

The complaint

Mr S has complained that Vodafone Limited acted irresponsibly when it provided him with multiple credit agreements between 2021 and 2023.

Background

Between late 2021 and 2023 Mr S applied for 25 different device plans from Vodafone. In each instance he was approved for, and signed, an interest free credit agreement. The credit agreements each had terms of 36 months, during which time Mr S was expected to repay the full cost of the linked device. Mr S cancelled 18 of these agreements during their 14-day cooling down periods, returning the relevant devices. So, he didn't need to make any payments in relation to those agreements. However, he still has seven active agreements with Vodafone, that he's obliged to make monthly repayments for.

Mr S has explained that at the time he was applying for the credit agreements he was experiencing a lot of ill health, both personally and within his immediate family. As a result, Mr S explains that his own mental health began to suffer, he was under enormous stress and extremely vulnerable. All of which he says resulted in him spending in a compulsive way. He thinks that Vodafone should have realised he was vulnerable and queried why he was applying for so many new devices in such quick succession. He says had it questioned him at the time it would have been apparent how unwell he was. And that it was inappropriate to allow him to keep taking out new agreements, as these were ultimately unaffordable for him.

Vodafone accepts that Mr S applied for a higher-than-average number of devices. However, it explains Mr S cancelled the majority of the agreements he was given. Which means 18 of the credit agreements were cancelled without Mr S incurring any cost.

In regard to the seven open accounts Mr S still has with it, Vodafone says it completed all relevant affordability checks at the time of application and is satisfied the agreements were affordable. Since Mr S brought his complaint to this service it has moved the phone numbers onto its 'pay as you go' system so there are no longer any air-plan charges accruing on the accounts. But it says Mr S is liable to repay the cost of the devices themselves and while it's prepared to combine the outstanding amounts owed on all devices into a single repayment plan, it's not prepared to the extend the length of time Mr S has to repay the amount owed beyond six months.

Mr S has explained that he's not able to afford the monthly repayment amounts if the plan isn't extended over a longer period of time. He doesn't want Vodafone to pass the debt onto a debt collection agency or for any negative markers to be added to his credit file. He doesn't think Vodafone have acted fairly or provided him with a genuine offer of support as the only option it's given him is unaffordable.

Unhappy with Vodafone's offer Mr S brought his complaint to our service. One of our investigator's looked into it already. She found that there was sufficient evidence between 2021 and January 2023 for Vodafone to realise Mr S was behaving in an unusual way and that this may be linked to a vulnerability. Therefore, she felt the basic checks Vodafone

completed by the time Mr S applied for the last seven devices, were insufficient. She thought it should have recognised the unusual pattern on Mr S' account by this time and questioned him further before agreeing to more lending. If it had done this she didn't think it would have agreed to provide him with any of the credit agreements taken out after 26 January 2021 and so she upheld the complaint on that basis.

Mr S accepted the investigator's findings. Vodafone also said it accepted the findings but that it was unable to offer a repayment plan with a term longer than six months, as the investigator had instructed it to do, as that went against its policy.

As Vodafone didn't accept the investigator's redress instructions the case has been passed to me consider.

My final decision

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'd like to begin by confirming that this service isn't a regulatory body or a Court of Law and doesn't operate as such. Instead, this service is an informal, impartial dispute resolution service. And while we do take relevant law and regulation into account when arriving at our decisions, our remit is focussed on determining whether we feel a fair or unfair outcome has occurred – from an impartial perspective, after taking all the factors and circumstances of a complaint into consideration.

As both Mr S and Vodafone have accepted the reasons set out by the investigator for upholding the complaint, I will repeat them briefly below but will focus primarily on what Vodafone now needs to do to put it right.

As already explained Mr S applied for a total of 25 different devices, all of which were taken out on credit, over 18 months, between 2021 and 2023. Mr S has explained that at the time he was experiencing a lot of distress in his personal life and his mental and physical health were poor. He began compulsively spending as a coping mechanism at a time of heightened vulnerability and believes that Vodafone should have queried why he was applying for so many new contracts in such quick succession.

Our investigator agreed that Vodafone should have queried Mr S' behaviour at the time as the pattern of application, approval and return, was so unusual. Although Vodafone thought it had done enough to check the credit agreements were affordable it accepted that it missed indicators of vulnerability in Mr S' behaviour and agreed to the uphold on that basis.

I also agree with the investigator here and think that it should have been clear to Vodafone before the final seven devices were applied for that Mr S was behaving in a way that may indicate vulnerability and that it should have questioned him more before continuing to approve new credit agreements without doing more than basic credit checks. So, I'm also upholding Mr S' complaint in regard to the final seven devices and think Vodafone now needs to support him in regards to how to put it right.

