

The complaint

Mr R complained about the way that Sky UK Limited dealt with the administration of a fixed sum loan agreement he had with it.

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 in summary, in October 2023, Mr R entered into a fixed sum loan agreement with Sky. He bought a mobile phone which cost around £900 and he was due to make 24 repayments of around £26, followed by 12 repayments of £23. He had a separate agreement for his airtime tariff.

Sky said that Mr R missed payments from October 2024, and it wrote to him asking for payments and issued Notice of Sums in Arrears in December 2024. In January 2025 Sky instructed a third party debt collection agent, I'll call B to collect the outstanding debt.

Mr R and B agreed a hold towards the end of February 2025. Sky issued a default notice on 1 March 2025 as it hadn't received payments towards the loan since October 2024. The default notice required Mr R to repay the arrears before 22 March 2025. As Sky didn't receive a payment it registered a default. Mr R complained as he said that he had an agreement with B that a "breathing space" hold was placed on the account, and he intended to repay the debt.

Sky didn't agree that it acted unfairly. It said that it sent the necessary notices to inform Mr R about the arrears and default. It said the default was accurate, and it didn't agree to remove it. Sky said Mr R was liable for the outstanding balance.

Unhappy with Sky's position Mr R referred his complaint to the Financial Ombudsman. Our investigator considered the complaint but didn't uphold it. She acknowledged that Mr R had agreed a hold on the account but noted that Mr R was in arrears of around five months when Sky issued a default notice and no further payments were made. She said Sky recorded an accurate reflection of the account by placing a default.

Mr R disagreed and didn't think Sky adhered to the Financial Conduct Authority's rules or the guidelines relating to the "Breathing Space" (Debt Respite Scheme). He thought the hold he agreed with B was meant to allow him space from Sky and it couldn't pursue or take action on the debt.

As the matter remains unresolved it has been passed to me for a 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.

Having considered all the circumstances, I've reached the same overall conclusions as the investigator for broadly the same reasons. 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 quick and informal nature of this service in resolving disputes.

Mr R bought the phone using a regulated fixed sum loan agreement, and our service is able to consider complaints relating to this sort of agreement.

Mr R has said Sky didn't act in line with the protections available under the scheme called "Breathing Space" (Debt Respite Scheme). However, he has told this service that he didn't apply for this scheme through a debt adviser which is required. So, whilst I have noted that a successful application means that creditors are unable to take enforcement action or contact about the debt or add interest or charges, I don't think this applies for the action Sky has taken on Mr R's debt as he didn't apply for the scheme. Also, B is acting on instructions from Sky to collect the debt on its behalf and not a debt adviser for the purposes of the scheme. I have noted Mr R said he wasn't made aware of the "Breathing Space" (Debt Respite Scheme), but I don't think this is something that Sky or B had an obligation to do. However I think Sky acted fairly by informing Mr R about the Government's Money Advice Service in the default notice it issued.

Mr R is unhappy that Sky issued a default notice and applied a default when he agreed a hold with B. From the correspondence Mr R submitted he complained to B after a default was registered by Sky. B explained that it was acting on Sky's behalf in collecting the arrears on the account. It said it was told on the same day as agreeing the hold that Sky had updated the account and terminated the agreement and the full balance was due.

I appreciate that Mr R said it was unfair that a default was recorded when he made an agreement with B and wasn't told this may impact his credit file if no payments were made. I understand Mr R is unhappy that he wasn't informed by B that a default may be applied by Sky during the hold period, but I have to consider the actions of Sky as the finance provider.

The fixed sum loan agreement sets out that Sky may refer the debt to a debt collection agency which will be responsible for collecting outstanding repayments from Mr R. It also states what the consequences of missing payments are and what Sky would do if there were arrears on the account including sending written notices and recording information with the credit reference agencies. So, although Sky asked B to make arrangements for Mr R to repay the outstanding arrears, I don't think this prevented Sky from recording a default, if payments weren't made towards the debt.

From what I've seen, the default notice was issued on 1 March 2025 – at this point Mr R had missed five payments towards the loan agreement. The default notice set out Mr R was required to repay the arrears of around £130 and needed to do so by 22 March 2025.

As no payment was received, Sky cancelled the agreement, and the full balance became due. I think Sky followed the process of applying the default correctly in line with the guidance from the Information Commissioner's Office which says that a default may be recorded typically when an account is three to six months in arrears. It also acted in line with the terms and conditions it set in the fixed sum loan agreement.

I can't see that Mr R made a payment when the default notice was issued or when the hold with B expired. It appears that he agreed to a payment plan with B but Sky said that it didn't receive a payment then either. I appreciate Mr R is unhappy that a default was recorded when he intended to repay the debt, however, as no payment has been made towards the arrears or the balance of the debt, I don't think Sky acted unfairly by recording a default on

the agreement. I think it's likely, on balance, that even if B had told Sky that it agreed a hold and Sky delayed the default notice; I don't think this would have made a difference. Mr R contacted both Sky and B after a default was registered and didn't make payment towards the debt. So I think even if Sky delayed issuing a default notice until after the hold was agreed, Mr R didn't make payment towards the arrears after the hold expired or when he agreed to repay with B, so he didn't meet the contractual obligations which meant the default shouldn't have been applied.

I acknowledge Mr R's strength of feeling in this matter and I understand and sympathise that he may have experienced financial hardship which led to missed payments while he was attempting to make arrangements to improve his situation. However, I don't find Sky acted unreasonably in the circumstances. It is not disputed that payments were missed. Having considered all the circumstances, I don't find I have sufficient grounds to direct Sky to take any further action. Sky is required to report an accurate reflection of Mr R's payment history, which it has done. Therefore, I don't require Sky to remove the default or do anything further to resolve the complaint.

My final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 3 December 2025.

Amina Rashid
Ombudsman