## The complaint

Mr G complains Vodafone Limited provided him with unaffordable credit agreements.

## What happened

Vodafone provided Mr G with the following credit agreements for mobile phone handsets:

| Date | Capital amount | Term (months) | Monthly repayments | Interest rate |
|---|---|---|---|---|
| July 2024 | £1,116 | 36 | £31 | 0% |
| August 2024 | £1,332 | 36 | £37 | 0% |

Mr G applied for a third credit agreement in August 2024 however this was declined.

Mr G complained to Vodafone in September 2024 saying the credit agreements weren't affordable for him; and that proportionate checks ought to have identified this.

Vodafone considered Mr G's complaint and didn't uphold it, saying its checks had identified the credit agreements were affordable for him. However, as a gesture of goodwill it agreed to allow Mr G to return the handsets and exit the contracts with no cost. It also waived an outstanding balance of around £60 from the associated airtime contracts, and ultimately credited them with £20 each. Vodafone also confirmed it would move the airtime agreements to Pay As You Go (PAYG) contracts so they could be better managed.

Mr G didn't return the handsets and repayments to the device credit agreements weren't made. As such Vodafone issued Notices of Defaults, and the debts were ultimately passed to a third-party debt collector. Vodafone has since said due to the time that's passed, and that Mr G has said the handsets have sustained cosmetic damage, it is no longer willing to accept the return of the handsets to settle the agreements.

Unhappy with Vodafone's response Mr G referred his complaint to our service.

One of our investigators reviewed the details and didn't uphold Mr G's complaint. Across two views they set out why they considered proportionate checks would have led Vodafone to reach the same outcome to provide these credit agreements. As such they concluded Vodafone had made fair lending decisions when providing Mr G with the credit agreements.

Vodafone didn't respond to our investigator's view; Mr G didn't agree. In summary, he maintained his arguments and set out that he considered proportionate checks ought to have led to Vodafone concluding these credit agreements weren't affordable for him. Mr G also made reference to the rules and regulations Vodafone needed to follow when making its lending decisions; and that he considered our investigator had made conflicting statements and unfair assumptions within their view.

Mr G asked for an ombudsman's review, so the complaint has 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.

The information in this case is well known to Mr G and Vodafone, so I don't intend to repeat it in detail here. I've focused my decision on what I consider to be the key points of this complaint; so, while my decision may not cover all the points or touch on all the information that's been provided, I'd like to assure both parties I've carefully reviewed everything available to me. I don't mean to be discourteous to Mr G or Vodafone by taking this approach, but this simply reflects the informal nature of our service.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website.

At the time Vodafone provided these credit agreements it needed to take proportionate steps to ensure the lending was affordable and sustainable for Mr G. There isn't a set list of checks Vodafone needed to conduct, but we'd expect the checks to be proportionate to the terms of lending being provided.

In practice this means we generally consider a lender's checks need to be less thorough at the early stages of a lending relationship – in terms of the information it obtains and looks to verify to reach its decision. But if the lender identifies information through its checks which ought reasonably to cause it concern, because for example the information suggests there's a higher risk of the lending being unaffordable or unsustainable, we'd expect more detailed checks from the lender for it to be able to evidence it didn't lend to a customer irresponsibly.

I've used this approach to help me decide this complaint; and I think it would be helpful for me to set out from the beginning that I've reached the same outcome as our investigator, for broadly the same reasons. I acknowledge this will be disappointing to Mr G; I've set out my findings for reaching this decision below under separate headings for ease.

### The lending decisions

Vodafone has said before lending it obtained Mr G's declared income, and it completed a credit check to identify Mr G's existing credit commitments. Vodafone has said it considers its checks were proportionate and that it went on to make a fair lending decision when providing these credit agreements.

As Vodafone hasn't provided our service with the information it obtained through these checks, I can't be satisfied its checks were proportionate. So, I've gone on to review what I consider proportionate checks would more likely than not have shown Vodafone at the time of these lending events.

Our investigator took this approach and obtained some information from Mr G in the form of bank statements covering the months leading up to these lending events. Our investigator asked Mr G for his full credit file, but Mr G has only provided us with screen shots of accounts that had adverse information reported in the lead up to these lending events. However, Mr G has provided our service with a full credit report dated from early 2024 in support of another complaint with our service.

So, just like our investigator, I have considered the available evidence to piece together as best as I can what information Vodafone would more likely than not have obtained through proportionate checks.

From the evidence available to me it's clear Mr G had a number of lines of active credit; and some of these appear to have been reporting adverse information at the time of Vodafone's lending decisions. However, I think it's reasonable for me to conclude, given the timescale's information can take to report on credit files, that any of the adverse information reported from May and June 2024 may likely not have been visible to Vodafone at the point of its checks. I've seen that Mr G has provided evidence of missed payments on accounts earlier in 2024, in February and March, and I consider this would more likely have reported on any credit check Vodafone completed, due to the amount of time that would have passed.

However, having a number of existing lines of credit and having some adverse information reported doesn't mean Vodafone shouldn't have provided Mr G with these credit agreements. I say this because as I've set out above, Vodafone's checks needed to be proportionate to the terms of lending it was providing, and the information it knew and obtained about Mr G.

In this instance, although Vodafone was providing Mr G with lines of credit which had terms of 36 months, the monthly commitments were relatively modest, in the low and high thirties.

So, based on the information I consider Vodafone would likely have identified through its credit check, which would include some recent adverse data, I consider it ought to have gone on to obtain an understanding of Mr G's finances.

I can't be certain what Mr G would have declared to Vodafone at the time of these lending events, had it asked for this information. But one way to understand what Mr G would likely have declared at the time is to review his income and non-discretionary expenditure, including existing commitments to credit, through bank statements.

