

The complaint

Mr S has complained about the way Hutchison 3G UK Limited trading as Three administered a fixed sum loan agreement he'd taken out to buy a device.

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 a device for around £1,200 using a fixed sum loan agreement with Three in March 2024. Mr S was due to repay the agreement with monthly repayments of around £50 for two years.

Towards the end of 2024, Mr S raised a complaint with Three saying:

- He wasn't sent a copy of the credit agreement.
- Three terminated the agreement without adequate communication.
- Three continued to take direct debits post-termination.
- Three breached data protection rights by passing his debt to a third party.
- The adverse information on his credit file impacted his financial reputation.
- The situation impacted his health adversely and it's been distressing and inconvenient.
- Three failed to support him.

Mr S requested his agreement was reinstated; adverse information is removed from his credit file; compensation is paid; Three apologises and investigates the data breach and that it improves its communication.

Three responded to say it had given Mr S several extensions and help to pay whenever he reached out. It said due to the arrangements being broken it passed the debt to a debt collection agency and that it sent several communications to him, including the correct default and termination letters. Mr S decided to refer his complaint to the Financial Ombudsman. Upon review, Three said it wanted to offer £75 compensation as a credit in relation to missing an opportunity to better inform Mr S about why a direct debit was taken in October 2024.

Our investigator considered the complaint and thought Three's answer was broadly fair. Mr S didn't agree. In summary, he said:

- He never received communications about his credit agreement.
- He made several attempts to contact Three to request updates and was ignored.
- Three's responses were inconsistent and contradictory.
- Three didn't provide him with a copy of the credit agreement.
- He wanted Three to show proof of email transmissions to show the messages were successfully sent and received.
- He wasn't given fair notice or opportunity to rectify payment issues.
- He wasn't told in advance his debt would be passed to a third party or given the option to discuss alternative arrangements.

As the complaint wasn't resolved, it's been passed to me to decide.

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 want to acknowledge 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. I'm required to decide matters quickly and with minimum formality. But I want to assure Mr S and Three 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.

Where the evidence is incomplete or inconclusive I must reach my decision on the balance of probabilities.

I'm sorry to hear the situation has impacted Mr S adversely and I thank him for taking the time to bring the complaint.

Mr S paid for the phone using a fixed sum loan agreement. This is a regulated consumer credit agreement, and our service is able to consider complaints relating to these sorts of agreements. But we're generally not able to deal with complaints that solely relate to airtime agreements. Moreover, it's important to set out that I primarily need to consider what happened up to when Three sent Mr S its final response letter because the events preceding this relate to what it's had the chance to consider. If Mr S is unhappy with events that happened more recently, he'd need to take it up with the respondent in the first instance and if he's unhappy with how it responds, it may be something we can consider for him. I've focussed therefore on Mr S's original complaint points.

Three has said it sent Mr S a copy of the credit agreement by email along with the payment schedule and direct debit advance notice. It's provided a spreadsheet of contact information with details of emails and SMS messages sent. The email address matches what we have for Mr S. On balance I think the welcome contact was sent. And I don't find I need to see proof of receipt.

While I don't want to rehash every single contact that's been made, I've reflected on the broad timeline of main events when deciding this complaint:

Mr S's first payment was received as expected in April 2024 so I think the direct debit was set up correctly. The May direct debit was returned unpaid with reason code 'refer to payer'. When Three tried to take it again at the beginning of June it failed again for the same reason. Three wrote to Mr S about the debt. It spoke to Mr S in June about the arrears on webchat but payment for the credit agreement wasn't made. Mr S's third instalment due in June also went unpaid. Three sent a direct debit retry notice, along with a Notice of Sums in Arrears letter at the beginning of July. Mr S contacted it again by webchat in July and agreed a repayment plan:

£84.51 on 28 July
£84.51 on 28 August
£84.53 on 28 September

The plan was there to take the normal instalment plus split the arrears of around £100 over three months. Three also wrote to Mr S about the plan. It tried to take the next agreed payment, but the direct debit failed. No payment was received by the 28 July so by this point Three said the arrears were around £150 (the May to July contractual repayments).

