

## **The complaint**

Mr M has complained about the way Vodafone Limited administered fixed sum loan agreements he had with it.

## **What happened**

The circumstances of the complaint are well known to the parties so I won't go over everything again in detail. But in summary, in May 2024 Mr M referred a complaint to the Financial Ombudsman. He said he'd been a customer of Vodafone for some time and had several fixed sum loans (device plans) and airtime plans with it. He said in May 2022 he tried to complete an upgrade but the device was returned and that this is where issues started for him. He said he had early termination fees ("ETF") for the airtime plan incorrectly added and Vodafone attempted to take direct debits that weren't due. As a result he said around August 2022 Vodafone mistakenly tried to take £900 from him. He said Vodafone told him to cancel his direct debits while his billing enquiry was resolved which he did. He said his services were cancelled and his accounts defaulted.

Mr M said he'd been making his agreed payments up until the issues above started. There were several complaints made off the back of the issues I've highlighted above, both to do with the airtime plans and device plans. The most recent complaint that Mr M referred to the Financial Ombudsman primarily related to the defaults that were recorded. Mr M thought those defaults relating to the three device plans had been applied unfairly. The date and amount of default were:

January 2023 - £625  
January 2023 - £1,188  
June 2023 - £336

Mr M said he wanted the device plan balances waived and defaults removed.

Vodafone had sent a final response in March 2024 to Mr M broadly saying it noted he'd raised a previous complaint in 2023 which resulted in his airtime bills being waived. But it said it couldn't uphold his complaint about the defaults on the fixed sum loans because the billing issue related to his airtime bills.

One of our investigators looked into things and ultimately said it was accepted by all parties that incorrect ETFs were applied – £900 in September 2022 and around £800 in May 2023. He thought Mr M likely had genuine concerns about the payments being taken by Vodafone. He said it took Vodafone from June 2022 to September 2022 and from May 2023 to July 2023 to look into things. He thought Vodafone should remove any adverse information from Mr M's credit file for that period.

Mr M broadly agreed but Vodafone explained it couldn't remove specific late payment markers for the period in question because defaults had been applied. It said it was required to report accurate information to the credit reference agencies.

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. I'm required to decide the complaint quickly and with minimum formality. I want to assure Mr M and Vodafone 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 M bought devices using fixed sum loan agreements from Vodafone. These are regulated consumer credit agreements. And our service is able to consider complaints relating to these sorts of agreements. But, as has been pointed out, I'm not generally able to consider complaints that solely relate to the airtime contracts Mr M has with Vodafone. I'm not going to be commenting on the specific issues Mr M had with regards to his airtime. But given some of the issues are linked, I need to have regard to what's happened overall.*

*The events the parties have described have gone on for several years. The significant pages of notes I've been provided relate to airtime plans as well as device plans. There's been various complaints involving the airtime plans and the device plans. But the main thing left in dispute, from what I can see, is relating to the defaults. So this is what I've focussed on in this provisional decision. If either party has any objections to that, they can let me know in response to it.*

*I can see Mr M has three fixed sum loans with Vodafone:*

*September 2021 – Phone 1 (£949)  
October 2021 – Watch (£576)  
September 2022 – Phone 2 (£1,237)*

*It seems like the most relevant part of this complaint is what happened around the time Mr M bought phone 2 up to mid-way through 2023 after all the defaults had been recorded.*

*Vodafone explained to the Financial Ombudsman that upon review it is evident that there were prior issues related to the billing of his account. Vodafone acknowledges that incorrect early termination fees were applied to [Mr M's] account. These errors were fully rectified in the August 2023 bill, where [Mr M] was credited an additional £211.65 as compensation.*

*It seems as though Vodafone has agreed to amend the negative markers on the credit file for the airtime agreements, but not the fixed sum loan agreements.*

*I've looked closely at what happened during that relevant period. I can see:*

*September 2022 – Mr M contacted Vodafone because it had tried to take £900 from his account. Vodafone noted several ETFs were present. Mr M cancelled his direct debit. Vodafone said it reviewed the case and advise [Mr M] to await the next billing cycle to show the corrected charges. The notes also say Vodafone reviews and there was an incorrect charge which financially impacted Mr M. Early upgrade fee is credited (£432) leaving a correct balance of £252. The notes say Mr M didn't request to complain further so Vodafone applied the credit with no direct interaction.*

*October to December 2022 – Letters for collections sent. The account was assigned for debt collection and three numbers were disconnected. Notes say We should always try and resolve customer issues and take any payment before passing the Customer over to DCA.*

*January 2023 – Two defaults recorded. Mr M contacts Vodafone regarding a billing enquiry.*

