

The complaint

Mr M complains about the repayment of a loan agreement he has with Telefonica UK Limited trading as O2.

What happened

In January 2023, Mr M took out a loan with Telefonica to pay for a brand new mobile telephone handset. Under the agreement, Mr M was required to make payments of around £30 over a period of three years. Alongside the loan, Mr M took out borrowing to pay for a tablet device and was also given an airtime services contract with Telefonica.

Just over a year later, Mr M says that due to his financial circumstances, he cancelled the Direct Debit from his bank account, which was used to pay for all of his services with Telefonica. He says he reinstated the Direct Debit a short time later, but Telefonica didn't claim the amount owed to the loan agreement for the handset.

Consequently, Mr M received a notice of arrears and so he called Telefonica to sort things out. Telefonica offered to waive three months of repayments to his loan account and reinstate the Direct Debit. But, in June 2024 Mr M noticed again that payments hadn't reached his loan agreement, and that Telefonica had yet to waive the repayments they were supposed to. So, Mr M raised his concerns again with Telefonica and asked them to put their offer into place.

In their response to Mr M's complaint, Telefonica said Mr M hadn't accepted their offer to waive the three months of repayments. They said it was up to Mr M to repay the arrears and make manual payments to his loan, if the Direct Debit had failed. Mr M didn't accept this and said Telefonica's system changes had caused the problem. And in September 2024, Mr M brought his complaint to this service.

While one of our investigators looked into Mr M's complaint, Telefonica told us they had taken further steps to try and resolve things. Telefonica waived £200 from Mr M's loan account for his handset. They went on to say they would waive the arrears across Mr M's other agreements, should he arrange a repayment plan for the finance for the handset. Telefonica also said they would remove any adverse information from Mr M's credit file, about all the accounts he held with them.

The investigator reviewed all that had happened, but still didn't think Telefonica had treated Mr M fairly. She said Mr M had accepted Telefonica's previous offer and that they should also pay Mr M £100 for the distress and inconvenience caused by not putting that offer into place.

Telefonica accepted the investigator's findings, but Mr M didn't. He said a mixture of a change in Telefonica's system and their poor service had led to a block being placed on his handset. Mr M said this forced him to find a new telecommunications provider.

The investigator didn't change her conclusions and Mr M's complaint has now been passed to me to make a final decision.

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 where 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 M and Telefonica 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.

This case is about a loan agreement which Mr M took out with Telefonica. I've looked at Telefonica's notes on Mr M's loan and I'm persuaded that it's a regulated financial product. So, we are able to consider complaints about these types of loan.

I've thought about the cause of the cancellation of the Direct Debit Mr M used to pay for all of his services with Telefonica. Initially, I can see from Mr M's notes and from Telefonica's records that Mr M cancelled the Direct Debit himself. But, it also seems that Mr M encountered problems when he tried to reinstate the Direct Debit. In that Telefonica didn't claim the correct amount from Mr M's bank account, which led to missed payments to the fixed sum loan agreement for the handset.

On balance, I think a combination of the cancellation of the Direct Debit and an error by Telefonica led to the missed payments in April 2024.

Telefonica's notes of their contact with Mr M show where he took what had happened very seriously. And I can see where Mr M has maintained contact with Telefonica throughout, to try and resolve things himself. However, I cannot see where Mr M has subsequently repaid any of the arrears, or made a lump sum payment, using the unclaimed funds from his bank account. So, I've gone on to think about the fairness of the offer currently available to him, to decide this complaint.

Having listened to the telephone calls that took place between Mr M and Telefonica in May 2024, I can hear where Mr M accepted the offer to waive three months of repayments. Ordinarily, this would have allowed Mr M to continue to make the scheduled monthly payments. But, I've found that the Direct Debit wasn't reinstated and where Mr M didn't make the full repayments himself. Telefonica have accepted where the problem started and have reduced the balance Mr M owes under the fixed sum loan by £200.

I'm aware that Mr M cannot use the handset financed under the agreement and that he has gone elsewhere to get a different device. Although I accept Mr M was caused trouble and upset by Telefonica, I don't think it would be fair for him not to pay for the device he acquired from them. So, I don't agree with Mr M's view, where he says Telefonica should consider waiving the balance he owes.

Overall, I think the reduction of the loan balance by £200, means he'll pay less for the device than he was initially contracted to do so. It then follows that I think the steps taken by Telefonica here are fair.

I also agree with the investigator that Mr M has suffered a degree of trouble through Telefonica's actions. I can see where he contacted Telefonica several times to sort things out and where they didn't put their initial offer into place. So, I think it's fair for Telefonica to make a payment to Mr M in recognition of that. In all the circumstances, I think it's fair for

Telefonica to make a payment of £100 to Mr M for the distress and inconvenience he experienced.

The reduction of the balance of the fixed sum loan and an award for the inconvenience Mr M has suffered, are only part of the offer Telefonica have made. So, I've thought about the fairness of the remaining steps Telefonica have said they'll take to resolve things.

I've found that it's reasonable for Mr M to pay for the device supplied to him by Telefonica. To help Mr M with this, Telefonica have offered to arrange an affordable repayment plan, for the outstanding balance of the loan for the handset. And after putting those arrangements in place, Telefonica say they will waive any amounts outstanding across Mr M's other account and remove any adverse information from Mr M's credit file.

Although I recognise that Telefonica's offer will mean Mr M will have an ongoing commitment with Telefonica, until the balance of the fixed sum loan is paid, I think the offer is fair. I say this because it will allow Mr M to repay the balance at a regular agreed amount and he'll no longer be responsible for the arrears on his other accounts.

I've not seen where Telefonica may have recorded adverse information on Mr M's credit file. But, I'm aware Mr M is worried about that and has tried to sort things out with Telefonica to prevent it from happening. So, I think Telefonica's offer to remove any adverse information they may have passed on to credit reference agencies, about all the account Mr M has with them is fair.

In all the circumstances, I think Telefonica's offer is fair and I don't think they need to take any steps beyond what they've offered to do, to settle this complaint.

Putting things right

For these reasons, Telefonica UK Limited trading as O2 should:

1. Pay Mr M £100 for the distress and inconvenience caused;
2. Engage with Mr M and agree a repayment plan for the outstanding balance of the loan;
3. Once the repayment plan has been arranged, Telefonica should waive the arrears owed across Mr M's tablet and airtime services accounts, and end their current debt collection activity towards Mr M; and
4. Remove any adverse information about Mr M's accounts with Telefonica, from the details held with credit reference agencies.

My final decision

My final decision is that I uphold this complaint and require Telefonica UK Limited trading as O2 to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 4 August 2025.

Sam Wedderburn
Ombudsman