

complaint

Ms P complains that Erudio Student Loans Limited (Erudio) has applied arrears to her student loan account when in fact she had applied to defer repayment.

background

Ms P had three student loans going back to 1997 with a previous student loan provider which were taken over by Erudio in 2013. The deferment period on her loans was due to expire by mid-September 2014. Ms P said despite submitting the necessary paperwork Erudio failed to process her deferral. So she wanted it to remove the arrears it had applied to her account.

Erudio didn't think it had done anything wrong. It said it didn't receive any request from Ms P to defer her loans until it received a deferral application form (DAF) in December 2015, and even then there were problems with the paperwork and with subsequent applications.

It wasn't until June 2016 that Ms P submitted an application which was accepted by Erudio. The deferment was rolled back by three months. This meant around 19 months of arrears remained on the account which Erudio said properly fell to be repaid by Ms P.

Our adjudicator thought it likely that Ms P had submitted the forms when required to defer her application. And as Ms P was eligible to defer the loans, she asked Erudio to rework the account as though it had been in deferral from September 2014 until the current deferment period ends in 2017. And she asked it to remove any adverse information from Ms P's credit file.

Erudio didn't agree. It said it had sent Ms P the necessary paperwork to defer in 2014 and it hadn't received it back. It said the onus was on Ms P to have ensured that it had received the DAF, particularly given she knew she had problems with her own post. Erudio asked for an ombudsman's decision.

my findings

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

It appears Ms P had successfully deferred repayment on her loan every year with her previous provider from 1998 up until 2013. In late 2013, Erudio took over administration of her loans.

She was next due to defer her loan by September 2014. Erudio said it sent Ms P the DAF in July 2014. But as it didn't receive an application to defer, it sent her three arrears letters between October and November 2014 – as well as her annual statement.

In November 2014, Ms P contacted Erudio. I've listened to that call. Ms P explained that a previous letter she had received from Erudio had told her Erudio had taken over her student loans and it would contact her in due course about deferral. She said the next letter she had received was the arrears letter. The call handler told her the DAF had been sent to her in August (although in its correspondence to this service Erudio said it had in fact been sent in July). He agreed to send a further DAF. I note Ms P told the call handler she had been experiencing problems with her post.

Ms P said she then submitted the DAF to Erudio – in fact, she said she did this more than once. She assumed her deferment had been accepted. Erudio had also sent several letters to Ms P in the meantime, but she said she was unaware the account was in arrears until November 2015 when she received an arrears notice. She contacted Erudio and told it the arrears letter was sent in error and that she had submitted her DAF the previous year.

Having considered the circumstances carefully, I think Ms P probably submitted the DAF as she said she did and on balance, I accept what Ms P has said about assuming that there was no issue and that the deferment has been accepted. I am most persuaded by the fact that Ms P had deferred her loans every year for around 15 years without apparent issue - up until Erudio took over. And had she received the earlier arrears letters, I think she would have acted on them sooner. And it seems that Ms P's financial circumstances do mean that she was eligible for deferral for this entire period.

Once Ms P said she became aware of the arrears - she took steps to address them. Erudio accepts that she called it in November 2015 and that she submitted a DAF in December 2015 (within a month of the November 2015 call). But there were problems with the paperwork submitted. I can see Erudio wrote to her about this, but it didn't initially tell her what information was missing. And when Ms P chased it up to ask what was missing it only told her the form was incorrectly dated. It didn't tell her a tax return was also missing.

When Erudio rejected the application in January, Ms P submitted a further application in February. I can see she was in email contact with Erudio at that time. This time the application was rejected because Ms P submitted a draft tax return. Erudio wrote to Ms P about this in February.

In May 2015, Erudio sent Ms P a default notice and she contacted it a few days later. Erudio hasn't provided that call, but as I understand it, she was directed to use the online portal. I have seen an email from Ms P about two weeks later chasing up information she said she had been told she would be sent to defer online. Erudio replied to that email about a week later. And that day, Ms P applied via the online portal and her application was accepted (albeit in error) and rolled back to April 2016.

I am unclear what happened between February 2016 and June 2016. If Ms P didn't receive the February rejection letter, then I think she should perhaps have contacted Erudio in any event to check the deferral application had been processed - given all that had gone on before. Indeed, Erudio points out that there was an onus on Ms P to check her DAF's had been received and this was particularly so in her case given she knew she had problems receiving post. She should also have read the guide to know that a draft tax return wasn't acceptable.

But as I have said above, given the way Ms P appears to have managed her student loans in the past, I think it likely that - had she been aware that she wasn't in deferment and was accruing arrears - she would have done something about it. And it appears to me that Ms P was genuinely trying to comply with the deferral process. I also think there was some confusing communication from Erudio around the beginning of 2016 that didn't help matters. And I don't know why – given all of issues here – Erudio didn't direct Ms P to the online portal when she contacted it in November 2015.

Overall, I think it would be unfair to ask Ms P to pay the arrears that have accrued. I therefore think Erudio should remove them from the account as well as any adverse information it had recorded on her credit file. Ms P would be wise to ensure that when future

deferment periods arise - she keeps in close contact with Erudio until her deferment has been confirmed.

my final decision

My final decision is that I uphold this complaint. I direct Erudio Student Loans Limited to remove the arrears that have accrued on Ms P's loan from September 2014 onwards and to remove any negative entries on Ms P's credit file as a result of the arrears accruing.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 22 December 2016.

Siobhan Kelly
ombudsman