Hover, shortly after, Mr S spoke to Three again and paid around £67 because the agent couldn't see the July repayment plan direct debit had failed by that point, so it sought the difference between the arrears (of around £150) and what it thought Mr S had paid on 28 July.

Mr S spoke to Three again in August because the 28 July payment plan was still due. Mr S was confused because he'd made the £67 payment, but Three explained what had happened and it collected the difference in what was owed of around £17 (to cover the remainder of the payment plan instalment). It's not clear if Three tried to take the instalment again at the beginning August or suppressed the payment in line with what it told Mr S on web chat, but it wasn't paid – although this was as expected.

Three attempted to take the second instalment under the payment plan at the end of August 2024 but it was returned unpaid. The same thing happened again at the beginning of September when it retried. The third instalment under the payment plan also went unpaid at the end of September. So the arrears total at this point was around £170.

Three sent a default notice on 4 October 2024 asking for the arrears of around £170 to be cleared by 25 October 2024. It also tried to retake the third instalment of the payment plan but this was returned unpaid.

Three sent a notice of termination on 25 October 2024 and the full balance of around £1,030 became due. Three was, however, able to take the normal instalment at the end of October because the direct debit was requested from his bank prior to the notice of termination being issued.

Three contacted Mr S again in November 2024, and it referred the debt to a debt collection agency the following month.

I don't think it's in dispute payments were missed towards the agreement. I think Three did contact Mr S regularly about the arrears. He referred to contact he'd received when he spoke to Three on webchat in June 2024 indicating he received at least some of its communication about missed payments. Three sent us copies of the letters that were sent by email along with a spreadsheet detailing the various contacts. I think it did send him the notice of default warning him of the consequences of missing payments, along with the notice of termination.

I think Three tried to work with Mr S when he spoke to it by putting in payment plans. I can see it checked plans were affordable and explained the difference in the credit agreement repayments and airtime repayments. It had the correct email address for Mr S and so on balance I think the emails should have been successful. I think it's acted broadly fairly and tried to support Mr S as I'd expect when he reached out for help.

The relevant guidance broadly says that defaults can generally occur when the customer is three months in arrears, and normally by the time they are six months in arrears. So I don't think Three was unfair to default the account when it did given he was over three months in arrears.

Moreover, even if Mr S hadn't received contact from Three, I still need to bear in mind that by signing the agreement he agreed to become bound by the terms of it, including the way repayments needed to be made.

Three explained why the October 2024 payment still went through even though the agreement had been terminated. This is because the payment was requested before termination. I think that seems like a fair explanation, and the money was ultimately owed. Three has also offered Mr S a £75 credit to say sorry for missing an opportunity to clear this up for him when he spoke to it in December 2024. I think that's fair too.

With regards to whether there's been a breach of data protection law only a court can decide that. I'm required to decide the complaint by setting out what I think is fair and reasonable (taking the law into account). Like our investigator pointed out, the agreement Mr S signed set out that Three may use a debt collection agency to help it recover money owed. So when it did this, I don't think that was unfair.

Overall, while I know Mr S will be disappointed, I think the missed payments, default and termination are an accurate and fair reflection of what happened. I think the compensation Three offered for missing an opportunity to better inform him about the October 2024 payment seems fair. I also don't think Three was unfair in passing the debt to a debt collection agency when it did. While I'm sorry to hear Mr S is unhappy, I don't find I have the grounds to direct Three to remove adverse information, bring back or reinstate the agreement, or increase the compensation. Mr S may wish to speak to the debt collection agency to discuss a way forwards.

My final decision

Hutchison 3G UK Limited trading as Three has offered Mr S £75 credit. I think this is fair in all the circumstances. So my decision is that, to the extent not done so already, it should credit Mr S £75.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 23 October 2025.

Simon Wingfield

Ombudsman