

The complaint

Mr C complains about how Vodafone Limited has administered a loan he took out with it.

What happened

I set out below Mr C's version of events and Vodafone's version of those same events.

Mr C's version of events

Mr C took out two loans with Vodafone Limited to pay for two separate electronic devices. I'll refer to these as Loan 1 and Loan 2.

Several months later, Mr C took out a third loan also to pay for an electronic device. I'll refer to this as Loan 3. At this point his bill "*went low*". He asked Vodafone about this, but it told him he was paying the right amount and that Loans 1 and 2 had been paid off.

Afterwards and to his surprise he was contacted by a debt collection agency asking him to pay the balance of Loan 2. So he called Vodafone who told him again he had paid off Loans 1 and 2. He told them this could not be right as he had only taken out the loans recently, but it insisted it was correct.

Now Mr C is being told by Vodafone that he must pay the debt collection agency, but he does not see why this should be, as he's been told twice by Vodafone that he does not owe the debt.

Further, Mr C complains that he did not receive the level of customer service he is entitled to expect. For example, aside from Vodafone giving him wrong information, it did not ring him back when it said it would. And when it finally resolved the issue, in so far as it finally realised it did have three loan agreements with him, it did not ring him to tell him.

To put things right Mr C wants Vodafone to stop pursuing him for the balance of Loans 1 and 2 and to pay him compensation for the stress its mistakes have caused him.

Vodafone's version of events

In August 2022 Mr C took out two separate loans (i.e. Loan 1 and Loan 2) to pay for electronic devices. Under the terms of these loans, Mr C was meant to make monthly payments to Vodafone either via direct debit or via a continuous payment authority using the details from his debit card. Up until October 2022, Mr C made his monthly loan repayments by direct debit.

On 11 October 2022 Mr C rang Vodafone. He told it that he needed to temporarily reduce the amount he paid it each month for each loan. Reduced repayment plans were agreed for three months for each loan. Under the repayment plans Mr C was meant to make repayments in October, November and December by direct debit. The direct debit was set up with the new payment details.

On 12 October 2022 Mr C rang back to say the amounts he'd agreed to pay the day before were too high. He asked that the payments be reduced. This was agreed and new temporary reduced repayment plans were set up. The old direct debit was cancelled.

On 15 October 2022 Mr C's new direct debit was set up in relation to the new temporary reduced repayment plans.

On 29 October 2022 Mr C cancelled the direct debit.

On 4 November 2022 Vodafone wrote to Mr C to tell him it had received none of the repayments that were due under the reduced repayment plans.

On 15 December 2022 Mr C rang Vodafone. At this point Vodafone's employee incorrectly told Mr C that Vodafone do not enter into temporary reduced repayment plans with their customers. The employee told Mr C to ring next week to set up a direct debit for his two loans.

On 22 December 2022 Vodafone sent Mr C two separate notices of default one for Loans 1 and one for Loan 2. Each notice explained Mr C could pay his arrears either online or by phone.

On 22 December 2022 Mr C cleared the arrears on Loan 1 and Loan 2.

On 5 January 2023 Mr C entered into a third separate loan agreement to pay for an electronic device (i.e. Loan 3).

On 12 February 2023 Mr C rang to complain that Vodafone was taking the wrong amount of money when it took the direct debits. The Vodafone employee wrongly told Mr C that he only had one finance agreement with it. The employee also gave Mr C an incorrect figure for the total amount he should be paying it. Mr C told the employee that as far as he was aware he had three current finance agreements. In response the employee said that must mean that the other two earlier agreements had been fully paid off.

On 2 April 2023 Vodafone sent Mr C a notice of default in relation to Loan 2. Again the notice told Mr C he could pay his arrears either online or by phone.

On 20 April 2023 Mr C rang Vodafone to query how much he owed it. Mr C was given the wrong amount.

On 22 April 2023 Mr C was sent a notice of termination for Loan 2 and the loan was defaulted. This loan account was sent to a debt collection agency.