Mr G has provided us with bank statements which cover the three months leading up to Vodafone's lending decisions. In the absence of any other conflicting information, I've used these statements to get an understanding of what proportionate checks would likely have shown Vodafone. However, just like our investigator set out within their views, I don't consider it would have been proportionate for Vodafone to have verified Mr G's actual income and expenditure. So, I've used the information from the statements to understand what Mr G would likely have declared to Vodafone.

The statements show Mr G's income from a salary and benefit payments. I acknowledge Mr G has made reference to Vodafone basing its checks solely on his salary income as this is what was declared. However, my review is considering what information Vodafone would likely have obtained through more detailed checks, and this is relevant income.

Mr G's evidenced non-discretionary expenditure includes payments to some household bills such as subscription services. However, the majority of non-discretionary expenditure I've seen is made to existing credit commitments.

There are a large volume of transfers across all of the statements Mr G has provided from different providers. Some to and from himself, and some to and from other individuals. These transfers and payments are largely ad-hoc and irregular, so it's difficult to say any of these transfers or payments are regular commitments to non-discretionary expenditure.

I acknowledge Mr G has provided his own income and expenditure assessment, which doesn't take into account the benefit income he received; and does include payments towards a joint mortgage which he says he contributes in excess of 50% to. However, I don't consider it would have been unreasonable for Vodafone to assign 50% of this monthly commitment to its affordability calculations through proportionate checks.

I say this because while I accept Mr G has told us that his monthly share of the mortgage payments were around £1,100, there's no regular or recurring monthly commitment to a mortgage, or to any other party for that matter, which evidences this higher share of the mortgage payment. Mr G makes ad-hoc payments for irregular amounts to another party across all of the months I've reviewed; but he also receives ad-hoc payments from other parties.

The payments Mr G makes don't on their own suggest he's committed to paying a higher amount than 50% towards the mortgage payment. And through proportionate checks I don't consider Vodafone would reasonably have identified, or have been informed, that Mr G's percentage towards the mortgage payment was higher than 50%.

I say this because Mr G was looking to obtain the handset devices and therefore the lending to secure them; so, on balance, I consider it more likely than not that he would have looked to provide Vodafone with declarations that would paint his financial situation in as positive a light as possible, to reduce the risk of him not obtaining the credit. As such I don't consider Vodafone would have identified or reasonably attributed more than 50% towards the mortgage payment.

So, based on the income, non-discretionary expenditure and commitments to existing credit that are evident within the statements, and that I consider, on balance, would more likely than not have been declared or identified; I can't conclude these credit agreements appear unaffordable for Mr G.

I note Mr G applied to enter into a third credit agreement with Vodafone, also in August 2024; however, this agreement was declined. I consider this adds weight to Vodafone's position that it took steps to limit potentially harmful lending when it had concerns.

So, having reviewed the information available to me I can't conclude proportionate checks would have led to Vodafone reasonably concluding these credit agreements were unaffordable. And it therefore follows I don't consider it made unfair lending decisions when providing Mr G with these credit agreements.

I acknowledge Mr G's strength of feeling that Vodafone's checks should have been more detailed; and that he considers better checks would have led to Vodafone not providing him with these credit agreements. I don't doubt Mr G's testimony that his actual financial position was one that didn't support the affordability of these credit agreements; and I do consider the information he's provided our service (which is in excess of what I consider Vodafone would reasonably have identified through proportionate checks) suggest a stressed financial situation. But as I've found above, I don't consider proportionate checks needed to be as detailed as Mr G suggests, given the terms of credit Vodafone was providing, and the rules and regulations it needed to follow.

Did Vodafone act unfairly or unreasonably in any other way

I've seen Vodafone offered to accept the handsets back and cancel the handset credit agreements; and it moved the airtime agreements onto PAYG contracts. This would mean Mr G would no longer have an ongoing liability.

However, Mr G ultimately didn't return the handsets, and has since said he doesn't have access to them as they were provided to family members. He's also said they have cosmetic damage.

Vodafone has said within communication with our service that it would no longer be willing to accept the return of the handsets and cancel the credit agreements. It's said this as too much time has now passed since the start of the agreements and when it made this offer; and it has concerns with the financial implications to it of potential damage to the handsets.

I don't consider Vodafone's position to be unreasonable in the individual circumstances. I say this as Vodafone provided Mr G with an opportunity to end the credit agreements, but this wasn't taken up within what I consider to be a reasonable period of time. And now that a significant amount of time has passed, and Mr G has confirmed the handsets have cosmetic damage, I don't consider it unreasonable that Vodafone will no longer accept their return.

Vodafone has sent Mr G regulatory Notice of Default letters due to payments not being made in line with the contracted agreements. It has said it hasn't defaulted the agreements while the complaint is with our service. However, it has sold the debt to a third party debt collector.

From the information available to me I don't consider Vodafone has acted unreasonably in the approach it's taken. As I've set out above, Mr G failed to make his contractual payments, and after a period of sustained arrears Vodafone sent him Notices of Default, and has sold the debts to a third party debt collector.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974.

However, for the reasons I've set out above, I don't think Vodafone lent irresponsibly to Mr G, or has otherwise treated him unfairly in relation to these credit agreements. I therefore haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

So, for the reasons set out above, I consider Vodafone made fair lending decisions when providing these credit agreements, and in the actions it's taken since; and it therefore follows Vodafone doesn't need to take any further action in resolution of this complaint.

## My final decision

My final decision is that I don't uphold Mr G's complaint about Vodafone Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 20 August 2025.

Richard Turner
**Ombudsman**