

The complaint

Miss T is unhappy with the way Hutchison 3G UK Limited trading as Three (“Three”) handled her device plan agreement and supported her with an outstanding debt.

What happened

In early 2024 Miss T bought a phone from Three using a fixed sum loan agreement (“the device plan”) to pay for the handset. She also took out an airtime and data tariff (“the airtime plan”) at the same time.

Miss T fell into arrears on both plans in the spring, and agreed to make payments towards these arrears, known as promises to pay. In November, Miss T told Three she had lost her job and was struggling to cover her full monthly bill, around £60 per month, in addition to the arrears she owed.

Three agreed for Miss T to enter a payment arrangement for the arrears. It says it agreed Miss T would pay around £9 per month towards the airtime plan arrears and around £33 per month towards the device plan arrears and monthly repayments, starting the following week. On the payment date, Miss T says she made a payment of just under £75 using Three’s automated IVR phone number.

Later that month, Three terminated the device plan as it said Miss T had broken the payment arrangement. As the device plan was terminated, Three then passed the debt to a collection agent, and told Miss T she needed to arrange a payment plan with the agent or pay the full balance of around £700.

Miss T was very unhappy and complained about the way Three had handled her account. She said she called Three on the date the payment was due and paid £75, assuming this would cover the payments for both the device and airtime payment plans. Three said it told Miss T to make a payment using a specific phone line, not the automated IVR service. Miss T disputed this – saying she hadn’t been told how to pay.

When Miss T brought her complaint to our service, Three made a proactive settlement offer of £50 credit to the airtime plan, to reflect poor customer service. Miss T didn’t accept this offer.

Our Investigator thought Three hadn’t treated Miss T fairly. She said Three hadn’t been able to provide the full call recording to show what it had told Miss T when setting up the payment arrangements. She thought that while Three sent a letter with the payment line number on it, it was clear there was some confusion about how to pay, and Miss T had asked Three to support her. So, the Investigator recommended Three bring the debt back from its agents and arrange a payment plan with Miss T directly. The Investigator also awarded £100 compensation, paid to Miss T or added to her device plan balance, as she thought Three’s actions had affected Miss T more at the time.

Three accepted the Investigator’s findings but Miss T didn’t. She remained unhappy with how Three had treated her but didn’t have anything else to add. As she asked for a decision from an Ombudsman, the case has now been assigned to me.

I issued a provisional decision, which said:

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 broadly agree with the outcome reached by the Investigator, but I intend to ask Three to put things right in a different way.

Where the evidence is incomplete or inconclusive (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 the light of the available evidence and the wider circumstances.

Miss T's complaint is about payments due on her device plan agreement with Three, which is a regulated consumer credit agreement. This means our service can consider complaints relating to it. Miss T also took out an airtime contract at the same time as the device plan, and this isn't a form of regulated credit. I've mentioned the airtime contract as it forms an important part of the background to the complaint, but I've noted the arrears Miss T disputes are only on the regulated device plan.

Problems with the payment plan

Miss T's device plan was four months in arrears when she called Three in November 2024. She told Three she wasn't able to make the payment in full as she'd recently lost her job, but she agreed to repay the arrears in monthly instalments. The payment plan was set up with an agreement to pay around £33 a month towards the device plan monthly repayment and the arrears until July 2025.

Three was able to provide part of this call, where it's clear Miss T has some concerns about the cost of her total package. The agent tells her there are arrears on both accounts, and it's clear Miss T is confused about what she owes and what her payments need to be. Unfortunately, the call recording ends before the details of the payment plan were agreed, so it isn't clear how Three explained this or if Three told Miss T how to make the additional payments.

However, Three sent Miss T a letter after the call, confirming her agreed payments. The letter provides a phone line for Miss T to call if she's unable to make a payment or has any questions – but it doesn't say Miss T must call this number in order to make the payments.

