

The complaint

Mr H complains that Telefonica UK Limited, trading as O2 ('O2'), didn't check he could afford the repayments to seven fixed sum loan agreements he took out with them.

What happened

In November 2018, Mr H took out the first of seven fixed sum loan agreements with O2, using them to buy mobile telephone products and linked devices.

He then took out two further agreements, in November 2020 and November 2021.

Then, between February 2024 and January 2025, he took out four further agreements.

Mr H says that being granted all of these agreements has worsened his financial situation and affected his credit history, which was already not good.

In December 2024 Mr H complained to O2 about these agreements, saying that they didn't check he could afford the repayments before agreeing to each loan.

O2 said that it wouldn't be compensating Mr H as he remains responsible for the agreements.

One of our investigators looked into Mr H's complaint and found that O2 hadn't treated Mr H fairly because it acted irresponsibly in lending to Mr H for the most recent four agreements. The investigator also asked O2 to engage with Mr H to talk about an affordable repayment plan. He also said O2 needed to remove any adverse information applied to Mr H's credit file.

O2 didn't agree. Essentially it said its checks were good enough and it couldn't agree to amending Mr H's credit file.

In response, our investigator said that O2 hadn't provided evidence of its credit searches and that Mr H had suffered a financial detriment as a result of being granted the agreements. He also said O2 must retrieve the debts back from the third-party collection businesses it had sold them to so that Mr H can repay what he owes directly with O2.

I issued my provisional decision on 23 October 2025. I was in broad agreement with our investigator's findings that O2 had acted irresponsibly in providing the lending for each of these four agreements. This was because it hadn't gathered enough information about Mr H's financial circumstances before granting each agreement. I said:

- O2 said they'd looked at Mr H's credit file before agreeing each application, but they were unable to provide us with copies.
- I couldn't see that O2 had asked Mr H for details about his financial circumstances, including his income and regular items of spending each month.

- Mr H's credit file showed he had 5 accounts that had gone into default within 6 months of when he took out the first of the four agreements, in February 2024.

In terms of what O2 needed to do to put things right, I set out a number of points:

1. As I didn't think it was fair for O2 to provide Mr H with the four agreements, I agreed that Mr H should be refunded any borrowing costs, charges or interest that had been added to each agreement. I said this whilst knowing these were interest-free loans but to cover off the possibility that charges had been added to Mr H's account once he started getting into difficulty with repaying the accounts.
2. Like our investigator, I thought O2 needed to engage with Mr H to set up repayment plans for each of these four agreements.
3. Because these loans ought not to have been granted, I required the removal of adverse information recorded on Mr H's credit file relating to them, for the period up to when each repayment plan has been arranged.
4. In order for O2 to do these things, I required it to buy back the accounts from the third-party collections businesses they had been sold to.
5. In addition, having considered the way O2 handled Mr H's complaint when looking into it, I awarded Mr H £100 for distress and inconvenience.

Responses to my provisional decision

Mr M accepted my provisional findings.

O2, however, are maintaining that they cannot correct the credit file as required. They also say no fees were added to the loan, along with no interest. They also say that because the O2 accounts have been terminated due to non-payment they cannot recall them to set up a payment plan. Finally, they have confirmed that the £100 compensation for distress and inconvenience can be sent direct to Mr H if he provides his bank details.

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.

We've explained how we consider complaints about unaffordable lending on our website. I've thought about this approach when deciding Mr H's complaint.

Given that O2 hasn't disagreed with the reasons for upholding Mr H's complaint – my key findings are set out above - I will focus here on the things O2 needs to do to put things right.

I've said that O2 should buy back the four agreements from the third-party collections businesses they've been sold to, waiving and refunding any interest or charges applied to any of the fixed sum loan agreements in Mr H's name. O2 says it's not possible to do that, although the only material reason it's given me for that is the accounts having been terminated by them for non-payment.

O2 should be well aware by now that when this service upholds a complaint about unaffordable or irresponsible lending, our general approach is to ensure that the consumer is put back in the position they would have been in if the problem hadn't happened – in this

case, had each of the four agreements not been approved. For Mr H, that means that O2 should ensure that Mr H only pays back what he borrowed from them, refunding any interest added and all charges.

I've said that O2 should engage with Mr H - or his chosen representative given that he is in a debt management plan - when arranging an affordable repayment amount. I'm not satisfied that O2 is unable to do this, and I would urge those who have been dealing with Mr H's complaint to liaise with their collections department to start the necessary process for buying back the debt.

If it nevertheless turns out that O2 cannot recall some or all of these debts, it must take steps to ensure that the third parties dealing with each debt have established repayment plans that are affordable and fair and adjusted to Mr H's financial circumstances so that they can be repaid on a sustainable basis. It may be that this has already happened, but I've not seen evidence of what has been agreed for each of the plans currently in place. I again remind O2 of their duty to treat Mr H's financial circumstances with due consideration and forbearance.

As O2's actions have affected Mr H's credit file by providing these agreements, it is reasonable to expect his credit file to be amended to remove all the adverse information that relates to them, up to the date of fair and sustainable repayment plans being put in place. Again, the aim is to return him to the position he would have been in had O2 acted properly. If Mr H is unable to keep up with repayments made under those agreements going forwards, that information may be recorded on the credit file.

Finally, I ask that Mr H provides O2 with his bank details so the compensation award for distress and inconvenience can be paid to him without delay. This can be done through our investigator.

As I am required to do, I've also considered whether the relationship between Mr H and O2 might have been unfair under S.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed should be carried out for him results in fair compensation in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right – what O2 needs to do

Having considered everything, to put things right Telefonica O2 UK Limited trading as O2 should:

1. Waive or refund all fees charges, along with any interest charges, for the four most recent agreements;
2. Engage with Mr H to talk about and set up suitable repayment plans for each agreement. Given that O2 has sold some or all of the outstanding balances on these four accounts to third-party collections businesses, it needs to buy each account back from them and make the necessary adjustments;
3. If, having checked internally with the relevant department at O2, it is shown to be not possible for these debts to be taken back, I require that O2 liaises with each of the third party collections business holding these debts to ensure that affordable and sustainable repayment plans have been put in place reflecting the redress awarded here;
4. Remove any adverse information recorded about these four agreements with credit reference agencies, up to the date the repayment plans have been arranged; and

5. Pay to Mr H direct – that is so as not to be used to set off existing sums owing – the amount of £100 for distress and inconvenience.

My I also remind O2 that DISP Rule 3.7.12R requires a business to comply promptly with any award or direction made by this service.

My final decision

For these reasons, my final decision is that I uphold this complaint and require Telefonica UK Limited, trading as O2, to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 11 December 2025.

Michael Goldberg

Ombudsman