

The complaint

Mr H has complained about the return of a mobile phone supplied under a fixed sum loan agreement with Hutchison 3G UK Limited trading as Three.

What happened

Mr H entered into a fixed sum loan agreement with Three in April 2024. He bought a phone which cost around £1,250 and agreed to make 36 payments of around £35.

When he received the phone, he said he decided it was not suitable for him, so he cancelled the agreement.

Mr H said he called multiple times to request the phone be taken back and he has been ignored. He asked for packaging to be provided to return the phone but didn't get it. He said he was still being charged, and this impacted his credit file.

Three initially said that it couldn't get in touch with Mr H so closed his complaint.

Mr H referred his complaint to our service. Three said that it issued returns packaging three times. It said that the situation had gone on far longer than necessary, but it needed the device back before it could process the ending of the agreement. It said as the agreement fell into arrears it was terminated and passed to a debt collection agency (DCA).

Three said it would arrange a doorstep collection to have the device collected. Once the device is returned it said it would recall the debt from the DCA and unwind the agreement, removing information from Mr H's credit file

Three said it would offer £250 for the distress and inconvenience caused.

An investigator here considered the complaint. He said that Three's offer was a fair way to resolve the complaint.

Mr H didn't agree. In summary he said:

- Three should be punished and made an example of
- He had been harassed with letters from debt collectors
- Three caused mental stress and anxiety

The complaint has 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've read and considered the evidence submitted by both parties, but I'll focus my comments

on what I think is relevant. If I don't comment on a specific point, it isn't because I haven't considered it, but because I don't think I need to comment in order to reach what I think is the right outcome. This is not intended as a discourtesy but reflects the informal nature of this service in resolving disputes.

I also want to set out that it's not my role to fine or 'punish' financial businesses. That's the job of the regulator.

Where the evidence is incomplete, inconclusive or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in the light of the available evidence and the wider circumstances.

The agreement in this case is a regulated consumer credit agreement. As such, this service is able to consider complaints relating to it. Three is also the supplier of the goods under this type of agreement.

Both parties appear to agree that the goods should be returned. I've written to both parties to explain that Mr H may have been entitled to examine the goods in order to establish the nature, characteristics and functioning of the goods. But if the goods have been devalued as a result of unnecessary handling, then he might not have the same rights to return. I asked the parties to comment on the condition of the goods.

Mr H replied and said that he only used the phone within the first 14 days. Three replied and said it "would not consider any typical wear and tear through reasonable use to affect our ability to return Mr H's device and take the corrective action offered. We would only consider any physical/water damage which would not be covered by a manufacturer's standard warranty as reason to refuse the return, such as but not limited to; cracked/smashed screen, damaged charger port, cracked or bent casing, liquid damage of any kind". I'm proceeding with my decision on the basis that my direction includes an understanding that the goods shouldn't be devalued by unnecessary handling.

The return of the goods is no longer in dispute, so I won't discuss it further here. But it's left for me to decide whether the offer fairly resolves things for Mr H.

Mr H said that the offer didn't go far enough, and he wanted more compensation. Mr H said that he contacted Three several times, and it purposely ignored his request to cancel within the 14-day period. He said that it lied about sending the jiffy bag and calling him, as these had not been received. He said it had ruined his credit file, and caused mental stress and anxiety.

Three have accepted that Mr H contacted them on multiple occasions, but it said that some of the calls with Mr H had been difficult and both parties have ended the calls. I haven't had access to any of these calls, but I don't need to comment on them as it's reasonably clear from what both parties have said, that the relationship has broken down.

Mr H said he's been treated unfairly and on the other hand Three said they had sent out the required packaging on more than one occasion. I think that Three now accept that it could have brought the matter to a close earlier. Perhaps it could have sent the packaging by a signed for service or it could have arranged a doorstep collection like it is now offering. But I don't think there is anything wrong with sending returns packaging generally.

On balance I think Three took the steps I'd have expected it to take by sending out the returns packaging. It could have also given instructions on other methods of return such as through a store or if Mr H were to post it back himself. It seems unusual that the jiffy bag was sent out three times and not received. I'll never know what happened with that. I can also

see from Three's contact notes that it had made attempts to call Mr H. But Three could have drawn a line under the dispute sooner.

Three didn't need to do anything to unwind the agreement until the device was returned. Although I can understand Mr H's frustration, he was still liable to make the payments until that happened. So, it wasn't completely unreasonable for Three to send out the required notices when it didn't get payments due under the agreement, and to seek to recover the debt. It might also have had concerns that the device was being used and not paid for. I think reporting information to the credit reference agencies was also a true reflection of his payment history at the time.

I can understand that Mr H felt frustrated and upset that he had to keep contacting Three about this. But I think that its offer to arrange a doorstep collection is the best way to make sure that the goods are returned. The goods also need to be in a condition which means they haven't lost value due to unnecessary handling as I've set out above. Once the goods are returned then it can arrange to unwind the agreement, and remove any adverse information from his credit file.

Given all the circumstances here and the offer to collect the goods, I think compensation of £250 broadly reflects what has happened. Mr H has experienced more frustration than I would expect and has made a reasonable effort to sort things out himself.

I think Three's offer is a fair and reasonable way to resolve the complaint so I'm not directing it to do anything further. But I'm setting out my direction below, if Mr H wants to accept it, he'll be afforded the protection of a legally binding decision. However, if Mr H thinks he can achieve a better outcome through the court, then he doesn't need to accept my decision.

My final decision

My final decision is that I uphold this complaint and direct Hutchison 3G UK Limited trading as Three to do the following:

- Arrange to collect the goods using a doorstep collection
- Once the goods have been collected, recall the debt from the Debt Collection Agency and end the agreement with nothing further to pay
- Refund any payments made to the agreement if applicable
- Remove any adverse information reported to the credit reference agencies
- Pay £250 compensation

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 18 June 2025.

Caroline Kirby
Ombudsman