

complaint

Ms H has complained Link Financial Outsourcing Limited, trading as Honours Student Loans, is asking her to pay her student loans in full and wouldn't agree to her request to defer them.

background

Ms H has three student loans dating back to the early 1990s. She has regularly applied to defer her loans. In 2012 she moved home and didn't receive the forms needed to defer her loans. However she did contact Honours Student Loans (HSL) – or the business then administering her loans on their behalf – in July 2012 to confirm her new address. New forms were sent to her to enable her to apply for deferment from May 2012. Ms H made her application and this was rejected as she earned over the threshold.

Ms H applied for deferrals successfully in 2014, 2015 and 2016. Unfortunately after that time she suffered a sudden family bereavement. She'd taken her forms to apply for her 2017 deferral to work but had left them there when she had to take time off for a prolonged period. New forms were sent in April 2017 but she was unable to complete them.

HSL in October 2017 told Ms H her loans had been terminated and she needed to repay – £3,544.87 – in full. She complained she'd not been treated fairly. HSL felt they'd given her 30 days' breathing space when they'd been in touch in April but Ms H had not returned the forms to apply for any deferral. They confirmed they wouldn't be expecting payment in one lump sum if she was unable to afford this. Ms H brought her complaint to the ombudsman service.

Our investigator felt HSL hadn't done anything wrong as they'd tried to assist Ms H. This included trying to contact her on a regular basis although she had moved home a few times. Whilst she accepted it wouldn't have been Ms H's priority to deal with the deferral forms, she felt Ms H hadn't met the terms of her agreement. She did confirm HSL was willing to hold off asking her to repay the loan for six months as Ms H is now on a career break.

Ms H didn't think this was fair. She felt her circumstances over the previous year and a half had been exceptional and she still wanted to be able to defer her student loans.

I completed a provisional decision on 20 March. I felt the exceptional nature of Ms H's circumstances meant HSL should allow her a further time period to submit the forms and supporting information to apply for a deferral for 2017.

Ms H and HSL both responded. Ms H was relieved she'd be able to apply for a deferral for 2017 but remained concerned about the arrears that had built up between 2012 and 2014. She wanted me to reconsider this aspect.

HSL agreed that the exceptional nature of what happened meant Ms H could apply for a deferral in 2017. They reminded me they don't determine the criteria for accepting deferrals. Ms H will need to make sure she provides supporting information to show whether she meets the criteria. I've shared with her the form HSL gave us that she'll need to complete to apply for her 2017 deferral and return to them.

I now have enough information to complete a final decision.

my findings

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've also taken into account the further information Ms H and Link sent to me. Overall this hasn't changed my provisional decision and I'll explain why.

There are a few different strands to this complaint. I've considered them all in detail. I've concentrated on the main reasons why I've reached the conclusion I have. I included a lot of personal detail about what Ms H had gone through over the last 18 months in my provisional decision. But I don't think it would be fair to include this detail in my final decision. This inevitably had a bearing on how I reached my decision but HSL hasn't disputed this and has accepted my findings. I don't believe this decision loses anything by omitting some of this detail.

deferral application in 2012

It's quite clear, according to HSL's records, Ms H regularly applied to defer her loans. However she didn't do this in advance of the deferral period in 2012. But from the records I've seen she must have made an application, although slightly later, after HSL had sent copies of the forms to her new address. In August 2012 it looks as if her deferral was rejected as she was earning over the minimum threshold.

I know Ms H feels that decision should be reviewed since it was based on her salary when she completed the forms. As she was being paid for overtime, her salary was inevitably over the threshold at the time which is why her application was rejected. I'm not in a position to revise that opinion. There are strict criteria for considering deferrals. I've seen nothing to show the decision that was made – to reject her deferral – didn't meet these. As I've seen nothing to show this decision was wrong at the time, I'm not reviewing this further. I appreciate that the lack of deferral granted is why Ms H built up arrears between 2012 and 2014.

I understand these arrears didn't hinder her future applications to defer which she made successfully in 2014, 2015 and 2016.

deferral application in 2017

HSL sent Ms H forms to apply for her 2017 deferral in December 2016. It appears from her evidence she took these to her work to complete. This was never done for a number of reasons.

Following a period of being away from work Ms H returned in January 2017. I'm sure she then intended to complete the forms she'd been sent but I imagine these weren't her priority. And in the circumstances I believe this is understandable. She was then signed off from work by her doctor. This period extended to the end of July. After that period she decided to take a career break.

I can see HSL at this stage categorised Ms H as vulnerable and gave her 30 days' breathing space. This expired in May 2017. But in fact her period to apply for a deferral didn't expire until September at the time HSL told Ms H her agreement was terminated. However HSL had still not heard from her.

HSL accepts Ms H circumstances at the time were exceptional. They've agreed it's fair to allow Ms H a further period of time to apply to defer her loans which would be effective from February 2017 (if she meets the criteria). And then again from February 2018 as she's obviously not earning whilst she's on a career break until September this year.

I have to place an end date on this however. I feel Ms H should be allowed a further month, or extending that with further relevant evidence to three months in total, after the final decision.

Ms H's arrears

I've reviewed the terms and conditions of Ms H's loans. And I can see HSL has only repeated to her what these allow them to do. I say this as my decision isn't purely about the terms and conditions but what I consider is fair and reasonable in the circumstances of this case.

As far as I can tell most of her arrears occurred between 2012 and 2014 when her loans weren't deferred. And if Ms H successfully applies for a deferral effective from February 2017 some of these arrears will be reduced. HSL has confirmed her arrears will be reduced by £457.27 to £1,123.81.

It's only fair to mention that as soon as Ms H comes out of deferment in the future, her arrears will be payable.

HSL has a good understanding of her circumstances. And after the end of the six months' breathing space which HSL has already offered, they suggest she contacts them to discuss agreeing a repayment plan which reflects her ability to repay.

my final decision

For the reasons I've given, my final decision is to instruct Link Financial Outsourcing Limited, trading as Honours Student Loans, to do the following to put things right:

- allow Ms H a further month from the date of any final decision to make applications to defer her student loans in 2017;
- extend this period by at least two months depending on any further evidence Ms H provides to HSL;
- make sure Ms H has proper forms to apply for deferrals in 2017 and 2018;
- re-calculate Ms H's arrears if her application to defer her loans in 2017 proves successful; and
- provide Ms H with six months' breathing space before requiring her to repay any student loan arrears.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 9 May 2018.

Sandra Quinn
ombudsman