

complaint

Mrs P complains that she was given misleading information by Erudio Student Loans Limited when she entered into a repayment arrangement.

background

Mrs P entered into a reduced payment arrangement with Erudio in March 2015. Following this Mrs P received a letter telling her that she had arrears on her account. Mrs P contacted Erudio to ask whether the arrears would affect her credit rating. She was told that they would not.

Erudio renewed Mrs P's reduced payment arrangement several times during the following 24 months. In May 2017 Mrs P received a default notice. She contacted Erudio who told her that the default notice had been issued because of the level of arrears on her account. Mrs P says she was given a short time to pay off the arrears and that if she didn't the default would be reported to the credit reference agencies. Mrs P didn't want this to happen and decided to settle the full account with a credit card and with help from her father.

Mrs P says she was provided with misleading information and that she was caused significant distress when she received the default notice.

Erudio has accepted that it gave conflicting information to Mrs P. It offered compensation of £150 for any distress caused.

The investigator didn't uphold the complaint. He said the offer of compensation was fair taking into account the fact that Erudio hadn't reported any negative information to the credit reference agencies during the time when Mrs P had been given conflicting advice.

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 listened to the telephone calls between Mrs P and Erudio. I'm satisfied that Mrs P was told on more than one occasion that making reduced payments wouldn't affect her credit file provided that she had an arrangement in place. On one occasion Mrs P was told that the arrears wouldn't be recorded against her credit file. Whilst I accept that Erudio didn't actually record the arrears on Mrs P's credit file when it could have done, I think the advice given to Mrs P about the payment arrangement was misleading and didn't include advising her that at some point in the future a default notice would be issued in respect of the arrears.

I've looked at the letter which Erudio sent to Mrs P in November 2015. This says that notwithstanding the payment arrangement, the arrears will continue to accrue which may result in a default being registered with the credit reference agencies. This letter is factually correct – but contradictory to what Mrs P was told on the telephone on more than one occasion.

Because of the conflicting advice I think it was reasonable for Erudio to offer compensation. I've taken into account what Mrs P has said about the effect of the experience (and in particular the unexpected default notice) on her general wellbeing. I appreciate that she suffered distress for several days whilst she decided what to do about her account.

Mrs P decided to settle the account at an agreed reduced settlement figure of approximately £2000 less than the outstanding balance. She says that she did this because she no longer felt able to rely on anything that Erudio said. I'm satisfied that Mrs P took the decision to settle her account freely and that no pressure was placed on her to do this. I'm also satisfied that she was aware that she could settle the arrears and continue to make monthly payments if she wished.

I appreciate that Mrs P's financial circumstances have changed since she paid off the loan and that she may soon fall back below the threshold for repayment. I also appreciate that the loan would have been written off when Mrs P attained a certain age. But Mrs P has had the benefit of the loan and would have signed a declaration when she applied for it acknowledging her liability to repay it in accordance with the relevant regulations. I can't fairly require Erudio to compensate Mrs P for the loss of a chance not to repay the loan, because Erudio aren't responsible for the way in which the regulations operate.

Taking all of the circumstances of the complaint into account, I think that the compensation offered by Erudio fairly reflects the distress caused to Mrs P and I won't be asking it to increase this.

my final decision

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 4 July 2018.

Emma Davy
ombudsman