

## **complaint**

Ms C complains Erudio Student Loans Limited failed to defer her loan causing her account to fall into arrears and resulting in her being refused further student funding.

## **background**

Ms C had a student loan, on which she'd successfully deferred repayments each year. In 2013, shortly before Erudio took over the loan from the Student Loans Company (SLC), Ms C completed a further deferral form. But this wasn't accepted, on the basis that Ms C had provided handwritten payslips.

After Erudio took over the loan Ms C provided it with further evidence to support deferment. Erudio accepts it did not action this, and because the deferment wasn't accepted payments fell due, subsequently developing arrears. Over time, communication between the parties became confused; although Ms C was sending further information to Erudio, this wasn't always matched with other correspondence. As a result, Erudio continued to seek payment and eventually recorded the loan as being in default.

After a significant amount of time, Erudio accepted Ms C's deferment request. But by then, the account had a large arrears balance. Ms C had decided to return to study on a new course but found her funding request rejected. She was told this was because of the arrears on her existing account.

Ms C complained to Erudio, who accepted it could have handled the situation better. It said its communication could have been clearer and it could have provided more support to Ms C earlier. Erudio said it would clear the arrears back to 2013, and offered to pay Ms C £150 to compensate her for her distress and inconvenience. Ms C didn't accept this proposal.

Our investigator agreed that Erudio could have done more at an earlier stage to resolve the issues regarding the deferment and arrears. The investigator thought it was right that Erudio clear the arrears and backdate the deferment. But he felt the £150 offered by Erudio wasn't suitable compensation. Noting the difficulties Ms C had been caused, and the overall impact on her situation – including her medical condition – the investigator recommended this to be increased to £1,750.

Erudio responded to say that it thought the steps it had proposed were sufficient. It asked for the complaint to be reviewed by an ombudsman.

Although I generally agreed with our investigators outcome, I wanted to explain my reasons in a bit more detail, so I decided to issue a provisional decision before I made my final decision. This allowed both parties to comment on my thinking before I made my final decision – which is the Financial Ombudsman's Service's last word on the case.

## **my provisional decision**

In my provisional decision, I said:

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

*Erudio has accepted it could have provided more support to Ms C in her deferment process, and that if its communication had been clearer it would have been able to help Ms C defer her account sooner. I'm aware that Ms C was able to defer her repayments successfully year on year until 2013. I've seen nothing that leads me to think the position would have been any different from that date on. So the proposal to backdate the deferment seems to me to be the correct one, provided that Erudio is also treating each subsequent year as deferred. Ms C will need to continue to submit evidence and complete a request each year that she continues to qualify for deferment.*

*Those past deferments have the effect of making no payments due on Ms C's loan. So it couldn't have been in arrears. Therefore any arrears that developed as a result of non-payment should be removed, along with any adverse credit information Erudio has recorded – such as (but not limited to) the default.*

*I've thought carefully about the situation with Ms C's later studies and her rejected finance application. Ms C has described how she instead had to borrow the money from family to enable her to maintain her studies. It is apparent that Ms C's application was declined because of the student loan arrears – she has a letter to this effect from SLC. As these arrears should not have existed, the reason for the decline falls away. But Ms C's position is now different. She now has a loan from her family, as opposed to a further student loan. And neither I nor Erudio is able to replace the former with the latter.*

*The fact that Ms C would have been able to take out a further student loan doesn't mean she would never have been required to repay it. But it's entirely possible she might have been able to defer repayment – this is contingent on her future income, which is at this stage unknown. Her arrangements with her family, on the other hand, suggest that she would need to repay them – and probably over a much shorter period.*

*It wouldn't be right to describe the money Ms C has to repay to her family as a loss, because if she had been able to obtain the SLC funding, the money would still have represented a contingent liability. But it was no doubt embarrassing and the source of much concern for Ms C that it was necessary for her to approach her family for funding in the first place. So I'm currently minded to propose that Erudio should factor this in to the redress it pays Ms C as compensation.*

*I'm further minded to say that the £150 Erudio has offered is in any event insufficient to address the problems that arose from it not communicating clearly with Ms C to help her deal with the deferment. Early on, Ms C contacted Erudio to say she was finding it difficult to deal with the deferment and arrears process – she said she felt extremely anxious when receiving Erudio's letters and she was afraid to open them.*

*Erudio sent a further notice of default in April 2017 as it had been unable to get the information it wanted regarding the deferment or arrears. Ms C told Erudio of her disability and difficulties and had asked for correspondence to be sent by post. But despite those requests, Erudio continued to contact her by phone about the arrears and deferment.*

*I find that Erudio's actions are likely to have caused Ms C a significant degree of distress and inconvenience. Given her medical condition, the impact on her was substantial. This was exacerbated by her difficult financial situation and the embarrassment and concern of having to approach her family for money or risk her ability to continue with her studies. So taking all of this into account, I consider it would be fair that Erudio pay Ms C £1,500 – inclusive of the £150 previously offered.*

On that basis, I was minded to uphold Ms C's complaint.

### **the responses to my provisional decision**

Ms C accepted my provisional decision.

Erudio confirmed they received my provisional decision and requested further time to respond to it – so I gave them until 30 January 2020 to respond. But to date Erudio still hasn't responded or provided any further information for me to consider.

### **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 thought again about the conclusions I came to in my provisional decision. Having done so, I've reached the same conclusions as set out in my provisional decision and for the same reasons.

### **my final decision**

For the reason mentioned above, I uphold this complaint. To settle it, Erudio Student Loans Limited should:

- backdate deferment of Ms C's student loan to 2013
- treat each subsequent year up to the current year as if Ms C had successfully deferred repayment
- ensure Ms C's account is not in arrears and that the default and any other adverse payment information is removed from her record
- pay Ms C £1,500 in recognition of the distress and inconvenience caused to her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 7 March 2020.

Jag Dhuphar  
**ombudsman**