

complaint

Mr H complains that Erudio Student Loans Limited did not defer his student loan.

background

In 1993 Mr H took out a student loan with a third party. Repayment of the loan had been deferred. The deferment period expired in December 2013, so in January 2014 he sent a deferment application form ("DAF"). There is no record of that form being received.

In March 2014 Erudio bought the loan. It sent Mr H a welcome pack. In April that year Mr H contacted Erudio to say that he had not received a response to his application. So Erudio sent him a second DAF. Mr H says he filled in the second DAF and sent it back, but Erudio says it did not receive it. So there was no deferment, and arrears began to accrue on Mr H's account. Erudio wrote to him twice in October 2014, and in early November Mr H phoned Erudio and explained that he had sent the second DAF and, on hearing nothing back, had assumed that the deferment had been granted. Erudio said it would send him a third DAF, but the arrears would not be waived.

By December 2014 Erudio had not received the third DAF, so it sent Mr H a letter to chase it. And a week later it sent him an arrears notice. It received no reply. In November 2015 it sent another arrears notice. In December that year Mr H phoned Erudio again to say that he had never received the third DAF. In January 2016 Erudio sent him a fourth DAF, which Mr H filled in and returned. Erudio received that one, and granted him a deferment, backdated to December 2015. But the arrears which had accumulated in the two years up to then were nearly £1,100. Mr H would like that to be written off, as if the deferment had been backdated to December 2013. When Erudio refused to do so, he complained to our service.

Our adjudicator did not require Erudio to backdate the deferment to 2013. She thought that as Erudio had not received the first three DAFs, Erudio had not done anything wrong by not deferring the loan. So it did not have to cancel the arrears. But she thought that Erudio should have been more proactive about chasing him for the DAFs, and should have written to him earlier and more often about his arrears. So she suggested that Erudio should pay him £100 compensation. Erudio did not agree, so I have considered this complaint.

my provisional findings

I wrote a provisional decision as follows.

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I agree with our adjudicator's view that Erudio did not do anything wrong when it did not defer the loan. It can only defer a loan if it receives a completed DAF, and it did not receive one until 2016. But I do not agree that it should have to pay £100 for not doing more to chase Mr H for the DAFs, or for payment of the arrears. I think it did enough. I will explain why.

Our adjudicator thought that if Erudio had contacted Mr H about his arrears earlier than October 2014, six months after the second DAF was sent to him, he would have responded soon afterwards, and so his arrears would not have grown so much. It's true that he did respond to Erudio a few days after it wrote to him, so I agree that he

may have responded promptly if Erudio had contacted him sooner. But I don't think that would have made any difference in the long run. When he contacted Erudio in November 2014, it sent him the third DAF. Mr H says he never received it. But I can't see that he ever did anything about that. Erudio wrote to him in December 2014 to chase him for the form. I don't think it needed to do that more than once. And Erudio also wrote to him another three times that year about his arrears, so Mr H knew that his debt had not been deferred. But it was not until December 2015, over a year later, that he told Erudio he hadn't received the third DAF. He only did that after Erudio wrote to him a fourth time about his arrears; arrears he already knew about.

I don't think Erudio needed to do more than it did. It had told Mr H that it hadn't received the DAF, and that in the meantime his arrears were increasing, and he didn't do anything. So I don't see that it makes a difference whether those letters were sent between October and December 2014, or a few months earlier. And I don't think Erudio should be expected to keep chasing people constantly. Once its customers know they are in arrears, it's not unreasonable to expect them to do something about it.

So my provisional decision is that I do not intend to uphold this complaint.

responses to my provisional findings

Erudio accepted my provisional decision. Mr H did not respond. So there is no reason to depart from my provisional findings, and I confirm them here.

my final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 8 August 2016.

Richard Wood
ombudsman