*April 2023 – Mr M requested an itemised account.*

*May 2023 – Vodafone review the account and determine the outstanding balance was correct.*

*June 2023 – Vodafone's notes say deadlock is approved and Mr M is awarded £400 compensation. The notes also say Vodafone reviews Mr M's request for ETF to be wiped and it awards a credit of £793.02. Mr M requested his credit file was reviewed but this couldn't happen until the balance was cleared. Another default was recorded.*

*From June 2023 to March 2024 Mr M continued to dispute what was recorded on his credit file.*

*As I said before – I need to resolve the complaint quickly and with minimum formality. When considering what needs to be done about the defaults, I don't think it's in dispute Mr M owes the money towards the credit agreements for the devices he purchased. It's only fair he repays what's owed towards the debt. But it's also not in dispute there were errors with Vodafone applying incorrect ETFs to Mr M's account. Whilst these ETFs were in relation to the airtime, I think from Mr M's point of view the airtime would be intrinsically linked [to the credit agreement debts]. And the sums requested were substantial – hundreds of pounds.*

*It can be difficult to know exactly what happened by looking at testimony and contact notes. Vodafone hasn't supplied copies of call recordings from the relevant time. But given it's from so long ago, that's not unusual. If Vodafone gave Mr M clear, fair and not misleading information around September 2022 about what was happening and he then refused to pay, it'd be difficult to say adverse information was unfairly recorded. But based on the notes from around the time it looks like Mr M was told he could await the next billing cycle. There were credits applied without "direct interaction". It's not clear Vodafone did everything it could prior to referring the agreements to the debt recovery company. Given the nature of the issues, I think it would have been helpful for Vodafone to have taken proper ownership around that time to speak to Mr M and perhaps put something clear and bespoke in writing for what had happened and what he needed to do going forward. There seemed to be a gap in meaningful communication until Mr M got back in touch between December 2022 and January 2023. So had things gone as I think they should have done, on balance, I think there's a good chance Mr M could have avoided the defaults.*

*Vodafone said it rectified issues in the August 2023 bill where it credited Mr M with around £200 in compensation. It also made other offers to remove charges. So overall, I think there's a good indication there were issues between September 2022, when Vodafone attempted to take £900 from Mr M incorrectly, until August 2023 when it said it resolved things for him and paid £200 compensation.*

*I think it's important to note that all three defaults were reported during the period I've highlighted above. And I believe Vodafone has agreed to remove the defaults in relation to the airtime agreements, but not the device plans.*

*Credit file reporting needs to be fair as well as accurate. It's not in dispute Mr M cancelled his direct debits. I can't see he was told to do that. But I think it stemmed from the way Vodafone incorrectly administered his plans. So the question I need to ask myself is what would have happened had Vodafone not made those mistakes; had it offered better guidance; or had it not taken so long for it to resolve things. In all likelihood I think there's a strong argument Mr M would have simply continued to make payment as per the original agreements.*

*Therefore, as a fair compromise, I'm going to intend to say that the defaults should be removed once Mr M clears the arrears. Vodafone will be repaid the sums that are fairly owed. And Mr M's credit file won't be adversely affected off the back of a situation where Vodafone acknowledges it made mistakes and where it took nearly a year to resolve matters. This seems like a fair and reasonable way to resolve things.*

Mr M responded to clarify some of the timeline. He said he wasn't looking for compensation only the rectification of the default markers. Vodafone responded to say it accepted the proposed resolution. But it wanted me to provide a specific time frame which Mr M was required to pay off the outstanding balance. It said it needed this for compliance and that it couldn't remove the defaults until the balance has been cleared.

### **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. It seems like both parties are broadly in agreement. In an ideal world Mr M would have been putting the money for the repayments to one side and he'll be able to clear the debt straight away in order for the defaults to be removed. This will be the quickest way for the parties to resolve things. But there's also the chance Mr M hasn't put the money to one side so that might not be possible.

I'm reluctant to put a deadline or timeframe for Mr M to clear the debt because I don't know what his financial situation is. But it seems like the quickest and fairest way for me to decide is to say that Mr M will at least need to pay the monthly contractual payment amount(s). Vodafone will be able to work back from that if it needs to record some sort of date on its systems. If Mr M can't pay at least the original contractual payment(s), Vodafone won't need to remove the default(s). I'd remind Mr M the quicker he's able to clear the arrears, the quicker it will be for the defaults to be removed.

All things considered, I'm not going to depart from the conclusions I reached in my provisional decision.

### **My final decision**

My final decision is that I uphold this complaint and direct Vodafone Limited to remove the defaults when Mr M clears the arrears, in line with what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 15 July 2025.

Simon Wingfield  
**Ombudsman**