

The complaint

Mr W has complained about how EE Limited has administered a credit agreement linked to his phone.

What happened

The parties are familiar with the background details of this complaint – so, I'll only briefly summarise them here. It reflects my role of resolving disputes quickly with minimum formality. Our Investigator provided a detailed timeline of events in their findings, so I don't intend to repeat this here.

Mr W complained to EE saying they'd caused him to suffer distress and inconvenience because:

- EE failed to notify him, in November 2024, that they'd cancelled the direct debit for the credit agreement he'd started in January 2024 - which led to him unknowingly not paying the monthly instalments (of £38.50) that became due in December 2024 and January 2025.
- Despite him clearing the arrears (through the successful completion of the two-month payment arrangement both parties had agreed to in January 2025), EE still said, in April 2025, that his account remained £77 in arrears – which led to EE terminating the credit agreement and appointing a debt collection agent (DCA) to collect the full remaining balance.

In response to Mr W's complaint, EE said they hadn't done anything wrong. So, Mr W asked the Financial Ombudsman to consider the matter.

Our Investigator didn't think EE had treated Mr W fairly. In summary, they believed:

- EE shouldn't have cancelled the direct debit instruction when they did as there were no grounds to do so.
- In any event, EE should have let Mr W know they'd cancelled the direct debit instruction and explained the implications of this.
- EE had incorrectly told Mr W that the credit agreement remained two months in arrears given they had actually agreed to extend the term by two months.
- EE shouldn't have closed the agreement and appointed a DCA.

Overall, the Investigator thought the communication and information EE provided to Mr W was, at times, poor. To put things right, the Investigator asked EE to:

- Remove any adverse loadings they'd arranged to be applied in relation to the credit agreement since December 2024 from Mr W's credit record once any arrears have been cleared.
- Allow the remaining balance to be repaid by means of Mr W making monthly instalments at £38.50.
- Pay Mr W a distress and inconvenience payment of £125.

In response to the Investigator's findings, EE said they're unable to reinstate the credit agreement – which means they're unable to set up a payment plan at the recommended £38.50 per month. EE has clarified this would need to be done via an appointed DCA.

I issued a provisional decision on the matter, where I set out the below:

I've considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I'm aware the final response letter EE issued is dated 7 March 2025. And that some of the events I've detailed above happened afterwards. But it seems EE is aware of these further issues and has chosen not to issue a new/amended final response. In the circumstances, I think the most pragmatic approach is for me to take account of all the issues as part of this decision.

Based on what I've seen, I think it's fair to say the root cause of the issues Mr W has experienced in relation to his credit agreement stem from EE cancelling the direct debit in November 2024. Under, 'What to do if your Direct Debit fails', EE's policy wording says that:

'We understand these things happen, we'll make a second attempt to collect the payment around 7 days later. If the second attempt fails, and you haven't made a payment already, your Direct Debit will be cancelled, and a failed Direct Debit charge may be applied to your account.'

The records show the October 2024 direct debit payment was returned as unpaid. However, from what I can tell, EE was able to successfully collect it later that month following them making a second collection attempt. The same thing happened in November 2024. So, while the first attempt to collect the monthly instalment failed on two consecutive months, both second collection attempts were successful. If I'm right about that, I think EE acted unfairly when cancelling the direct debit payment as I don't consider EE correctly applied the term they relied on when taking this action. EE can let me know in response to this provisional decision if I've misunderstood.

In any event, I consider EE ought reasonably to have informed Mr W that they'd cancelled the direct debit at the time they did so. I've not seen anything to show EE did this. So, while Mr W was required to make payment, I appreciate why Mr W may not have realised at the time that EE hadn't collected the payments for December 2024 and January 2025. As such, I'm not persuaded it would be reasonable for those two missed payments to be recorded on Mr W's credit record. But I think EE acted fairly when saying Mr W still need to pay those instalments.

Mr W was unable to clear the arrears by means of a lump sum payment. I think it's fair to say EE acted with forbearance, due consideration and provided tailored support here based on the reasons Mr W gave as to why he was unable to do so. Given the circumstances, I think

EE's suggestion that Mr W extend the loan term by two months and make a manual payment for February and March 2025 to clear the arrears comprised of a reasonable way forward. It seems that essentially Mr W was able to continue as normal, but the term would end two months later than planned. However, I think EE ought reasonably to have confirmed in writing the arrangement that was agreed verbally via a phone conversation - this would have helped to ensure Mr W fully understood what was going on.

Mr W paid the two agreed manual payments. And once completed, he called EE in April 2025 to reinstate the direct debit. However, it's my understanding the account immediately fell into arrears again because no payment was made for April 2025. The reinstated direct debit was first collected in May 2025, followed by successful payments in June and July 2025.

