

The complaint

Miss C complains that Telefonica UK Limited, trading as O2, didn't do enough to check that she could afford the five different fixed-sum loan agreements it provided her.

What happened

Miss C was given five fixed-sum loans between December 2020 and October 2021; the loans funded the purchase of three mobile phone handsets and two tablets.

In 2025, Miss C complained to O2. She said, in summary, that her financial situation at the time of taking out these loans was such that O2 shouldn't have lent to her. More specifically, Miss C says her credit score was poor; she was borrowing heavily elsewhere and was frequently reliant on credit to get by. Miss C thought O2 either ought to have noticed this or, in the alternative, that its checks clearly weren't detailed enough.

O2 didn't uphold Miss C's complaint. It said, in short, that it carries out credit checks and asks for the customer's declaration that they can afford repayments. If the credit check "passes", and a customer doesn't declare any cause for concern, then it would approve the loan.

Miss C contacted this Service in April 2025. An Investigator here looked at what happened; having done so, they upheld Miss C's complaint in part. The Investigator said:

- Given the length of time passed since Miss C took out the loans, there was very limited information available.
- It couldn't be said, given the lack of information, that O2's checks *did* go far enough.
- Having reviewed the information provided by Miss C, like her credit file, it was clear that by the time of the last loan – in October 2021 – she was showing signs of struggling financially. Several advances on her income were present; she'd also missed repayments for O2 itself and elsewhere for other commitments.
- So, with that in mind, O2 shouldn't have provided the last loan in October 2021. For all other loans, prior to that date, there wasn't anything to suggest that O2 wouldn't have agreed to lend – even if it had carried out proportionate checks.
- In conclusion, the Investigator asked O2 to waive all fees and interest accrued on the loan taken in October 2021 and to remove any adverse information applied to Miss C's credit file. The investigator also asked O2 to engage with the debt purchaser – who it'd since sold Miss C's debt to – to ensure that could be carried out, and for an affordable repayment plan to be arranged.

As I understand it, Miss C didn't respond to the Investigator – but O2 did, and it disagreed with the findings. So, given no agreement has been reached, 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.

First, I must be clear in that this decision concerns only the fixed sum loan agreements which Miss C took out to fund the devices. Those agreements are a regulated activity and something I'm able to consider; I'm not, though, able to consider any concerns about airtime – our Service doesn't have the power to do so.

How we consider complaints about unaffordable lending on our website, and I've thought about this approach when deciding Miss C's complaint. To summarise, when making a lending decision, O2 needed to make sure that it didn't provide credit irresponsibly. In practice, what this means is that it needed to carry out proportionate checks to be able to understand whether any lending was sustainable; it had to do so taking into account Miss C's specific circumstances, before providing any credit.

Here, Miss C took out five loans in a very short space of time. The information I have available tells me they were interest free but, nonetheless, I think that number of loans in around ten months is a significant commitment over such a short term. O2 has explained that it carried out a credit check, as well as asking Miss C to confirm that she could afford repayments; it hasn't, though, shown us the results of those assessments – or given any significant comments about what it found. Overall then, I can't say I'm persuaded that O2 did carry out proportionate checks in the circumstances.

Miss C has sent us a copy of her credit file from the major Credit Reference Agencies ("CRAs"), and I've used that evidence to determine what information would've likely been available to O2 when it granted her the loans. Having done so, for the period in which Miss C took out the first four loans – between December 2020 and June 2021 – it appears she was managing her finances broadly well. For example, no arrears or missed payments are recorded; and while Miss C did have some debt elsewhere that doesn't preclude her from obtaining more credit. So, overall, I don't think O2 would've found cause for concern at the time of granting the first four loans.

That said, the picture for Miss C's finances was beginning to change by the time she took out her fifth loan in October 2021. She did now have arrears elsewhere, including with O2 itself, and she was also demonstrating a pattern of borrowing against her future income. Miss C had six such "advance against income" loans on her credit file which, I think, would've been visible to O2 in a credit file check. As our Investigator has already explained, such behaviour from a customer might suggest the individual is struggling and/or their outgoings outweigh their income; and I think that's true of Miss C's situation.

Indeed, Miss C's testimony sets out how she was struggling. That's supported by the bank statements she's provided from the time, which show her to be consistently overdrawn and never reaching a credit balance. And if I consider all of the other relevant elements and information which would've been available to O2 here – those being: the number of O2 loans in quick succession, missed payments for some of those O2 loans, the arrears for other commitments and the advances against income – I don't think the last loan, in October 2021, was responsibly provided. So, I've considered how to put things right.

It's true to say that Miss C did get the benefit of the devices she funded with these agreements; so, broadly, I consider it fair that she repay her debt for the device she funded with the October 2021 loan. I don't, though, think it would be fair for O2 to add any borrowing costs to the amount owed. So, just for completeness, while I've kept in mind that it seems each of the loans Miss C was provided were interest free, I'll add that O2 should waive and

refund any interest or charges in the event such costs were applied.

As I understand it, the devices are no longer in Miss C's possession and O2 has since sold Miss C's debt to a third-party (which I'll refer to as "M"). It seems there's still an outstanding balance for the loan taken in October 2021 – as well as potentially some others. Given Miss C's circumstances, I think O2 needs to ensure she's treated with due consideration and forbearance; agreeing an affordable repayment plan is a sure way of doing that. So, O2 should either buy the debt back or, if that isn't possible, liaise with M and ensure it's aware of what I've set out here. Miss C should, of course, ensure she's in regular contact with either O2 and/or M too.

Finally, given I've found that O2 should not have lent to Miss C in October 2021, it follows that I don't think Miss C should suffer from any adverse information recorded with CRAs about that fixed sum loan agreement. So, I think it's fair for O2 to remove all adverse information about the October 2021 loan from Miss C's credit file. Again, should it need to, O2 can liaise with M about that.

In summary then, having considered everything, I uphold Miss C's complaint in part. To put things right Telefonica UK Limited, trading as O2, should:

1. Waive or refund all fees (and interest, if I am indeed mistaken in saying that none was ever charged) applied to Miss C's fixed-sum loan agreement taken out in October 2021;
2. Either:
 - a. arrange to buy the debt back from M and agree a suitable repayment plan directly with Miss C; or,
 - b. if that's not possible, engage with M about a suitable repayment plan being arranged for Miss C
3. Remove any adverse information recorded about the October 2021 fixed-sum loan agreement with CRAs.

My final decision

My final decision is that I uphold Miss C's complaint in part. Telefonica UK Limited, trading as O2, should put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 20 November 2025.

Simon Louth
Ombudsman