

The complaint

Mr L has complained about how Vodafone Limited has administered a credit agreement linked to his phone.

What happened

Our Investigator set out a detailed timeline of events in their findings. So, I think it's fair to say the parties are familiar with the background details of this complaint. To reflect my role of resolving disputes quickly with minimum formality, I'll only briefly summarise what happened here.

In March 2023, Mr L bought a new phone for around £1,600 using a fixed sum loan agreement with Vodafone. Mr L agreed to repay the borrowing by paying 36 monthly instalments (at £44 per month). The first direct debit payment was successfully collected by Vodafone in April 2023. But no instalments have been paid since July 2023. O2 sent notifications to Mr L to make him aware of the missed payments and what would happen if they weren't paid. Because they didn't receive any payments, Vodafone appointed a debt collection agent (DCA), in October 2023, to collect the outstanding balance.

Mr L contacted Vodafone in early November 2023. He asked if he could return the phone as it hadn't been used and remained in the unopened box. Vodafone agreed saying that following the phone's return they would cancel the credit agreement on the basis there was nothing more for Mr L to pay. Vodafone also said they would refund all the payments that had been paid since the agreement started.

Mr L responded by saying that on reflection he preferred to keep the phone. So, in November 2023, Vodafone agreed Mr L could clear the arrears by paying £66 per month for the next six months via a promise to pay payment arrangement. Vodafone attempted to collect the first payment later that month, but this was unsuccessful. Mr L says no payment was made because Vodafone asked him to make a higher payment of £147. Because the payment arrangement failed and no manual payment was received, Vodafone terminated the credit agreement and defaulted the account a couple of days later. So, Mr L complained to Vodafone about this. Vodafone issued their final response in January 2024.

Since January 2024, Mr L has continued to correspond with Vodafone about them terminating the agreement and registering the default. This resulted in Vodafone issuing further final responses in October and November 2024 and June 2025. In summary, Vodafone:

- maintained they'd acted fairly when terminating the credit agreement and registering the default when they did because of the arrears.
- said their original offer was fair and remained open for Mr L to accept.
- acknowledged they'd provided inaccurate and misleading information during two conversations they held with Mr L in December 2023 – they incorrectly said they

would reinstate the agreement and payment arrangement when this wasn't the case. To compensate for any distress and inconvenience this may have caused, Vodafone offered to pay £100 to Mr L.

Mr L didn't think Vodafone's offer fairly compensated him for what had happened over a prolonged period. So, he asked the Financial Ombudsman to consider the matter. Our Investigator didn't uphold the complaint. In summary, the Investigator agreed Vodafone had provided some incorrect information to Mr L in December 2023. But they thought the offered £100 payment comprised of reasonable redress for any distress and inconvenience this had caused given Vodafone corrected the mistake within a short period. They also thought Vodafone's offer of Mr L either returning the phone or repaying what was owed through an appointed debt collection agent comprised of a fair way for the complaint to be resolved. Overall, the Investigator considered Vodafone had acted fairly when terminating the payment arrangement and credit agreement when they did and they were satisfied Vodafone had responded to the various complaint issues Mr L had raised without undue delay.

Mr L didn't agree with the Investigator's findings saying he had been willing to make the agreed £66 in November 2023, but he was told he needed to pay £147 – which he couldn't afford. More recently, Vodafone has informed us that their original offer of allowing Mr L to return the device to them was no longer available '*due to the age of the device*', but they are still prepared to pay Mr L the offered £100. As a resolution couldn't be reached between Mr L and Vodafone, the complaint has come 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.

Mr L initially raised concerns about his credit agreement with Vodafone in July 2023. Since then, Mr L has raised several detailed complaint points to Vodafone. But in my decision, I don't intend to refer to everything or address every point made. I mean no discourtesy by this, instead I will focus on what I see as being the key outstanding points following the Investigator's outcome, and the reasons for making my decision.

Where the evidence is incomplete, inconclusive or contradictory (as some of it is here), I've reached my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

I can consider this complaint because the issues Mr L is complaining about relate to a regulated credit agreement. Vodafone has issued several final responses between January 2024 and June 2025. But I note Vodafone hasn't objected to the Financial Ombudsman considering all the complaint issues Mr L has raised since July 2023. And it seems Vodafone consented to us doing so in their email to us, dated 19 September 2025.

