

The complaint

Mr N complains about the way that Tesco Mobile Limited has dealt with the early termination of a credit agreement under which a mobile phone was supplied to him.

What happened

Mr N entered into a credit agreement with Tesco Mobile that he electronically signed in December 2017 for a new mobile phone to be supplied to him. He agreed to make 30 monthly payments of £23.99 for the phone and to pay £11 each month for his usage of it – but he received a “*family perk*” which reduced the total monthly payment to £32.99.

Mr N wanted to terminate the contract early so he went into a store in December 2019 and was told he would need to pay £160 to do so. He then contacted Tesco Mobile and was told that the amount that he would need to pay was £119.95. He wasn't satisfied with the explanation that he was given for the difference so he complained to Tesco Mobile.

It said that he'd paid a bill in December 2019 which had reduced the amount due from him and the figures that he'd been given were correct at the times that they were provided to him. Mr N was then given a porting authorisation code and he moved his phone to a different network. Mr N still wasn't satisfied with the explanation that he'd been given so he said that he was cancelling his direct debit and complaining to this service.

He was sent a notification of an overdue payment later in January 2020 but he didn't make the required payment and adverse information was recorded on his credit file. Our investigator recommended that Mr N's complaint should be upheld. She said that Tesco Mobile hadn't provided Mr N with a detailed breakdown of the calculations and a sufficient explanation for how the figure was achieved so he'd lost faith in it, the relationship broke down, his account fell into arrears and a default was registered against him.

She said that none of that would've happened had Tesco Mobile communicated more clearly with Mr N and she recommended that it should: amend Mr N's credit file to remove the default and arrears markers; contact Mr N to provide a reasonable timeframe for him to repay the outstanding balance; and pay him £100 compensation.

Tesco Mobile has asked for this complaint to be considered by an ombudsman. It says that Mr N was provided with the correct information on each contact with Tesco Mobile and that he chose to cancel in the knowledge of the early termination charge. It says that Mr N didn't maintain payments and the account has correctly followed its collections process.

Mr N was told by Tesco Mobile in December 2020 that the outstanding balance on his account was £176.09 and that the account had been sold to a debt recovery company. Mr N has also been contacted by the debt recovery company.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and

reasonable in the circumstances of this complaint.

Having done so, I agree with the conclusions reached by the investigator for these reasons:

- Mr N wanted to terminate his credit agreement early and he asked for an early termination figure in December 2019 - the early termination figure that he was given was £160;
- he contacted Tesco Mobile later that month and was given a settlement figure of £119.95 so he queried that figure and was told that it was because a payment collected from him in December 2019 had reduced the early termination figure from £160 to £119.95 – but Tesco Mobile didn't explain to him why he'd been charged £40.05 in December 2019 (and it's account notes refer to a charge of £49);
- our investigator asked Tesco Mobile to provide more information to show why the settlement figure was reduced from £160 to £119.95 but it didn't provide her with a sufficient explanation for the difference;
- I consider that it was reasonable for Mr N to ask for a proper explanation of why the settlement figure had been reduced from £160 to £119.95 and I don't consider that Tesco Mobile provided him with an adequate explanation - and I've not seen evidence to show that the correct charge to Mr N in December 2019 was £40.05;
- Mr N had complained to Tesco Mobile and when his complaint wasn't upheld he said that he was complaining to this service – I consider that Mr N was prepared to pay an early termination charge but wanted to ensure that he was paying the correct amount – and the explanation that he was given by Tesco Mobile didn't give him the assurance that he reasonably wanted;
- Mr N cancelled his direct debit and didn't pay the early termination charge so Tesco Mobile recorded adverse information on his credit file – I consider that Mr N shouldn't have cancelled his direct debit but I understand the frustration that he was feeling and his reasons for doing so;
- if Tesco Mobile had provided Mr N with a proper explanation of the early termination charge, I consider it to be more likely than not that he would have paid the charge and the other consequences would have been avoided;
- I consider that the adverse information that Tesco Mobile has recorded on Mr N's credit file isn't a true and accurate record of his account and I find that it would be fair and reasonable in these circumstances for it to remove that information from his credit file;
- I consider that Mr N should pay an early termination charge and Tesco Mobile says that the early termination charge of £119.95 is correct - I consider that it would now be fair and reasonable for Mr N to pay that amount to Tesco Mobile – and, I consider that it should take any actions necessary to give effect to this decision including, for example, buying the account back from the debt recovery company and reducing the outstanding balance on the account to £119.95;
- I find that Tesco Mobile should contact Mr N about the payment and, if he's unable to make the payment, it should try to agree an affordable repayment arrangement with him for that amount (it's required to respond to any financial difficulties that Mr N is experiencing positively and sympathetically); and
- these events have clearly caused distress and inconvenience for Mr N and he's described the impact that they've had on him – I sympathise with him for the issues that he's experienced and I find that it would be fair and reasonable for Tesco Mobile to pay him £100 to compensate him for that distress and inconvenience.

Putting things right

I find that it would be fair and reasonable in these circumstances for Tesco Mobile to take the actions described above and as set out below.

My final decision

My decision is that I uphold Mr N's complaint and I order Tesco Mobile Limited to:

1. Remove any adverse information about the credit agreement that it's recorded on Mr N's credit file.
2. Take any actions required to reduce the outstanding balance of Mr N's account to £119.95 and then contact him about the payment - if he's unable to make the payment, it should try to agree an affordable repayment arrangement with him for that amount.
3. Pay £100 to Mr N to compensate him for the distress and inconvenience that he's been caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 12 August 2021.

Jarrold Hastings

Ombudsman