

complaint

Mr T complains that Erudio Student Loans Limited didn't defer the payments on his student loan account, and so the account went into arrears.

background

Mr T took out a student loan in 1994 with company S. The terms of the loan required him to make monthly payments, unless he submitted annual Deferment Application Forms ("DAF"). Mr T deferred payments on the loan because he didn't earn above the threshold, but the deferment ended in November 2013. Company S said Mr T had failed to complete a DAF in 2012. It then sent a form to Mr T in September 2013, but the form wasn't returned. The loan account entered repayment on 25 November 2013 and began to accrue arrears until 25 January 2017.

In March 2014, the debt was sold to Erudio, and on 27 July 2014, Mr T was sent a letter telling him the account had fallen into arrears. He subsequently complained to Erudio about the delay in processing his deferment applications while the loan account was handled by company S. He also complained he wasn't notified in writing about the sale of the loan account to Erudio.

In a final response letter dated March 2015, Erudio outlined the events leading up to the loan account having entered repayment in 2013 but said it couldn't comment on any actions on the account while it was being administered by company S. It explained a letter had been sent when the loan was reassigned to it in March 2014, and confirmed the outstanding balance of the loan account was £3,674.03, of which £1,722.48 was arrears. It said if Mr T wanted to defer the repayments, he should complete and return a DAF.

Because Mr T failed to return a completed DAF, the account was defaulted on 1 June 2016, and he was asked to repay £2,862.23 of arrears by 29 June 2016. As no payment was received, a 'demand in full' was sent on 30 June 2016, and the account was terminated. When Mr T called on 4 July 2016, he was told he could no longer defer as his account had been terminated, but an arrangement to pay ("ATP") of £5.00 per month was agreed. A subsequent system error meant he was sent a further DAF.

In January 2019, Mr T called Erudio to complain again about the fact his deferment applications weren't accepted in 2012/2013. He also complained about poor communication. In a final response letter dated March 2019, Erudio explained why the account had entered repayment, but it stated the issue had already been addressed in the previous complaint and that its stance remained the same. It didn't accept there'd been poor communication, explaining it had sent seven DAFs between September 2014 and October 2015. It acknowledged the most recent DAF had been sent in error, but it said Mr T hadn't lost out because of this, in fact it meant he was able to defer the account again. It confirmed the outstanding balance was £3,570.35, of which £3,335.69 was arrears. It confirmed it wouldn't update Mr T's credit file, offered to set up a payment plan for the arrears and to defer the remaining balance of £234.66.

Mr T wasn't satisfied and so he complained to this service. He was told the complaint about the arrears on the loan wasn't referred to us in time, so we didn't have the power to consider it. But we could consider his complaint about the fact he was told to repay the loan.

my provisional findings

The outstanding balance on Mr T's student loan account is £3,570.35, of which £3,335.69 is arrears. Mr T said that if the account hadn't gone into arrears, Erudio would've cleared the debt once he turned fifty and, now he's turned fifty, he believes Erudio should clear the debt.

I noted the *terms and conditions of the account provided for, (b) cancellation of repayments (so long as you are not in breach of any obligation to us) if (i) you are aged under forty when you last enter an agreement to borrow from us and you attain age fifty...'*. However, the terms and conditions also state *"if you fail to make any repayment provided for under this agreement, (and notwithstanding that we may have notified you of entitlement to defer making repayment in respect of any other repayment in the manner described overleaf) we shall be entitled (subject to service of any notice necessary in accordance with law) to require you to make immediate repayment of the loan.* I accepted the outstanding debt might have been cleared once Mr T reached the age of fifty, but he breached his obligations by not making the monthly repayments while the loan was in repayment. Consequently, Erudio wasn't obliged to cancel the loan when Mr T turned fifty, and, based on the terms and conditions I was satisfied it would be entitled to seek immediate payment of the arrears.

In March 2015, the balance was £3,674.03, of which £1,722.48 was arrears. Arrears accrued from March 2015, but Erudio had continued to send DAF's to Mr T after this point and he failed to return them, so I was satisfied the continued accrual of the arrears was fair. I was also satisfied the account was fairly terminated in June 2016. But Erudio accepted a subsequent system error meant Mr T was sent a further DAF, meaning the account could be deferred once again, notwithstanding it had already been terminated. In its final response dated in March 2019, Erudio said Mr T hadn't lost out due to the system error and confirmed the outstanding balance was £3,570.35, of which £3,335.60 was arrears.

I carefully considered what happened after the account was terminated, and I considered the status of the account was unclear. But I didn't think Mr T needed to be compensated for this and I didn't think he was in a worse financial position as a result, provided Erudio ensured the account was properly terminated and that Mr T's liability was limited to what it would have been when the account was terminated in June 2016.

Erudio had given an assurance it wouldn't update Mr T's credit file as a result of its error, which I thought was fair and reasonable in the circumstances. It also offered to set up a payment plan for the arrears. I'm satisfied that's fair, provided Mr T was made aware that if he chose to accept the payment plan, it could affect his credit file. Erudio was required by the Consumer Credit Sourcebook ("CONC 1.3") to give due regard to the interests of its customers and to treat them fairly, and in offering to set up a payment plan, I was satisfied Erudio had done this.

Overall, I considered Mr T had been treated fairly, provided Erudio ensured the status of the account and outstanding arrears were resolved in the manner I'd described above. I understood Mr T was unhappy with the way the account was handled, in particular the way Erudio communicated with him, but I didn't consider there was poor communication.

developments

Neither party has responded to the findings in my provisional 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.

Because neither party has responded to my provisional decision, my final decision will be the same as my provisional decision.

my final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 15 July 2020.

Carolyn Bonnell
ombudsman