What I need to decide here is whether Vodafone fairly terminated Mr L's credit agreement and defaulted his account. Based on what I've seen, I think they did. I'll explain why as I appreciate this isn't the outcome Mr L was hoping for.

Why did the arrears occur?

The direct debit linked to the credit agreement was cancelled in July 2023. I'm satisfied this occurred because Mr L arranged for it to be cancelled. It's my understanding Mr L did so because he thought Vodafone had twice taken the July payment. But the payment history for the agreement doesn't support this – it shows Mr L paid a single instalment of £44 in July 2023. I've not seen anything to show Mr L had paid twice in any month since the agreement started or has paid anything more since July 2023.

Records show Vodafone sent Mr L a letter at the time to confirm the direct debit had been cancelled and a SMS message which encouraged Mr L to reinstate the direct debit. But this didn't happen. So, Vodafone sent further communications to Mr L to make him aware of the missed payments and to warn that if they weren't paid it would likely lead to them cancelling the agreement and registering a default - which is ultimately what happened.

I'm satisfied the communications Vodafone sent to Mr L were in accordance with what I'd have expected them to send. So, I think Vodafone acted fairly when appointing a DCA in October 2023 to collect the missed payments and when sending Mr L a Notice of Default to inform him that if he didn't pay the then outstanding arrears (of £132) it would likely result in Vodafone terminating the credit agreement and registering a default.

Payment arrangement

Mr L made Vodafone aware, in early November 2023, that he would be happy to return the phone. Vodafone offered to take the phone back and upon receipt to cancel the linked credit agreement from inception, remove any charges and refund the four instalments, totalling £176, Mr L had paid to date. Vodafone says they made this offer after taking account of Mr L's known vulnerabilities and because Mr L had told them the phone hadn't been used and remained in the unopened box.

In the circumstances, I think Vodafone's offer was more than fair. I say this because it would have allowed for the credit agreement to be cancelled with Mr L not needing to make any further payments and led to him receiving a refund of the payments he'd already paid. I'm also mindful this wasn't an offer Vodafone had to make given the 'cooling off' period had long since expired and there was nothing to show the phone had been mis-sold nor was of unsatisfactory quality at point of delivery. But it seems Mr L decided he'd rather keep the phone and clear the arrears.

Neither party disputes that following the discussions that took place in November 2023, a promise to pay payment arrangement was set up, where Mr L agreed to clear the arrears by paying Vodafone £66 per month for the next six months. Vodafone confirmed this arrangement in writing to Mr L - which Mr L says he received. The letter stated that Vodafone would collect the first £66 payment on 23 November 2023.

In the circumstances, I think the payment arrangement was a reasonable way for Mr L to have gotten up to date with his credit agreement payments. Mr L told Vodafone that he would be able to afford the £66 payment. In the circumstances, I think it was reasonable for Vodafone to have believed what Mr L had told them.

Vodafone attempted to collect the first £66 instalment for the payment arrangement by direct debit, but this was returned as unpaid due to insufficient funds. Vodafone's records also show Mr L called them on the same day. Mr L says the person he spoke to was unable to find any record of an agreed payment arrangement, and said he needed to make a higher payment of £147 instead of the £66 he was expecting to pay – which is why he didn't make a manual payment.

Mr L would like Vodafone to provide a recording of that call because he believes it would support his recollection of events. Unfortunately, Vodafone has said they can't provide it because none exists. Given the call was made over two years ago, I appreciate why any call recording is no longer available. But I also understand why Mr L would be annoyed and frustrated by this. Given I'm unable to listen to a recording of that call, it means I'll never know what was actually said by either party. So, I've looked at what other information is available to help me gain an understanding of what, on balance, likely happened.

Vodafone's contact log recorded that Mr L spoke to Vodafone on 23 November 2023. The record supports a discussion was held about the payment arrangement. What isn't clear is if Mr L already knew, or if the case handler made Mr L aware, that Vodafone had been unable to collect the first payment. But the note did record the, '*Payment arrangement has been cancelled successfully*' and, '*the outcome of the call/chat agreed with the customer*' before, '*customer dropped the line*'. The call note doesn't make any mention of Mr L having been asked to make a payment of £147 – indeed, no amounts are stated by the call note.

