

complaint

Mrs H has complained Erudio Student Loans Limited is asking her to repay loans which she doesn't believe she owes any longer.

background

Mrs H had three student loans which she took out in 1997, 1998 and 2000. These loans were transferred to Erudio in 2014 from the previous loan company, who I'll call S. S told Erudio the remaining debt was £10,954.91.

Mrs H was sent letters from S and Erudio around this time to confirm this.

Throughout 2014 to 2016 Erudio sent various arrears notices and statements to Mrs H. Some of these were returned as Mrs H no longer lived at that address. Eventually, in May 2016, Erudio sent Mrs H a default notice for all three loans to the correct address. Mrs H says this was the first time that she had ever heard of Erudio. When she contacted Erudio they told her the outstanding balances needed paying by 14 June 2016.

Mrs H complained at that point as she was unhappy about receiving the default notice as she'd been paying these loans from her salary. And she disputed the amount she'd been told to pay. Erudio said the letters it had previously sent had gone to her old address. This was the address passed to them when they took over Mrs H's loans.

Our original investigator didn't think Erudio had done anything wrong. She felt Erudio had been sending letters to her old address because that was the address they had. There was no record Mrs H had updated her address when she had an obligation to do so. She did note Mrs H had been making repayments, but it looked like these payments were going to S rather than Erudio. Mrs H agreed partially, but she asked for further information from Erudio about the outstanding amounts. Erudio provided information a few days later.

Mrs H contacted us again about a year later as she was unhappy with the amount Erudio had said was outstanding – she felt she had actually overpaid and was therefore due a refund.

In the interim Mrs H had also complained to S. After it had investigated the matter S confirmed to Mrs H the balances on the loans were incorrect. Therefore the amount transferred to Erudio was also wrong. S calculated that the total amount owing should have been was £4,593.87. S told Mrs H that it had contacted Erudio to correct the balance. They also said that any repayments Mrs H had made to Erudio, any interest, and the balance should be adjusted – but Mrs H should contact Erudio directly to discuss the matter further.

Mrs H by this stage had lost all faith in Erudio's calculations. She believed that when she'd applied for membership of the Repayment of Teacher Loan (RTL) Scheme with S she was given a new account. And what she'd been led to expect was the balance of her three student loans were transferred to this new account. As part of her acceptance onto the RTL Scheme the direct debits and loans were cancelled. But human or computer error had meant her old account was never closed, subsequently built up arrears and then were sold to Erudio.

The new investigator reviewing Mrs H's complaint still didn't believe Erudio had done anything wrong. Firstly he explained we had no power to look at her RTL which she'd been

on for nearly two years. There was no doubt her three original student loan accounts had been taken over by Erudio and they'd been told what the original debt was. They'd also taken steps to trace Mrs H as they understood they held the wrong address for her. It was when they did that, she finally heard from them in 2016.

He didn't believe Erudio could be at fault for any RTL write-off which had, or hadn't, been correctly applied by S. He didn't think any overpayment had been made to the loans which Erudio now held so he wouldn't be asking Erudio to make any refund or close Mrs H's loans.

Mrs H didn't agree with this outcome. She asked an ombudsman to make a decision on her complaint. To help the ombudsman she provided considerable evidence dating back over the last 20 years to show she no longer owes Erudio any money. It's also clear Erudio's actions to get Mrs H to pay what's owed have had a major impact on Mrs H's health and her ability to continue work.

I completed a provisional decision on 9 May. Overall I found the evidence contradictory. I wasn't convinced Erudio, and S before them, could clearly show Mrs H still owed them money. I asked them to repay money she'd paid over and above £176.05, cancel her loan agreements and pay her £500 compensation.

Mrs H accepted this outcome.

Erudio believed we'd placed undue emphasis on Mrs H's statements from 2005 when subsequent statements showed what she owed. They felt Mrs H debt in November 2017 was £4,742.96 and her current outstanding balance is £1,088.27.

I now have all the information I need 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.

