

## **The complaint**

Mr D is unhappy that Telefonica UK Limited, trading as O<sub>2</sub>, registered arrears and a default for an account opened fraudulently against him, and then unreasonably delayed in removing these markers.

## **What happened**

The complaint circumstances are well known to both parties, so I don't intend to list this chronologically and in detail. However, to summarise, in November 2023, a phone and tariff plan was fraudulently opened with O<sub>2</sub> in Mr D's name. And he subsequently received a new phone which he returned to O<sub>2</sub>.

Despite raising a complaint and reporting the matter as fraud, O<sub>2</sub> issued two defaults against Mr D, one for the phone and one for the tariff plan. Despite O<sub>2</sub> completing their investigations in February 2024, and closing down the fraudulent accounts, they continued to report the defaults and pursue Mr D for an arrears balance of around £1,600.

Mr D had difficulties discussing this with O<sub>2</sub>, as he was unable to pass their customer verification. However, in October 2024, O<sub>2</sub> advised Mr D that the fraudulent accounts had been removed from his credit file. They also offered Mr D £250 compensation, which he refused. Despite their assurances, O<sub>2</sub> didn't remove the fraudulent accounts from Mr D's credit file in October 2024, and they continued to pursue Mr D for the outstanding amount. And it wasn't until August 2025 that the corrections were actually made.

Unhappy with what had happened, Mr D brought his complaint to the Financial Ombudsman Service for investigation. In doing so, he wanted O<sub>2</sub> to pay him £5,000 compensation for the distress and inconvenience he'd suffered, and an additional £10,000 because he'd had to pay a higher rate on a mortgage and had lost out on the opportunity to purchase an investment property.

Our investigator agreed that O<sub>2</sub> hadn't dealt with things as they should, and that this had had a longstanding impact on Mr D. However, the investigator didn't think there was enough to say that O<sub>2</sub>'s actions alone had caused Mr D to have to pay a higher mortgage rate and had been unable to purchase an investment property. As such, they said that O<sub>2</sub> should increase the compensation to £400.

O<sub>2</sub> agreed with the investigator's opinion, but Mr D didn't. So, this matter 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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. Where evidence has been incomplete

or contradictory, I've reached my view on the balance of probabilities – what I think is most likely to have happened given the available evidence and wider circumstances.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time.

The basic facts of this case aren't disputed. An account was fraudulently opened in Mr D's name and, despite O<sub>2</sub> accepting this was the case in February 2024, and confirming they would rectify the situation, it took them until August 2025 to stop chasing Mr D for an outstanding balance and to remove the defaults from his credit file.

As such, I'm satisfied that I don't need to consider the merits of this issue within my decision. Instead, I'll focus on what I think O<sub>2</sub> should do to put things right.

### **Putting things right**

As O<sub>2</sub> have now removed the fraudulent accounts from Mr D's credit file, and as they are now no longer chasing him for any outstanding payments, what I need to consider is how to fairly compensate Mr D for the impact of what happened. But crucially, any compensation must be fair and reasonable to both parties, falling in line with our service's approach to awards of this nature, which is set out clearly on our website and so, is publicly available.

I've noted and considered Mr D's request for compensation, as well as reviewing the evidence he's supplied to support this request. As a property investor Mr D has said that he was unable to purchase an investment property due to the information O<sub>2</sub> were reporting on his credit file. He's also said that this directly impacted the interest rate he was able to obtain on another mortgage, with him having to pay a higher rate than he would otherwise have had to.

I've seen that Mr D expressed interest in purchasing a property. He's also provided an email from a financial advisor explaining that they were unable to find a lender willing to provide him with a mortgage due to the default with O<sub>2</sub>. While this is noted, and while I appreciate that Mr D may not necessarily agree with this, this is the opinion of a financial advisor who works with a limited panel of lenders.

There are many reasons why a lender may not agree to advance a mortgage on a property, including but not limited to issues with the property, the level of deposit, and the income being used to support the payments. It would also depend on the lender's appetite for risk at any given time. For me to be satisfied that the default has had the impact Mr D believes it has, I would need to see confirmation from a mortgage lender that they were prepared to advance a mortgage to Mr D on the property he was interested in, but were unable to do so solely because of the default registered by O<sub>2</sub>, and despite having seen the confirmation from O<sub>2</sub> that this related to a fraudulent account and that they were in the process of removing the adverse entries.

This would also be the case for any situation whereby Mr D was being charged a higher rate of interest - I would need to see something from the lender that shows the higher rate of interest is only being charged solely because of the default registered by O<sub>2</sub>, despite O<sub>2</sub> confirming they are in the process of removing the default, and, without this, a specified lower interest rate would have been charged.

In this instance, I have seen no such confirmation.

What's more, the evidence Mr D has provided to show that he is an active property investor shows that he is purchasing properties through a limited company. As a limited company is a separate legal entity to an individual director, and as O<sub>2</sub> registered the defaults against Mr D and not any limited company, I am also unable to consider any impact on any limited company Mr D is a director of, which includes the ability to raise finance, or the interest rate they are being charged for any finance.

Given this, I've noted the investigator recommended O<sub>2</sub> increase the compensation to £400 to recognise the distress and inconvenience caused to Mr D by the delays in O<sub>2</sub> removing the fraudulent account from his credit file. Having considered this recommendation, I think it's a fair one that falls in line with our service's approach and what I would've directed, had it not already been put forward. So, this is a payment I'm directing O<sub>2</sub> to make

Therefore, O<sub>2</sub> should pay Mr D £400 to compensate him for the trouble and inconvenience caused by the delay in them removing the fraudulent accounts from his credit file. They must pay this compensation within 28 days of the date on which we tell them Mr D accepts my final decision. If they pay later than this date, O<sub>2</sub> must also pay 8% simple yearly interest on the compensation from the deadline date for settlement to the date of payment.

If HM Revenue & Customs requires O<sub>2</sub> to take off tax from this interest, they must give Mr D a certificate showing how much tax they've taken off if he asks for one.

### **My final decision**

For the reasons explained, I uphold Mr D's complaint about Telefonica UK Limited. And they are to follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 20 January 2026.

Andrew Burford  
**Ombudsman**