

The complaint

Mr D complains about the information given to him by Vodafone Limited, during an application for a fixed sum loan agreement.

What happened

In May 2024, Mr D took out a fixed sum loan agreement with Vodafone to pay for a refurbished mobile telephone handset. The device had a cash price of around £775 and after making an advanced payment, Mr D was scheduled to make monthly repayments of about £20 over a three year period.

Around eight months later, Mr D says he saw an advertisement from Vodafone for a different handset. So, he started a webchat with Vodafone to talk about trading in his handset and upgrading to a brand new model. After choosing the new device, Mr D took out a second fixed sum loan to pay for it. He says he assumed that as part of the trade in offer, his initial loan would be repaid, allowing him to continue with one fixed sum loan.

However, Mr D says that soon after he received his monthly bill from Vodafone, his initial loan hadn't been repaid and closed. Instead, Vodafone had used the value of his traded handset, to lower the monthly cost of his airtime services contract. So, Mr D complained to Vodafone and said they hadn't been clear with how the trade in deal worked.

In their final response to Mr D's complaint, Vodafone explained that Mr D had chosen to use the proceeds against the cost of his airtime services contract. They said they gave Mr D the option to pay off some of the balance of his initial fixed sum loan, but he had chosen not to.

But, Vodafone recognised where Mr D had complained and credited his airtime services account with £30 as a gesture of goodwill. Mr D didn't accept Vodafone's response and brought his complaint to this service.

One of our investigators looked into Mr D's case and found that Vodafone had treated Mr D fairly. She looked at the webchat Mr D had with Vodafone and agreed they had given him the option to either repay some of the balance of the loan, or reduce the monthly cost of his airtime services. So, the investigator said that Vodafone had given Mr D clear and correct information before he entered into the loan agreement in 2025.

Mr D didn't agree with the investigator's findings and said the onus was on Vodafone to make sure he understood that he would be expected to service two separate loans. And that the trade in process was different to what he was previously used to and expected. The investigator didn't change her conclusions and Mr D'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.

This case is about a fixed sum loan agreement with Vodafone, used to pay for a mobile telephone handset in Mr D's name. This is a regulated financial product. As such, we are able to consider complaints about it.

I'm very aware that I've summarised this complaint very briefly, in less detail than has been provided, and largely in my own words. No discourtesy is intended by this. Instead, I've focussed on what I think is at the heart of the matter here. Namely, did Vodafone treat Mr D fairly when they asked him to repay the amount due under the fixed sum loan agreement?

If there's something I've not mentioned, I haven't ignored it. I've not commented on every individual detail. I've focussed on those that are central to me reaching what I think is the right outcome. This reflects the informal nature of our service as a free alternative to the courts.

Mr D says that his previous experience with taking out handsets with telecommunications providers, meant he expected to be able to return his previous device without any further money to be paid. So, I've looked at the contract Mr D signed with Vodafone to get the handset in May 2024, the balance of the account at the time of the upgrade and at what Vodafone told him.

Section 7.1 of the terms and conditions of Mr D's fixed sum loan agreement says:

"You agree to pay us the total amount of credit by the repayments stated in this Device Plan. It is essential that you pay your repayments by their due dates in full and on time."

Having considered the terms of Mr D's loan agreement, I think Mr D was contracted to repay the total amount Vodafone had lent to him to buy the handset. So, I think the agreement was to remain in place until Mr D had paid Vodafone the full cash price for the handset.

When Mr D contacted Vodafone in February 2025, I can see that he had made repayments for around nine months. This meant the outstanding balance of the loan, when he traded the handset back to Vodafone was about £575.

During his conversation about taking out a further loan to buy a new handset, Vodafone's records show they told Mr D that he would receive a trade value of up to £325 for his previous device. With this in mind, I don't think the trade value given to Mr D, was enough to repay the outstanding balance of his existing fixed sum loan agreement. And I think Mr D was made aware of that.

While I accept that Mr D may have traded in handsets previously using a different method, with different requirements, I don't think that was the case here. Having considered Mr D's loan agreement and what he knew about the value of the trade, I don't think Mr D could have expected to satisfy his obligations to the loan he took out in May 2024, with the proceeds of the traded handset.

Moreover, Mr D says Vodafone had an obligation to have made his options clearer, when he took out the second loan in February 2025. Vodafone have provided us with a transcript of the webchat they had with Mr D, which includes information they gave to him about the trade in process.

After looking at those records, I can see where Vodafone gave Mr D the option of a lump sum payment to his bank account, a lump sum payment to a device plan, or a monthly contribution to his airtime services costs. I can also see where Mr D confirmed that he wanted the trade proceeds to be used towards his airtime services contract.

Against this background, I think Vodafone made it clear that Mr D could use the value of the trade in, to make a part payment to the balance of his initial loan. I think Mr D had a preference to reduce his monthly airtime costs and chose to do that during the webchat with Vodafone.

I acknowledge where Mr D says the purpose of the webchat, was to see if he could reduce his expenditure, or make things cheaper. But, I don't think it was unreasonable of Vodafone to follow Mr D's instruction, after they had provided the various options open to him. Additionally, I've considered if there was an onus on Vodafone, to explain the options further to Mr D. After thinking about all that Mr D has told us about his personal circumstances and Vodafone's own records of communication, I don't think Vodafone were duty bound to explain the options further, or in a different way.

Finally, I can see where Vodafone have applied the trade proceeds to Mr D's airtime services contract. While I understand that Mr D has since said this wouldn't have been his preferred option, I don't think Vodafone have made a mistake in giving Mr D the value in airtime credit. So, I think Mr D has received the benefit of the trade in proceeds.

Vodafone have also made a payment of £30 to Mr D's airtime services account as a gesture of goodwill. However, I think overall they have treated Mr D fairly. So, I don't think it's necessary for Vodafone to take any steps to put things right,

From what I've seen, it doesn't appear that Mr D has repaid the total amount due to Vodafone under the loan taken out in 2024. So, it may be that a balance remains owed by Mr D.

In this instance, I remind Vodafone of their responsibility to treat Mr D's current financial circumstances with due consideration and forbearance. This will mean working with Mr D, to make sure he is able to make affordable repayments to any outstanding balance, should he be unable to make the regular loan payments.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 10 February 2026.

Sam Wedderburn
Ombudsman