said;

Our investigator felt that Erudio hadn't provided any evidence that they had sent a deferment application to Mrs N in March 2014. However, Erudio have since sent in their system notes from the time which do indicate that a deferment application was sent to Mrs N in 2014. I can see that Mrs N's address is written correctly on all the other correspondence and so I am satisfied that it's more likely than not that it was sent correctly. Of course, this doesn't mean that Mrs N received it – post does go astray sometimes. But this would be something outside of Erudio's control and not something I can hold them responsible for.

The loan agreements made it clear it was up to Mrs N to apply each year to defer as she had done each previous year. So, having not heard from Erudio Mrs N would have known that she needed to get in touch with them. Because there was no further deferment, the terms and conditions of the loans said Mrs N should have started making monthly payments. But Mrs N didn't make any repayments and so her account went into arrears.

When Mrs N's deferment application was successful later that year, Erudio rolled back the deferment by three months. This still left one month's arrears on the account. Regulations say that deferment can only be rolled back by a maximum of three months and so I don't think that Erudio have done anything wrong by following the rules. So, I would not ask Erudio to remove the one month of arrears left on the account.

I have carefully considered the information provided by Mrs N and Erudio in relation to the deferment applications in 2014, 2015 and 2016. I appreciate that the information required from Mrs N in order to evidence her deferment application may have been different to previous years. However, Mrs N was sent letters and a 'How To...' guide each year by Erudio stating exactly what information was required in order to defer her loans. These documents also made it clear that Mrs N must continue to make repayments until Erudio confirmed, in writing, that her deferment application was successful.

In early July 2015 Erudio asked for a signed letter from Mrs N's husband as evidence of his financial support. Mrs N's husband had already provided this information by e-mail – Erudio

just wouldn't accept it in that format. Mrs N said that this letter was sent to Erudio who said they never received it.

At the end of July Erudio wrote to Mrs N saying they hadn't received sufficient evidence to support her deferment application and the application had expired. It appears that this led Mrs N to call Erudio in early August. Erudio have supplied a call note from that time. The note said that Mrs N was asked to send in a letter from her husband, along with a bank statement. She was advised there was already two months of arrears on the account and that they could only roll back the arrears by three months. They asked her to supply the evidence as soon as possible.

The call note leads me to think it's more likely that the letter wasn't sent to Erudio in July 2015, as I can't see why Mrs N would be asked to send this in the call in August had it already been sent. There isn't any record of Mrs N returning the second application with a signed letter in August either.

Erudio sent Mrs N an annual statement in September which showed the account was in arrears. Had the application and signed letter been sent in August after the phone call in July I would have expected Mrs N to contact Erudio having received notification of arrears on the account. So, I'm not persuaded that it was sent at that time. An arrears statement was sent in March 2016 also. So, I think it's likely Mrs N knew there was no deferment in place on her account during that time. In 2016 I can see that Mrs N again did not supply the required information to Erudio along with her deferment application in line with the 'how to...' guide. I don't think Erudio were wrong to mark Mrs N's application as incomplete. However, Erudio failed to tell Mrs N that her application was incomplete within their own 28-day timeframe. Although Erudio clearly fell outside of this timeframe I cannot say that it made a difference. This is because once Mrs N was made aware the application was incomplete, the required information was still not supplied. Therefore, I don't think Erudio were wrong adding arrears to Mrs N's account from 2015 until 2017 when Mrs N successfully completed a new deferment application.

Our investigator has asked for Erudio to accept deferment applications every 36 months from Mrs N. Erudio's terms and conditions allow for people receiving disability benefits to apply for deferment every 36 months. Whilst I can see that Mrs N's GP has provided a letter to Erudio regarding Mrs N's mental health conditions. The letter does not go so far as to say Mrs N cannot work or is not likely to work in the future. I am not saying that this isn't the case - simply that the evidence supplied does not address this. Mrs N is also not in receipt of any disability benefits that she has made us aware of. Therefore, I would not ask Erudio to increase the deferment application period to 36 months unless Mrs N provides further evidence for Erudio to review.

As I think Erudio were right to say arrears have accrued, I've thought about whether they've treated her fairly when trying to seek repayment of those arrears. In doing so I've thought about the relevant rules and guidelines Erudio were required to follow. In Mrs N's case she has said that she is unlikely to exceed the income threshold for repaying her loans in the future. If this was the case, and her arrears payments were deferred indefinitely alongside her repayments. It would prevent Mrs N from using the right of cancellation of her loans after 25 years or after reaching the age of 50. So, I think Erudio have acted fairly in the circumstances in seeking repayment of the arrears.

Mrs N complained that how the arrears were calculated was unclear. Mrs N has already been sent a breakdown of the interest rates of student loans set by the government. And, I

can see Erudio sent regular letters to Mrs N to inform her of the balance of her arrears. However, I think it is fair to ask Erudio to provide a monthly breakdown of arrears to Mrs N.

I have not seen any evidence that Erudio were asked not to contact Mrs N directly, Mr B was added as a representative on the account at Mrs N's request but there does not appear to be a request to only contact Mr B until he complained to Erudio. As a result of the complaint Erudio have updated Mrs N's contact preferences to reflect this request which I think is fair.

I think Erudio have generally acted reasonably on being informed of Mrs N's mental health conditions. They froze the interest on the account and added Mr B as a representative to allow him to discuss the account with Erudio. A note was also added to Mrs N's account.

However, our investigator felt that a letter sent to Mrs N in July 2018 had a tone which was likely to cause Mrs N undue upset considering Erudio knew at that time of her mental health conditions. The letter sent to Mrs N is a formal notice of default that Erudio are bound by regulations to send. I think the tone of the letter indicates the seriousness of the issue and potential consequences should Mrs N not take any action. The letter does highlight debt management advice organisations which could have assisted Mrs N. It also included an information sheet from the FCA highlighting important information. Therefore, I do not think that the tone of this letter intended to cause Mrs N any undue stress. And so, I would not ask Erudio to compensate Mrs N for sending it.

Taking everything into account, I don't think Erudio acted unfairly or outside the terms and conditions of the loans.

Erudio has offered to work with Mrs N to reach a reasonable repayment arrangement, and it has asked Mrs N to provide her income and expenditure details to that end. I think that's fair and I would urge Mrs N to get in touch with Erudio to discuss this.

the response to my provisional decision

Mr B has said that he doesn't accept my provisional decision. Mr B was given an opportunity for Mrs N to provide any further comments for my consideration but he hasn't provided any.

Erudio also haven't made any further comments for my consideration.

my findings

I've re-considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've also considered again my provisional findings.

Neither side have made any further comments or submissions for me to consider. So, I see no reason to depart from the findings I've already reached in this case. Therefore, my decision remains the same.

my decision

For the reasons I've explained and those set out in my provisional decision, my final decision is that I don't uphold this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs N to accept or reject my decision before 8 May 2020.

Tim Wilkes
Ombudsman