Vodafone tells us it gave Mr C inaccurate information on several separate occasions. As a gesture of goodwill it offered Mr C £100 for this, it intended to pay Mr C the £100, by taking this amount off the debt. Also it said it would recall the debt from the debt collection agency. Then it would reinstate the loan and would set up a repayment plan for Mr C. However, if it was going to do this, it would expect Mr C to clear the arrears on Loan 2 in one go beforehand. At this point the arrears stood at, £187.50.

Vodafone also agreed to ask the credit reference agencies to remove any negative information it had asked them to register about Loan 2. But it would only do this if two conditions were met. The first condition was that Mr C would have to clear all arrears he has on this and all of his other finance agreements. Further, Mr C has other debt with it that is not debt he incurred under a regulated agreement, in other words, these agreements are unregulated. The second condition was that Vodafone will also require Mr C to clear any debt including arrears that he has under the unregulated agreements too before it will contact the credit reference agencies.

What happened once the complaint was with us

Dissatisfied, Mr C complained to our service.

Once Mr C's complaint was with us, Vodafone provided new information about the limits of its internal systems. In particular, it told us it could only recall Loan 2 and reinstate it if the arrears were cleared first. It said its systems prevented it from taking any other approach. Further, Vodafone said it could not amend the information it had asked the credit reference agencies to register on Mr C's credit file about Loan 2 if Mr C did not clear the arrears all in one go. Because again its systems would prevent it asking the credit reference agencies to amend Mr C's credit file if the arrears were still outstanding.

Vodafone reiterated that although it has told us it had given Mr C inaccurate information on occasion it was not upholding his complaint. Because it did not agree it had done anything wrong. It had offered the £100 as a goodwill gesture only.

Mr C also provided new information he told us he was not in a position to pay the arrears all in one go. Therefore he is in no position to accept this offer. Moreover, he said this offer was punishing him for Vodafone's mistakes, which he considered to be unfair.

Further, Mr C told us two very different things about the payments he'd made to Vodafone. Specifically, Mr C indicated he had been paying for Loan 1 and Loan 2 by direct debit. Then he got notified that the loans had been passed to a debt collection agency. It was only at this point that he cancelled his direct debit. Later, Mr C told us he had cancelled the direct debit in October 2022 due to being made redundant. And he says he told Vodafone this at the time.

One of our investigators looked into Mr C's complaint. Our investigator was satisfied that Vodafone had caused the account to default because it gave Mr C incorrect information. As result, our investigator recommend that Vodafone must:

- Recall the debt from the debt collection agency and reinstate Loan 2.
- Ask the credit reference agencies to remove all negative markers from Mr C's credit file related to Loan 2.
- Treat Mr C with forbearance and set up an affordable repayment plan to clear the arrears without further impacting his credit file negatively.
- Pay him £150 compensation for the level of distress and inconvenience caused to him by its mistakes.

It appears that Mr C accepted our investigator's recommendation, but Vodafone did not. In rejecting our investigator's recommendation Vodafone indicated that from its perspective, Mr C's own actions rather than its mistakes led to the current situation. This is because Mr C cancelled his direct debit for Loan 2 in October 2022. Then he did not make repayments in line with the repayment plan. Further, it sent him all of the appropriate notifications before it defaulted the account. On this basis its stance remained it had done nothing wrong.

However, as a goodwill gesture only Vodafone indicated that it is willing to reinstate the account for Loan 2 on the proviso that the arrears are paid in full beforehand. Moreover, it would only ask the credit reference agencies to remove the negative information it has asked them to register about Loan 2 if Mr C pays the arrears for Loan 2 in full first. Finally, by way of exception, it would be willing to refund the £100 directly to Mr C.

Vodafone asked that an ombudsman review Mr C's complaint.

I reviewed Mr C's complaint. Having considered the available evidence, I was minded to uphold the complaint in part. However, my reasoning and redress was not exactly the same as our investigators. Therefore I thought it was fair to let the parties see my provisional findings and make further submissions (if they wanted to) before I made my final decision. Therefore, I issued a provisional decision and I've set out below what I decided provisionally - and why. This forms part of my final decision.

