

The complaint

Mr P says Vodafone Limited ('Vodafone') irresponsibly lent to him. He says that Vodafone wasn't diligent when it conducted its affordability assessments. As he didn't have the right to work in the UK, he shouldn't have been given credit.

He also thinks that Vodafone has not acted with forbearance when he couldn't repay the amounts he borrowed. He thinks it shouldn't have defaulted the accounts, and at one point, it didn't allow him to make a payment to the accounts.

What happened

This complaint is about two credit agreements Mr P started to purchase mobile devices.

- Loan 1 was started in February 2023. Mr P borrowed £1,152 and he was due to make 24 monthly repayments of £48.
- Loan 2 was started in March 2023. Mr P borrowed £744 and he was due to make 24 monthly repayments of £32.25.

Both loans were interest free and, as I understand it, Mr P hasn't made any repayments to either of them. The agreements have defaulted and have been terminated.

Mr P has complained to Vodafone about the lending and how he says it didn't help when he had repayment problems. Vodafone considered this complaint and it didn't uphold it. It thought it'd acted correctly when it defaulted and terminated the accounts. Mr P didn't agree with this and brought his complaint to the Financial Ombudsman Service.

Our Investigator partly upheld Mr P's complaint. She didn't think that Vodafone had lent irresponsibly. And she also didn't think Vodafone was acting unfairly when it terminated and defaulted the accounts. However, she thought Vodafone hadn't properly helped Mr P to take steps to repay the amounts he owes, and she thought this was unfair. She said Vodafone should work with Mr P to find a way to repay the debt and he should receive £100 compensation for the distress this had caused him.

Vodafone didn't agree with the Investigator. It said that as the agreements were terminated then, under the terms and conditions of them, Mr P only now has the option to repay the full amount. There was some further correspondence, but no new issues were raised. Because Vodafone didn't agree, this matter has been passed to me to make 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.

We've set out our general approach to complaints about unaffordable or irresponsible lending on our website, and I've taken this into account in deciding Mr P's case.

Did Vodafone make proportionate checks about affordability when the loans were started?

The information supplied by Vodafone shows that Mr P applied for the credit online both times. He informed Vodafone that he was employed full time, and he did not see this changing soon. He said he earned enough to repay both loans. Given why Mr P started the loans, the amount lent and term of them, I don't think it was unreasonable for Vodafone to rely on what Mr P said about his income and expenditure in the way that it did.

Vodafone said that it also looked at the information Mr P had with a credit reference agency ('CRA'). Vodafone said Mr P passed these checks, but I understand it didn't find out about how much debt Mr P had, or what he was paying for this. I think it should have done this, and so, overall, I'm not persuaded that the checks Vodafone made were proportionate.

Mr P has provided a copy of his current credit file. This shows that he only had one credit account at the time and there was no adverse information held about him. I don't think it's reasonable to say that there wasn't anything in his credit history that would have led to Vodafone thinking it shouldn't have lent to Mr P.

Overall, I think that if Vodafone had looked in more detail about whether Mr P was likely to be able to sustainably repay what he was being lent it would have concluded that he could afford to repay the loans, and that it was fair to lend to him. In making this decision I have borne in mind that this credit was interest free and it's not clear to me whether Mr P has lost out due to the borrowing and repayment terms of the contracts themselves.

Did Vodafone adequately check Mr P's work situation and identity?

Mr P has complained that the contracts shouldn't have been started at all and so he shouldn't need to pay them back. This was because he was an asylum seeker who didn't have a right to work in the UK. He's said how the contracts and the defaulted status of them is causing him problems with things such as securing rented accommodation.

I've thought about whether Vodafone should have found out about Mr P's right to work status and not lent because of it. Vodafone says it did an identity check using some information from his bank and the CRA. And Mr P said that he was employed. Vodafone also had an address for him.

Given the amount and type of credit I don't think it would have been proportionate for Vodafone to have looked in more detail at Mr P's right to work or asylum / immigration status. This wouldn't normally form part of lending checks, and I don't think I can say Vodafone had an indication that this may be problematic here. I don't think Vodafone lent unfairly for this reason.

Was Vodafone acting fairly when it defaulted and terminated the accounts?

