

The complaint

Mr S has complained about the way Telefonica UK Limited trading as O2 administered fixed sum loan agreements he'd taken out to buy devices.

What happened

The circumstances of the complaint are well known to the parties so I'm not going to go over everything again in detail. But, to summarise, Mr S bought devices using fixed sum loan agreements from O2 in May 2023 but decided to cancel the purchases on the same day. He said he was given an upfront payment back but had to return to the store several times to fully cancel.

Mr S said he started to receive communication from O2 because the agreements hadn't been cancelled properly. He was concerned and spoke to several agents. He also noticed the loans were present on his credit file, so he complained.

O2 said it gave feedback to the appropriate parties, so the situation won't happen again. It said all orders had been marked as returned and it said it had corrected the balances and contacted its credit file teams to update his credit file. It said it had credited Mr S £103.75 to say sorry. Mr S decided to refer his complaint to the Financial Ombudsman because he said his credit file hadn't been corrected.

One of our investigators spoke to Mr S and he said it looked like one of the credit reference agencies still showed two loans on his credit file. He spoke to O2, and it said it would correct the credit file. He noted O2 had compensated Mr S around £100 and offered a further £50 which he thought seemed broadly fair. Mr S thought that fairly resolved matters, but after around a couple of months he came back to the Financial Ombudsman to say his credit file still hadn't been corrected.

As things weren't resolved, the complaint was passed to me to decide.

I wrote to O2 to highlight Mr S was still unhappy with what was being reported on his credit file with one of the agencies. I said given it had taken around a year to resolve I wanted to invite it to reconsider the compensation it offered because I didn't think £150 fairly reflected what went wrong. I also wanted to highlight Mr S said his credit file still wasn't corrected. O2 said it was willing to offer £300 in total including what had already been offered.

I issued a provisional decision that said:

I want to acknowledge that I've summarised the events of the complaint. I don't intend any discourtesy by this – it just reflects the informal nature of our service. It's important to note I'm required to decide the complaint quickly and with minimum formality. I want to assure Mr S and O2 that I've reviewed everything on file. And if I don't comment on something, it's not because I haven't considered it. It's because I've concentrated on what I think are the key issues. Our powers allow me to do this.

Mr S bought devices using fixed sum loan agreements from O2. These are regulated consumer credit agreements. And our service is able to consider complaints relating to these sorts of agreements. But, for completeness, I should point out I'm not able to consider complaints that solely relate to the airtime contract with O2.

It's not in dispute that O2 allowed Mr S to cancel his agreements under a policy it has. Mr S changed his mind straight away, and it should have been a straight-forward matter for O2 to remove all records of the credit agreements from his credit file.

O2 didn't remove all the entries straight away. And it took longer than it should have done to make corrections with one credit reference agency in particular.

Mr S has been inconvenienced, and it must have been really frustrating for him for it to take so long to resolve. He's had to make several phone calls to sort things out, and he was understandably worried about having incorrect information on his credit file. Recently he's shown us that there is still an entry from O2 on his credit file. Which, while not showing as adverse, should not be present. So I don't think he's been treated fairly.

For the avoidance of doubt, I think O2 should remove all records of the relevant fixed sum loan agreements from Mr S's credit file, not just any adverse information.

What's left to decide is the compensation for the trouble and upset caused. The matter took far longer than it should have done to sort out. Mr S has been put to the inconvenience I've mentioned above. The entry wasn't corrected the first time around, and Mr S has had to spend a lot of time trying to get O2 to correct things, pursuing the complaint, and checking his credit file. No amount of money can change what's happened. But the compensation O2 has now agreed to offer is in line with what's awarded where the impact of the mistake has caused considerable distress, upset and worry – and/or significant inconvenience that needs a lot of extra effort to sort out. So I think the compensation that's now been offered seems suitable in the circumstances because I agree it's had that sort of impact on Mr S. I'm not intending to direct it to do more.

O2 responded to say it had checked with the agencies and its searches showed the information had been deleted. But it agreed to remove the agreements showing on Mr S's credit file and asked for another copy of it. It said the compensation had been sent as a cheque and should arrive within two weeks.

Mr S responded to say he was happy with the outcome for the most part but requested higher compensation. He said he didn't think £300 was sufficient and highlighted the inconvenience he'd been put to. He said he would like around £500 in total.

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'd like to thank the parties for their responses. Having considered everything, I think the intended outcome I reached in my provisional decision still seems broadly like a fair way to resolve the complaint.

It seems as though there is still reference to an agreement on Mr S's credit file, although I can't see that adverse information is present. I will attach a copy of the relevant entry on Mr S's credit file to this decision so O2 can see what is present. The entry is showing under closed accounts, and that it was settled, but I don't think it should be present at all because that's not accurate.

I'm conscious Mr S accepted our investigator's initial recommendation of around £150 compensation when he issued his assessment. Matters weren't resolved, and it's taken a few months longer than it should have done. It still seems like the entry hasn't been fully removed which must be frustrating for Mr S. I've not seen the incorrect information had a knock-on effect by causing any financial detriment to Mr S for example. But I do appreciate the ongoing inconvenience. There's no exact science for compensation, but I think around £300 for the errors requiring the effort from Mr S to sort out seems broadly reflective of what happened. I'm not making any further directions.

My final decision

My final decision is that I uphold the complaint and direct Telefonica UK Limited trading as O2 to remove all records of the relevant credit agreements from Mr S's credit file. And to the extent it's not done so already, it should pay Mr S a total of £300 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 26 November 2024.

Simon Wingfield
Ombudsman