

## **complaint**

'Mr S has complained that Erudio Student Loans Limited told him correspondence may have breached the Consumer Credit Act 1974, but did not explain why'.

## **background**

Mr S had a loan with a third party. Erudio bought the third party's loan book, including Mr S's loan, so is now responsible for matters relating to it.

Erudio contacted Mr S to say that it thought a breach of the Consumer Credit Act 1974 (as amended), and associated regulations may have taken place regarding paperwork sent to him about his loan. Because of this, Erudio refunded all interest and fees for the period of the suspected breach, and reissued the account statements.

Mr S is unhappy with this, as he wants further information about the suspected breaches, which Erudio says it is unable to provide. He does not feel the removal of the interest and charges is reasonable or sufficient. He is also unhappy that Erudio says the debt is still enforceable, and he would like proof of this.

Our adjudicator did not recommend that this part of the complaint should be upheld, as she was satisfied that Erudio had been fair in removing the interest and charges. She did not comment on the enforceability of the debt, as she considered this to be a matter for the courts. However, she felt there had been a level of poor customer service because of delays, so proposed £75 compensation for the distress and inconvenience this caused.

Mr S disagreed, as he feels that Erudio is deliberately hiding evidence of serious breaches and that the proposed compensation is inadequate. Accordingly, the complaint has been passed to me for my final decision.

## **my findings**

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

I am aware that Mr S has asked Erudio to provide full details about the potential breaches of the legislation. My understanding is that Erudio has been unable to provide this information, as it does not have copies of the notices that may have breached the legislation. I do not think this is unreasonable. However, what I do think is unreasonable is that Erudio has essentially left Mr S to guess what the potential breaches may have been. I am satisfied that it should have explained this – it must have known what kind of breach it was referring to, otherwise it would not have recognised there may have been a breach, and what needed to be done to put it right. This caused Mr S unnecessary worry, for which I consider £100 compensation to be appropriate. This is in addition to the £75 compensation for Erudio's delays in responding to Mr S's correspondence.

I am satisfied, and Erudio has now clarified, that the suspected breach of the Consumer Credit Act relate to the information which was contained in the notice of arrears sent in 2011. It seems to me that Erudio thinks the third party lender (whose loan book it bought) may have sent a notice that was not fully compliant with the requirements, because it did not specifically refer to the account numbers of the account(s) in arrears. It suspects this because it is aware that it happened with other customers. So, to be on the safe side as it

does not have copies of what was sent to Mr S, it decided to act as if a breach did happen. This is why it has refunded interest and fees for the period of the breach, and sent a new notice out. This is what should be done to remedy this type of error.

For completeness, I note that I have seen no evidence that any breach did actually occur.

As regards whether or not a potential breach, even once remedied, renders an agreement unenforceable is a matter for the courts, so I have not commented on it here.

**my final decision**

For the reasons given above, it is my final decision to uphold this complaint in part. I require Erudio Student Loans Limited to pay Mr S £175 in recognition of the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr S to accept or reject my decision before 16 July 2015.

Elspeth Wood  
**ombudsman**