Having done so, I've not seen anything to convince me I reached the wrong conclusion in my provisional decision. I'll explain why.

Essentially there is only one main aspect to this complaint. Has Mrs H paid all the debt arising from her student loans already? I appreciate Mrs H has raised a number of other points – which relate to whether Erudio has acted fairly and reasonably in their dealings with her – but overall I think everything comes back to this central point.

In the evidence we've received from Erudio, it appears that letters from 2014 to 2016 were sent to Mrs H at her old address. These have been reproduced in the evidence sent to us and that shows some of them were addressed to Mrs H at her current address. But as she wasn't living there at that time, I think this is unlikely. All that's happened is once Erudio updated their records with Mrs H's current address; any further letters printed off took the contact details from that update. Her current address being then used.

Mrs H appreciates this point. The evidence she's provided to us from S also show her current address even though these are statements that were produced in the late 1990s and early 2000s. This reflects the updating of her address on S's records since.

It's clear Mrs H didn't update her address records with S which is why Erudio took some time to trace her. But I can absolutely understand why Mrs H felt there was no need to do this. Her account statements had confirmed she had at most only £176.05 to pay which she felt she'd repaid by the time Erudio took over her debts. And as I demonstrate below, I agree with her so it's hard to say she did anything other than many of us would have done in her position.

So has Erudio done anything wrong? When it took over the loans in 2014, it knew from copies of the original agreements what loans Mrs H had taken out. These were for £1,645, £1,735 and £1,780. So I'm surprised they never queried the total they were told Mrs H owed. This would never have worked out at the £10,954.91 debt Erudio thought they were taking on. They had a duty to carry out due diligence. And to ensure any debt they were asking Mrs H to repay was correct.

This remained Erudio's position for more than three years. It was only ever under pressure from Mrs H this was partially rectified. Mrs H was told as late as June 2017 she still owed £9,513.53. After the figure was re-calculated, Erudio said it was £4,593.87. After Mrs H's payments, Erudio believed she still owed them £2,379.98. Although I should add this doesn't match the figure Erudio has most recently shared with us in their response to my provisional decision, as demonstrated above.

I can appreciate why Mrs H doubts these figures. That seems fair in the circumstances.

I've seen statements from the date of Mrs H's first loan. Mrs H shared statements from 1997 to 2005 with us which were all she'd received from S. These all relate to her three original student loans. I'm in no doubt this evidence shows that at 31 March 2005 Mrs H only owed £176.05. We've shared these with Erudio. This evidence is difficult to argue with and in all the discussions with Erudio on this point since; I've seen no adequate explanation why these statements shouldn't be taken at face value. Also Mrs H was led to believe this reflected her final financial position in 2005. And I don't doubt her when she says this was the end of her correspondence with S about these loans.

Mrs H made it clear to us she'd been willing to pay this outstanding amount – plus any relevant interest – since Erudio took over her debt in March 2014. Everything I've seen about Mrs H's demeanour throughout this complaint suggests to me she's reliable and trustworthy.

And of course, all parties accept the figures Erudio originally believed Mrs H owed are incorrect. And Erudio has said it in most recent correspondence with us:

“other statements have been provided with balances: £1,589, £1,607 and £1,599. These statements relate to the customers RTL accounts and not the customers MSL account balances and should not have been issued. Each RTL customer had two sets of accounts - RTL accounts and MSL or ICR accounts. The problem with balances on this account has occurred during the write off process between the two sets of accounts.”

This further supports my view that the evidence Erudio and S has provided is unreliable.

I have done what was right to get a better understanding of what may have happened. We've contacted S, as well as Erudio. They told us Mrs H's three student loans' debt stood at £4,742.96 when they transferred these to Erudio (although this isn't what they'd said in 2014 when they believed the debt was nearly £11,000). They believed the statements applied to Mrs H's RTL rather than her student loans. Except this doesn't reflect the

information on the statements themselves – which show they're clearly statements for Mrs H's student loans.