As I've said above, Mr P has been unable to make any repayments to the loans. Vodafone has provided all the correspondence it has had with Mr P and its online contact history. I have looked at all of this, but I'm not going to reproduce much of it in this decision, partly to protect Mr P's privacy and partly as I don't need to refer to it all to make my decision.

But a summary is that, as I've said above, Mr P hasn't paid any amounts towards the loans. Mr P and Vodafone were in contact about this and for loan 1 an arrears notice was sent in April 2023 and a notice of default was sent in May 2023. Mr P agreed a temporary repayment plan in July 2023. But no payments were made to this, and the account was defaulted and the agreement terminated in July 2023.

And the situation was very similar for loan 2. An arrears notice was sent in May 2023 followed by a default notice. A similar repayment plan was agreed in July 2023 and when no payments were received the account was defaulted and terminated in August 2023.

Even accepting that things were very difficult for Mr P a business can, and should, default a credit account where a consumer cannot reliably repay it, and the relationship has broken down. I think both these apply here. Clearly Mr P couldn't repay the credit amounts as and when they became due under the contract.

Mr P has said that he didn't receive all the correspondence about this and he was unable to respond to it at times. I have noted that he did experience periods where his situation was very difficult, which he says included periods of homelessness. He said he's also had significant mental health and financial problems. I hope things have improved for him.

Given all of this, of course, I can accept that Mr P may not have received all of the correspondence, and he clearly couldn't act on all of it. But I've seen significant correspondence from Vodafone to Mr P about what was happening with the loans. And I've also seen that Mr P was regularly in contact with Vodafone using its online chat system. I think Vodafone provided reasonable information to Mr P and it kept him informed about what was happening with the loans. I think it did provide correct default and termination notices to Mr P.

So, I don't think it would be reasonable to say that Vodafone has acted incorrectly when it defaulted the accounts and terminated the agreements. I'm not upholding Mr P's complaint about the defaults.

Has Vodafone treated Mr P with forbearance?

Vodafone did have some limited information about Mr P's circumstances as early as June 2023, and I can see it has, at times, tried to help him in the form of payment plans and other assistance. Which is what I would have expected to see in this kind of situation.

Mr P has said that he wants the accounts reinstated so he can reduce the amount he owes and he contacted Vodafone in November 2023 to try and arrange this. Vodafone explained that as the accounts were now terminated he can only repay the full amount. I can see that, at times, from November 2023 onwards Vodafone has continued to say that. And it's said this as part of the complaint and in response to our Investigators opinion.

As our Investigator outlined there are various sections of the consumer credit sourcebook ('CONC') particularly section 7.3 that say that this kind of approach to ongoing repayment problems can be unfair. In particular CONC 7.3.10 says that it is incorrect to ask a customer to *'pay a debt in one single or very few repayments or in unreasonably large amounts, when to do so would have an adverse impact on the customer's financial circumstances ...'* And the overall thrust of the rules and guidance are that businesses should work with consumers to enable to repay the amounts they owe. And I don't think the terms of the loan agreements mean that Vodafone doesn't need to do this.

And in this case to only offer a repayment option that Vodafone likely knows Mr P cannot meet is fundamentally unreasonable and will ensure that this situation will remain unresolved. I don't think it's treating Mr P fairly when it's done this. Vodafone should continue to work with Mr P to assist him to repay the amounts he owes where possible.

And I agree that this will have caused Mr P some distress and inconvenience. And he's outlined the problems this ongoing situation as caused him in various ways. I can accept that not all the problems Mr P refers to are the result of this aspect of his complaint. But I think the £100 compensation our Investigator thought was reasonable is fair compensation for this.

Did Vodafone act unfairly or unreasonably in some other way?

I have considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think it lent irresponsibly to Mr P or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here. I haven't seen anything to make me think Vodafone acted unfairly or unreasonably in some other way.

Putting things right

To put things right I think Vodafone should:

- If possible, work with Mr P if he is in position to make repayments. This could include a repayment plan.
- Vodafone should provide Mr P with options to make repayments if he is able.
- Pay £100 for the distress and inconvenience caused for not providing him with payment options when he contacted Vodafone to repay the debts.

And I would remind Vodafone to treat Mr P fairly and with forbearance as it is required to do under the regulations.

My final decision

For the reasons I've explained, I partly uphold Mr P's complaint. Vodafone Limited should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 6 March 2026.

Andy Burlinson
Ombudsman