I've reviewed the history of the account and it's clear Miss T had asked Three to clarify her payments several times since the agreement started. Three has found agents gave Miss T unclear information about her payments, which it offered compensation for. I think this suggests Miss T didn't always understand what she had to pay for each account, and Three hadn't provided enough support to allow her to pay the right amount in the right way.

The account notes also show Miss T had previously used the IVR phone line to make 'promise to pay' payments. Three also added these payments to Miss T's airtime account, leading to arrears on the device plan – but I can't see Three had told Miss T she needed to pay differently for a 'promise to pay' arrangement, either earlier in 2024 or in November. So, I think it was reasonable for Miss T to assume she could make the payment in this way.

Miss T went on to make a payment of around £75 on the date her payment plan was due, which she says she believed would be split between the airtime and device plan payments. Three assigned this payment to the airtime contract only, leading to the device plan payment arrangement being cancelled and the collections activity restarting. Three then terminated the agreement a week later as the arrears had been building for a few months before the plan was set up.

I don't think this was fair though, as Miss T had made a payment in good faith that it would be applied to both accounts. I appreciate the account may have terminated automatically once the payment wasn't applied, but I think Three ought to have done more to rectify this once it saw Miss T had made a payment another way. So, I don't think Three treated Miss T fairly when continuing with its collections process and terminating the agreement.

Compensation

Miss T asked for a final decision on her complaint but didn't explain why she wasn't happy with the Investigator's findings. I agree with the Investigator that Three didn't treat Miss T fairly, so I've gone on to consider how this has affected her, and what should happen next to resolve things.

Miss T complained to Three about the payment plan problem a few times, and the account notes show Three gave her approximately £160 in airtime credits in December 2024 and January 2025. Following our investigation, Three has agreed to pay Miss T an additional £100 directly to her, as it accepts there was confusion about the payment she made.

I've thought carefully about the impact this had on Miss T, as well as the impact of passing her account to a debt company. Miss T hasn't told me more about how this has affected her, but I can imagine it would be upsetting and worrying, especially as she acted in good faith when paying Three.

Overall, Three will have compensated Miss T to the value of around £260 if Miss T accepts my decision. I've considered the types of compensation award our service makes, and without further details about how it affected Miss T, I think this is a fair amount on this case. So, I think Three should pay Miss T the additional £100 recommended by the Investigator – if it hasn't already done so.

Repaying the balance owed

Our Investigator also recommended Three bring Miss T's account back 'in house' and arrange a payment plan with her for the arrears and the outstanding balance of around £700. I asked Three if this was possible – it told me it can do this but only if it made an error sending the account to the debt company. I think this applies here – as Three passed the account to the debt company when Miss T had made a payment in line with the planned amount, in good faith that it would be applied to the accounts as she intended.

So, I think it's reasonable for Three to manage the payment plan for the outstanding balance and arrears 'in house'. As Miss T's circumstances may have changed, Three should consider if she needs further support or forbearance to ensure the payments remain affordable. If Three isn't able to arrange the plan itself, it should ensure its chosen debt company treats Miss T fairly, as it would have done if the account was still with Three.

Credit report

I've also considered if Three needs to change the way it's recording the device plan on Miss T's credit report. I've not seen a copy of Miss T's credit report, but Three has told me the device plan was terminated in November 2024 – so I think it's likely this is showing on the report. I think Miss T had made a payment on time to cover the agreed payment plan, so Three shouldn't have terminated the device plan at this time.

I can't say with certainty what would have happened for the rest of the payment plan or the agreement term. As Miss T hasn't made payments towards the arrears with the debt company, and it isn't clear if she's made any further contractual payments either, I don't think I can fairly ask Three to show the account as having no arrears, despite what happened. But I don't think it's fair for Miss T's credit report to show the agreement was terminated, when it's clear she was trying to make payments in good faith. So, I think it's fair to give Miss T the benefit of the doubt that she would've continued with the payment plan.