I appreciate Mr L says he was told he needed to make a payment of £147 – not the expected £66. It's possible the call handler did say this to Mr L. But I think if this was the case it's likely this would have been recorded in the call note. I'm also mindful £147 seems an odd figure. I say this because I can't see how this amount would have been calculated when considering the original instalment for the credit agreement was £44 per month, the required monthly instalments under the payment arrangement were set at £66, and three-months arrears totalled £132. On balance, I'm not persuaded the evidence supports Mr L was asked to make a payment of £147 towards the credit agreement. And I think it's fair to say Mr L was aware he needed to make a payment and he still had a couple of days to have made one before Vodafone terminated the agreement.

What is known is that:

- Mr L was aware a promise to pay payment arrangement had been set up by Vodafone, and Vodafone was going to collect the first £66 instalment on 23 November 2023.
- Vodafone did try to collect the payment, but this was returned as unpaid due to insufficient funds.
- Vodafone had warned Mr L that if the missed payments weren't paid they would terminate the credit agreement and default the account – which Vodafone did on 25 November 2023.
- Mr L hasn't made any payments due under the credit agreement since July 2023.

It seems the payment arrangement was cancelled at Mr L's request. But even if this wasn't the case, it's my understanding Vodafone would have likewise cancelled it due to the failed payment. Vodafone had previously issued a Notice of Default in November 2023 saying that if the arrears weren't cleared, they'd terminate the credit agreement and default the account. This was put on hold due to the setting up of the payment arrangement. But the payment arrangement was cancelled with no payments having been made.

I'm also mindful the Information Commissioner's Office (ICO) default guidance says an account can/should be defaulted when the payments are three to six months behind. When Vodafone terminated the credit agreement the payments were four months in arrears

In the circumstances, I find Vodafone acted fairly when terminating the credit agreement and defaulting the account at the point they did. I appreciate this was only two days after the payment arrangement failed, but Vodafone had previously warned Mr L what would happen if the missed payments weren't paid and had given him an opportunity to clear the arrears.

Did Vodafone provide Mr L with any inaccurate and misleading information

Vodafone accepts they told Mr L on both 5 and 6 December 2023 that as a resolution to the complaint they would arrange for both the credit agreement and payment arrangement to be reinstated. Vodafone accepts this comprised of incorrect information.

Vodafone let Mr L know in their January 2024 final response that on review they weren't prepared to reinstate either the credit agreement or payment plan. Vodafone said a new payment arrangement would need to be set up through their appointed debt collection agent. As an alternative, Vodafone also said their previous offer of Mr L returning the device whereby they'd cancel the credit agreement with nothing more to pay remained open for Mr L to accept. Vodafone reconfirmed this in their October 2024 final response, but they also offered to pay Mr L a distress and inconvenience payment of £100 in recognition of the incorrect information they'd provided to him in December 2023.

I agree Vodafone provided Mr L with misleading information in December 2023 when saying they would arrange for the credit agreement and payment arrangement to be reinstated. Vodafone accepts they should have told Mr L it wasn't possible for them to reinstate a regulated credit agreement once it had been cancelled. So, I think it's fair Mr L be compensated for this loss of expectation. In the circumstances and having taken account of the impact Mr L says this error had on him, I think the offered £100 represents fair redress.

For the reasons I set out above, I think Vodafone's original offer for Mr L to return the device to them and for Vodafone to then cancel the linked credit agreement with nothing more to pay comprised of a fair resolution to the complaint. I don't know why Mr L decided not to accept this offer. But given the phone is now over two years old, I appreciate why Vodafone has rescinded this offer. In the circumstances, I don't think it would be reasonable for me to say Vodafone should now reinstate that offer.

Vodafone is also obligated to report true and accurate information to the credit reference agencies. I haven't seen anything to show me Vodafone told Mr L that they wouldn't report the missed payments and default to the credit reference agencies. Nor have I seen anything to show that what Vodafone has reported isn't accurate. So, while I appreciate Mr L believes the loadings on his credit record will have an impact on him being able to secure future credit, I don't require Vodafone to remove them.

Ultimately, Mr L borrowed money from Vodafone for a phone he received. So, I think it's reasonable for Vodafone to ask Mr L to repay the amount still owed under the linked credit agreement. However, I'd remind Vodafone of the Financial Conduct Authority's requirement for them to treat consumers who may be experiencing financial difficulty with forbearance and due consideration.

My final decision

My final decision is that in so much as Vodafone Limited hasn't already done so, they should pay to Mr L the offered £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 9 March 2026.

Carl Bibby
Ombudsman