"What I've provisionally 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.

First, I'm very aware that I've summarised this complaint in far less detail than the parties and I've done so using my own words. I'm not going to respond to every single point made

by all the parties involved. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here.

Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. Rather, I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome.

Where the evidence is incomplete, inconclusive, or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in the light of the available evidence and the wider circumstances.

In considering what is fair and reasonable, I need to have regard to the relevant law and regulations, regulator's rules, guidance and standards and codes of practice and (where appropriate) what I consider to have been good industry practice at the time.

I think the crux of this complaint is to identify whose actions set off the whole course of events that led to Loan 2 ending up with the third party debt collectors. Mr C indicates Vodafone is responsible, whereas it says he is. I've come to the conclusion that Vodafone's mistakes are not the root cause of Mr C's current predicament. I'll explain why below.

Mr C has told us two different things about when he stopped the direct debits and why. But I think both Mr C and Vodafone do agree that he did stop his direct debits in October 2022. At this point Mr C had two loans with Vodafone for which he had contracted to make repayments albeit reduced repayments. Moreover, those repayments were due each month by direct debit. I think Vodafone had made this clear and therefore it was not at fault if Mr C did not realise this. However, after this was agreed it appears that Mr C then cancelled his direct debit. I think it is this action that is the root cause of everything that happened next.

Moreover, under the terms of the loan agreement for Loan 2, Mr C had agreed to make his repayments either by direct debit or by continuous payment authority. I think it is reasonable to assume, as a starting point, that when a person reads and signs an agreement – they understand the terms of the agreement and they are agreeing to be bound by them. So Mr C was already on notice about how he needed to make his repayments. And he was also on notice about what could happen if he breached this term.

According to Vodafone's records, which I've no reason to doubt on this point, Mr C did not make his repayments for Loan 2 in line with the temporary repayment plan. Therefore, it wrote to Mr C in November 2022 to let Mr C know it had not received the repayments he had agreed to make. Mr C does not say he did not receive this contact, rather it seems this is what prompted him to call Vodafone in December 2022. I think Vodafone's letter of November 2022 further underlined Mr C's obligations to make his repayments and to do so on a monthly basis.

Ultimately Mr C cleared the arrears that had been run up during October, November and December, it seems he did this by making a manual payment. However, no new direct debit appears to have been set up to make payments going forwards neither was a continuous payment authority set up. Therefore, it was inevitable that once again Mr C would start to build up arrears on Loan 2 (and indeed on Loan 1 too).

Mr C told us he made all of the required payments by direct debit until he received notification that Loan 2 had been defaulted and sent to a debt collector. But based on the information I've seen I am not persuaded by this. Rather I think Vodafone's version of events is the most likely.

Mr C and Vodafone both agree that in February 2023 Vodafone wrongly told Mr C that he only had one loan agreement with it. Mr C told Vodafone this was wrong. Vodafone did make a mistake here. But I don't think this caused Mr C to miss his payments to Loan 2. Rather the reason Loan 2 fell into arrears is because Mr C had cancelled his direct debit in October 2022 and not set up a new direct debit. I am satisfied that Vodafone had already done

enough to make it clear to Mr C what would happen if a new direct debit or continuous payment authority was not put in place.

Moreover, Mr C was seemingly well aware that Vodafone had made a mistake he told it he had other loans, they were not paid off and the payments were too low. Therefore I don't find that Vodafone's mistake in February 2023 ought reasonably to have caused confusion on this point. Further, in the circumstances I don't find that simply because Vodafone made this mistake it should now have to reverse its decision to default the loan .

I recognise that Mr C's position is that all the problems stemmed from the point when Vodafone gave him incorrect information in February 2023. But I've explained above why I don't see it as he does.