I think the fairest way for Three to put things right here is to amend Miss T's credit report to show the account as being in a payment arrangement from November 2024 onwards. It should continue to show a payment arrangement while Miss T makes her repayments towards the outstanding balance. But, if this plan is broken in the future I think Three can consider if it's reasonable to report this accurately on Miss T's credit file.

If Three asks the debt company to manage the account instead, it should make sure the company also updates Miss T's credit report in the same way.

Three didn't respond to my provisional decision. Miss T did respond but said she didn't agree with the amount of compensation I'd awarded, because:

- She said the issue had been ongoing for more than a year and she'd been dealing with the stress and anxiety of Three mishandling her payment.
- She said it wasn't fair for Three to refer her account to a debt collector, which added to her worry. Miss T also said Three's actions caused the arrears to climb to around £700 which wasn't manageable.
- The £160 airtime plan credit had already been used up and didn't alleviate her stress.
- Miss T says her mental health has suffered greatly over the past year, in part because of Three's actions. She thought £100 additional compensation didn't come close to reflecting the prolonged impact this had on her.

As Miss T didn't agree, I've now made 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.

I don't intend to repeat the findings I already made in my provisional decision here – instead I will focus on the further comments provided by Miss T.

I'd like to thank Miss T for sharing details about the impact this had on her mental health, and I'm pleased to hear she's receiving support for this. I've acknowledged Three should have done more to support Miss T when she made the payment in November 2024, but I can't see Miss T made Three aware just how much her mental wellbeing was affected after the agreement was terminated. So, I can't fairly say Three ought to have known it needed to offer her further support in addition to the forbearance steps it took.

I don't doubt the agreement termination added to Miss T's worry and anxiety, but I don't think I can fairly say Three was responsible for everything Miss T was going through at the time. I have to take this into consideration when thinking about the impact of Three's error.

I would like to take the opportunity to remind Three of its obligations to support customers with vulnerable characteristics. And, while I can't direct Three to change how a debt company treats Miss T, I think it's reasonable to expect Three to carefully consider Miss T's needs if it can't bring the account back "in house".

I should also clarify that I don't think it's fair to penalise Three for any delays caused while the complaint has been with our service. I've found Three initially provided Miss T with credit to compensate her for the payment plan issue in the two months following her complaint, and I think it's accepted things went wrong and has tried to proactively resolve them.

I don't think I can say for certain what would have happened if Three had applied Miss T's payment correctly in November 2024 – it's possible Miss T's arrears may have still increased in the following months if her circumstances changed. I've considered this in my remedy, as I've directed Three to consider what Miss T can afford to pay in a payment plan, so the parties should now work together to find a way forward.

I understand Miss T says the £160 credit on her airtime plan has been used already. But, she has benefitted from the credit on her account, reducing what she needed to pay towards the airtime plan. So I think I need to include this when I look at the overall steps Three has taken to put things right for her. I accept these payments won't be able to take away the worry Miss T felt at the time – instead, they are a reflection of the impact caused and a way for the parties to move forwards from the complaint.

I've thought very carefully about the overall impact of Three's error on Miss T, and the new points Miss T raised. But I still think the award I've made is fair, looking at all the events holistically. So, while I know Miss T will be disappointed, I won't be increasing the compensation I'm awarding in my decision.

My final decision

My final decision is to uphold this complaint. To put things right, Hutchison 3G UK Limited trading as Three must do the following:

- Pay Miss T £100, if it hasn't done so already. This is in addition to the credits Hutchison 3G UK Limited trading as Three has already applied to Miss T's airtime account.
- Bring Miss T's device plan account back from the debt company, and agree an affordable repayment plan for the outstanding balance with Miss T. If Hutchison 3G UK Limited trading as Three is unable to do this, it should update the debt company about the outcome of this complaint so Miss T can arrange the payment plan with them.
- Amend Miss T's credit file to show the device plan in an arrangement to pay from November 2024 onwards, as long as Miss T maintains her new payment plan.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 5 March 2026.

Hannah Dunkley
Ombudsman