Vodafone has confirmed that no interest was applied to any of the credit agreements taken by Mr S and so the outstanding amount owed is just the cost of the devices. And Mr S has confirmed that he sold the devices on to third parties and so it's not possible to return them for refunds. I'm also conscious that it would be unreasonable to say Mr S doesn't need to repay the amount owed on the devices when he has sold them on as it would leave him in a better position than it would have been if Vodafone hadn't approved his applications. So that means I do think that Mr S has to repay the amount he owes to Vodafone.

Our investigator previously suggested that Vodafone speak to Mr S and complete an income and expenditure form with him to understand what his current levels of disposable income is and what he can afford. She suggested that it should give Mr S a repayment plan that spans approximately a year. Vodafone responded to that suggestion saying it couldn't extend the length of time Mr S has to repay beyond the original repayment agreement. However, this would put the amount Mr S has to repay above what he can reasonably afford and so that doesn't feel like a fair outcome.

The Financial Conduct Authority ("FCA") states in Principle 6 of its handbook that:

A firm must pay due regard to the interests of its customers and treat them fairly

The specific rules that apply to businesses that offer credit to consumers are set out in the consumer credit sourcebook, or "CONC" and can be found on the FCA's website. CONC states that when dealing with a consumer who has fallen into financial difficulty businesses must treat them fairly.

CONC 7.2.1R states the following:

A firm must establish and implement clear, effective and appropriate policies and procedures for:

- 1. dealing with customers whose accounts fall into arrears;*
- 2. the fair and appropriate treatment of customers, who the firm understands or reasonably suspects to be particularly vulnerable.*

CONC 7.3.4R also states:

A firm must treat customers in default or in arrears difficulties with forbearance and due consideration.

And CONC 7.3.6G states:

Where a customer is in default or in arrears difficulties, a firm should allow the customer reasonable time and opportunity to repay the debt.

It then goes on to say at CONC 7.3.8G

An example of where a firm is likely to contravene Principle 6 and CONC 7.3.4 R is where the firm does not allow for alternative, affordable payment amounts to repay the debt due in full, where the customer is in default or arrears difficulties and the customer makes a reasonable proposal for repaying the debt or a debt counsellor or another person acting on the customer's behalf makes such a proposal.

And finally, CONC 7.3.10R states:

A firm must not pressurise a customer:

- 1. to pay a debt in one single or very few repayments or in unreasonably large amounts, when to do so would have an adverse impact on the customer's financial circumstances;*

The guidance goes on to say that businesses should provide tailored support keeping the consumer's specific circumstances in mind when trying to work out a reasonable repayment

plan.

So, I think Vodafone's current refusal to extend the amount of time Mr S has to repay the amount he owes is unreasonable and goes against the guidance set out for businesses in CONC. Which means I agree with the findings of our investigator and think that Vodafone needs to speak to Mr S and work out how much he can afford to repay on a monthly basis and how long it would take him to repay the debt.

It is important to clarify to Mr S that if he can only make token repayments it may be the case that his account is still ultimately defaulted as Vodafone doesn't have to extend the repayment period indefinitely. However, it's not reasonable for it to expect him to repay the debt in full within six months without first establishing what is actually affordable.

Therefore, I am upholding Mr S' complaint against Vodafone and directing it to speak to Mr S and complete a full income and expenditure form in order to work out his current disposable income. Then once this has been completed it should create a repayment plan that covers the full amount owed across all seven devices, based on affordable monthly repayments. If Mr S' is unable to repay the outstanding amount within a reasonable time, which will likely be more than the six months already suggested, Vodafone should then explain the next steps regarding potentially defaulting the account or selling the debt on.

Putting things right

In order to put things right Vodafone Limited should:

- Calculate the total debt Mr S owes across his outstanding accounts and arrange a suitable repayment plan to repay the balance over a reasonable period of time. Vodafone should consider Mr S' circumstances now, as well as appropriate support as a vulnerable customer.
- If Mr S decides to receive support from any third parties for his outstanding debts, Vodafone should also work with these parties when accepting repayments for the debt owed.
- Mr S should engage with Vodafone and provide information about his current financial circumstances if it asks for these.
- Vodafone may report the agreements as being in an "arrangement to pay" on Mr S' credit file, as this fairly reflects that he has received the benefit of the goods
- If Mr S doesn't maintain the plan as agreed, he should be aware that Vodafone may decide to continue collection activity on the agreements, including reporting defaults in the future.

My final decision

For the reasons set out above I uphold Mr S' complaint against Vodafone Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 24 July 2024.

Karen Hanlon
Ombudsman