As Mrs H herself queried, how could she still owe £4,742.96 on total borrowing of £5,160.00 when payments had also been made? No answer was provided to us on this point following the provisional decision.

S, through Erudio, then told us £2,354.33 was applied to these three loans as a write-off. This was made up of three amounts applied to each loan: £785.20, £788.88 and £780.25. They provided copies of statements from 1997 to 2014 but admitted there were errors from September 2005 onwards. They'd debited £8,289.23 to Mrs H's account when the effective debt should have been £3,493.33. They've said Mrs H would only ever have owed £176.05 if she'd stayed in the RTL scheme. But Mrs H left the scheme in August 2005 (after having had a one-month break in 2004).

I might have been inclined to take this evidence at face value if it didn't conflict with Mrs H's later payment record.

I've also seen statements dating from 2012/2013 saying there was a debt of £3,657.91. And there are payment records showing she paid £1,457 in 2013/14, £1,537 in 2014/15, £1,684 in 2015/16 to S. The payments in 2016/2017 totalled £1,702 (two payments of £151 and seven of £200) were made to Erudio.

Erudio has said this was for a completely different loan. I'm not sure why we shouldn't be able to rely on statements quoting the relevant loan reference. By any calculation Mrs H would appear to be in credit if her debt was indeed £3,657.91. And I remain convinced Erudio has not shown that I can rely on their figures.

I've considered the massive amount of detail provided to me. This includes all the statements. These clearly don't tally. I appreciate I've placed some emphasis on the 2005 statement. But as Erudio has said subsequent statements shouldn't have included the balances they did. And it seems S relied on the 2005 statement for a considerable period of time too as they didn't appear to contact Mrs H further.

So I discussed with Mrs H what she felt would be a fair outcome. She felt Erudio should pay back the money she'd paid to them (totalling at least £3,505.60) minus the £176.05 plus interest she owed S on 31 March 2005. And to provide compensation for the impact this has had on her.

Mrs H has provided evidence about this impact which has meant she's had to take time off work because of the financial pressure she's been under. She's been having medical treatment to alleviate the stress. Everything I've seen and read from Mrs H has been clear and consistent. This is in stark contrast to the confused and contradictory evidence provided by Erudio (and S).

Although I have no jurisdiction to consider Mrs H's membership of the RTL scheme (nor that financial arrangement at all), I have taken into account the terminology used. All parties seem to agree that during the RTL scheme, student loans are written off. The remaining balance then becomes due when someone leaves the RTL scheme. Indeed the Government's own website states:

"Each September, [S] writes to schools to confirm employment details of eligible individuals from the previous academic year. If the school confirms the teacher was eligible for RTL throughout the year, their Student Loans are written off for that year"

But S, and by extension Erudio, seem to have mixed up the terms deferral and write-off whereas I believe the meaning of both is quite clear. And deferral is used in a specific way for student loans so if that was what was meant, I'd expect to see that term used.

So what do I think it's fair Erudio now do? I have to say I can't be completely sure what figure is correct. I'm certainly not convinced Erudio's figures are now correct. So having taken everything into account my decision is based on what I think is fair and reasonable, as statute requires.

Based on Mrs H's payment record and what she was clearly told in 2005 (which was not rectified for a further eleven years – if indeed the 2005 statement was an error), I believe it's fair and reasonable for Erudio to calculate redress as I outlined in my provisional decision.

I did consider asking Erudio to pay Mrs H more compensation for the distress caused as there's no doubt this has had a substantial impact on her. But I have to take into account some of the fault may not lie at Erudio's door.

my final decision

For the reasons I've given, my final decision is to instruct Erudio Student Loans Limited to do the following to put things right:

- Write off any debt which they believe Mrs H owes them and close Mrs H's three loan accounts;
- Refund Mrs H the money she's paid to them minus the £176.05 (plus interest) she owed;
- Make sure no default or negative impact is recorded on Mrs H's credit record; and
- Pay Mrs H £500 for the distress caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 11 July 2018.

Sandra Quinn
ombudsman