

## **complaint**

Ms A complains that Erudio Student Loans Limited failed to process her application for deferment of repayments. She further complains that it recorded a default on her credit file and is chasing her for the debt. She wants her application processed and the default removed.

## **background**

Ms A tells us that Erudio has mismanaged her student loan account over several years. She says that in 2018 it failed to process her application for deferment of repayments even though she'd received an acknowledgement that her application had been received. She states that Erudio later recorded a default on her credit file in respect of arrears. And that this has severely affected her credit rating. She also complains that Erudio erroneously allocated payments made by another customer to her account. She accepts that these errors were later corrected. Ms A says she's now been contacted by solicitors acting for Erudio who are chasing the debt. She says that she's still on benefits and unable to pay.

Erudio told us that the last deferment on Ms A's account had ended on 9 September 2018. It said it hadn't received a deferment application for beyond this date from Ms A despite sending further reminder notices. Erudio acknowledged that errors had been made in mistakenly allocating payments to Ms A's account. It said it hadn't fully explained to Ms A how arrears - which led to the issue of a default notice and a notice of sums in arrears - had arisen. It said it had arranged to pay her £100 to acknowledge this failing.

I issued a provisional decision on this complaint on 29 June 2020. Both parties have acknowledged receipt of the decision but neither has since provided any new information. In the absence of further information, I see no reason to change my provisional decision which is largely repeated in my final decision set out below.

## **my findings**

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

Ms A took out student loans some twenty or more years ago. Ownership of those loans was subsequently acquired by Erudio.

Unlike many other types of loan the liability to make repayments of student loans may - subject to certain conditions - be deferred. This is largely dependent upon income and an annual application for deferment being made.

Ms A has previously been entitled to have her loan repayments deferred and she says that she submitted a further application in July 2018. I've seen an email from Erudio dated 9 July 2018 which acknowledges receipt of Ms A's deferment application.

It seems that Erudio could find no other details on its system of Ms A's deferment application. As a result of this Erudio sent a number of follow up "*reminder*" letters. This was in addition to an entry on the acknowledgement email which had requested that Ms A contacted Erudio if she hadn't heard back after 28 days. Ms A accepts she didn't follow this request or submit any other application.

Erudio sent a default notice dated 14 May 2019. And when the terms of this default letter weren't met it sent a notice of termination on 12 June 2019. This required Ms A to clear the balance of £5,778.82 within seven days. Nor surprisingly she's been unable to do this. Ms A has since been contacted by solicitors acting for Erudio chasing the debt and warning of potential court action.

I'm aware that I've summarised this complaint in far less detail than the parties and I've done so using my own words. I'm not responding to every single point made by all the parties involved. No discourtesy is intended by this. Instead, I've concentrated on what I think are the key issues here. Our rules allow me to do this.

This reflects the nature of our service as an informal alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome.

From this brief summary, it's apparent how the situation quickly escalated and reached the present position. I feel bound to conclude that Ms A has contributed to her own difficulties. By her own admission she didn't follow up and submit a further deferment application when it became apparent the original application couldn't be found. I suspect she allowed her frustration at what she saw as Erudio's previous mishandling of her account to overcome her better judgment.

But I go back to the very start. And I find, on a balance of probabilities, that the original failure is that of Erudio. I've not received a satisfactory explanation to explain how an application can be acknowledged yet not be accessible elsewhere on its systems. Ms A has supplied information which shows it's highly probable that if her application had been processed it would have enabled her to defer payments.

I did ask Erudio if it would - even at this stage - agree to an informal resolution of this complaint which would involve retrospectively processing Ms A's application. It declined to do so.

In deciding what is a fair and reasonable determination of this complaint I've taken into consideration the effects of the loss and non-processing of Ms A's original application for deferment for which I find Erudio was responsible. I've concluded that the effect of the resultant termination of the agreement and the recording of a default on her credit file is likely to have a serious adverse impact on Ms A's financial position going forward. And that this outweighs the inconvenience of Erudio being required to retrospectively assess her application. Particularly so when it's probable her income would've entitled her to defer payments.

I want to make it clear that I'm not offering Ms A an open-ended chance to submit or resubmit any applications that cover the period from September 2018 to the present day. It's essential that these are submitted with the minimum of further delay. And it's up to Ms A to attend to the administrative requirements that are placed upon her to achieve this.

To avoid any doubt as to what's required I propose she should submit the necessary information - along with any proof of income that Erudio may require - within one month of the final date for accepting or rejecting my decision. How this is done I will leave to the parties. But I assume it will follow the standard process. If it's still possible for Ms A to submit her application online she should do so. If not, I'd expect Erudio to supply the necessary forms to her.

### **my final decision**

For the reasons given above my final decision is that I'm upholding this complaint.

I now require Erudio Student Loans Limited to take the following action in full and final settlement of this complaint:

1. Upon receipt of further application(s) for deferment from Ms A in respect of any periods after September 2018 and up to the present date, it should process such applications as if they had been received by the due date; Such applications need to be submitted so as to be received by Erudio Students Loan Limited no later than 30 September 2020.
2. If the deferment applications referred to above are successful Erudio should take such action as is necessary, including if required the reinstatement of the agreement backdated to the appropriate date. It should also arrange to remove from Ms A's credit file any adverse details it's had recorded which relate to the period from July 2018 up to the termination of the agreement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 3 September 2020.

Stephen D. Ross  
**ombudsman**