I'm unable to listen to what was discussed during the conversation Mr W held with EE in April 2025 because EE is unable to provide a recording of that call. And EE's account log only says, 'direct debit re instated as requested by cust'. On balance, I think, that had EE reminded Mr W that he'd need to make a manual payment for April 2025 this would have been recorded in the account notes and Mr W would have likely paid it. I'm mindful that the reason for the payment arrangement was to bring Mr W's payments up to date. Overall, I think EE's communication about what was going on ought reasonably to have been clearer. So, I while I think it's fair Mr W pays the April payment, I'm not persuaded it would be reasonable for it to be recorded as a missed/late payment on Mr W's credit record.

I also consider EE made an error when informing Mr W in April 2025 that his account remained two months in arrears. Based on what I've seen, I'm satisfied this wasn't the case because the term had been extended. Mr W had successfully completed the agreed payment arrangement to clear the arrears that had arisen from the December 2024 and January 2025 missed payments. It seems there may have been an administration error which resulted in EE failing to correctly register that the February and March 2025 manual payments were intended to clear the arrears – while the payments due for those two months would be paid later due to the loan term being extended by two months.

I think EE then compounded the problem when closing the credit agreement and appointing a DCA to collect the remaining balance. I appreciate why Mr W would have been confused by this given he believed he'd done everything EE had asked him to do.

Overall, I think the evidence supports there were multiple failings by EE in how they administered Mr W's credit agreement. Our Investigator recommended that EE pay Mr W £125 for the distress and inconvenience. But I don't consider this fairly compensates for the impact this matter has had on Mr W over a prolonged period. So, I'm intending to increase this amount to £250. I think the communication from EE was, at times, poor. I don't think EE clearly kept Mr W informed about what was happening and why. And I consider this failing directly led to Mr W becoming confused and unsure about what payments he needed to pay and when. I also consider the closing of the credit agreement and the appointment of a DCA resulted in Mr W experiencing additional distress and inconvenience.

Our Investigator asked EE to set up a payment plan to enable Mr W to clear the remaining balance (at £38.50 per month).

Even if it was possible, I'm not persuaded it would be in Mr W's best interest for him to continue to make manual payments to EE. EE has said they're unable to reinstate the credit agreement. They've also explained they don't have the facility to set-up a payment plan for an agreement that's ended. So, it's my understanding EE can't set up a regular direct debit and they wouldn't be able to send monthly reminders to warn Mr W the next payment was due. The onus would be on Mr W to contact EE monthly and make a manual payment.

EE has told us that since July 2025, Mr W has made three manual payments which have reduced the outstanding balance to £693.07. If Mr W is unable to clear the remaining balance by means of a lump sum payment, I'm minded to say it is reasonable for EE to reappoint a DCA. This arrangement wouldn't be detrimental to Mr W. I think it would likely be beneficial as the DCA should be able to set up a payment plan that's affordable and sustainable. Instead of Mr W making monthly payments to EE he would make them to the DCA. However, EE should ensure any fees or charges are removed and that Mr W is only asked to repay the outstanding amount owed for the credit agreement.

Our Investigator also recommended that EE remove all adverse loadings from Mr W's credit record relating to the credit agreement from December 2024 once the arrears have been cleared. For the reasons I've explained above, I also think it would be unfair for the missed payments and/or arrears that have occurred to date to be recorded on Mr W's credit record. Had the direct debit not been cancelled, I think it's fair to say Mr W would have continued to pay the monthly instalments as he'd successfully done to that point since the agreement started. So, I think any adverse markers that have been applied to Mr W's credit record should be removed following either the remaining balance being cleared (by means of an immediate lump sum payment) or the setting up of a payment plan. However, should Mr W fail to adhere to any agreed payment plan, it would likely be reasonable for the DCA (or EE) to arrange for any future missed payments or arrears to be registered on Mr W's credit record.

I then went on to say what I thought EE should now do to put things right.

The responses to my provisional decision

Mr W responded by saying he accepted the provisional decision and to make us aware he'd need to clear the remaining debt by means of a payment arrangement rather than him making a lump sum payment.

EE hasn't responded to my provisional decision within the provided period.

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.

Given Mr W has accepted my provisional decision and as EE hasn't responded to it, I see no reason to depart from what I said in my provisional decision. So, for the reasons I've explained above, I'm upholding Mr W's complaint.

Putting things right

To put things right, I direct EE to:

- arrange for what is still owed for the credit agreement to be collected by means of a payment arrangement. If EE decides to appoint a debt collection agent to do this, they must confirm this to Mr W in writing and provide him with the DCA's contact details and relevant reference numbers / account details. EE must also make sure no fees or charges have been or are subsequently added.
- Once any payment plan has been set-up (or the remaining balance repaid, if sooner), EE must arrange for any adverse markers they've applied to Mr W's credit record in relation to the credit agreement since December 2024 to date to be removed.

- Pay Mr W a distress and inconvenience payment of £250.

My final decision

My final decision is that I uphold the complaint and direct EE Limited to resolve it in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 5 March 2026.

Carl Bibby
Ombudsman