Mr C wants Vodafone to be made to stop pursuing him for the balance of Loans 1 and 2, but that's not something I can fairly and reasonably do. I say this because for all of the reasons I've gone through above, I've no proper basis to say that Vodafone must reverse its decision to default Loan 2. Neither have I any proper basis for saying it must stop pursuing Mr C for the balance of either Loan 1 or Loan 2.

I'll note for completeness although Mr C asks that Vodafone stop pursuing him for the balance of Loan 1 as well as Loan 2. Mr C's complaint is solely about Vodafone's administration of Loan 2.

That said, Vodafone's explanation of its mistakes is unsatisfactory. It does not explain why its employees gave Mr C wrong information. Moreover, these were very basic mistakes, I'd expect Vodafone employees to know what loan agreements a customer had with it, and to give correct information. It is clear that Mr C finds it greatly frustrating that he was given wrong information even when he challenged it. It is likely this caused Mr C distress and inconvenience. I think an award of £250 is appropriate for this.

Mr C might want to consider if he wants Vodafone to use the £250 to help clear the arrears rather than pay him the £250 directly. The choice is his, please can he let us know what he'd like it to do when he replies to this provisional decision if he decides to accept this decision.

As far as I am aware Vodafone's offer is still available. That offer being that provided Mr C pays off the arrears in full beforehand, it will reinstate the loan, and ask the credit reference agencies to remove the negative information on Mr C's credit file in relation to Loan 2. If Mr C wants to/is able to accept this offer, he will need to contact Vodafone directly. Albeit I recognise that it is unlikely that Mr C is going to be able to take up this offer given what he has said previously about this offer.

From some of the things that Mr C has told us during the course of his complaint it appears that Mr C may now be experiencing financial difficulties. If that is so, Mr C will need to raise this with Vodafone, I can't look at that point in this complaint as it is a new issue which Vodafone has not had a chance to look at.

My provisional decision

My provisional decision is that I intend to require Vodafone Limited to pay Mr C £250 for distress and inconvenience.

Vodafone Limited must pay the compensation within 28 days of the date on which we tell it Mr C accepts my final decision. If it pays later than this it must also pay interest on the £250 from the deadline date for settlement to the date of payment at 8% a year simple.

If it considers it is legally required to deduct income tax from that interest, it must send a tax deduction certificate with the payment so that Mr C can reclaim the tax if he is able to.

Mr C should refer back to Vodafone Limited if he is unsure of the approach it has taken and both parties should contact HM Revenue & Customs if they want to know more about the tax treatment of this portion of the compensation. "

As far as I'm aware only Vodafone responded to my provisional decision. Vodafone told us that it accepted the provisional decision and would wait to hear what Mr C wanted to do with the £250. It is regrettable that we've received no response from Mr C, but I'm satisfied he has had a fair opportunity to respond should he have wanted to.

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.

I thank Vodafone for its response to my provisional decision. I've reviewed the file again and revisited my provisional decision.

Vodafone has accepted my provisional decision. Mr C has not responded to it. Therefore I've received no new submissions in response to my provisional decision. It follows I've reached the same conclusions for the same reasons as I set out in my provisional decision.

As far as I am aware Mr C has not responded to say what he wants Vodafone to do with the £250 I've awarded for distress and inconvenience. Therefore Vodafone should pay this sum to Mr C directly if Mr C decides to accept this final decision.

My final decision

My final decision is that Vodafone Limited must pay Mr C £250 for distress and inconvenience.

Vodafone Limited must pay the compensation within 28 days of the date on which we tell it Mr C accepts my final decision. If it pays later than this it must also pay interest on the £250 from the deadline date for settlement to the date of payment at the rate of 8% a year simple.

If it considers it is legally required to deduct income tax from that interest, it must send a tax deduction certificate with the payment so that Mr C can reclaim the tax if he is able to.

Mr C should refer back to Vodafone Limited if he is unsure of the approach it has taken and both parties should contact HM Revenue & Customs if they want to know more about the tax treatment of this portion of the compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 13 November 2023.

Joyce Gordon
Ombudsman