

The complaint

Miss W complains Telefonica UK Limited trading as O2 (Telefonica) provided misleading information when she wanted to change networks which meant she activated her PAC code early and the total amount outstanding under the device plan fell due. She also complains Telefonica made it impossible for her to pay the outstanding amount because she couldn't speak to it over the phone for health reasons and couldn't see her information on the app.

What happened

Miss W entered into a fixed sum loan agreement with Telefonica in order to acquire a phone device. She sought to change tariff to another network but wanted to continue to repay the device plan as normal. However, when she activated the PAC code the total amount outstanding under the device plan became payable as a lump sum. She complains she was misinformed by Telefonica and would have waited to activate the code had she known. She also explained she had found it impossible to make repayments and didn't receive sufficient support.

Telefonica responded to the complaint and set out why it didn't think it should be upheld. It explained the outstanding amount had become payable when Miss W activated the PAC code because Miss W wasn't yet 24 months into the agreement as per its terms. It said she had not been misinformed, and she was offered a repayment plan under similar terms. I understand there was other correspondence about her contract and some service issues which led to Telefonica crediting her billing account with £100 as a gesture of goodwill.

Miss W felt matters remained unresolved and asked our service to investigate. During our investigation, Telefonica offered to pay £100 compensation in relation to the issues Miss W brought to our service. Our Investigator issued a view explaining why he felt the complaint should be upheld. He said Telefonica should pay Miss W £100 compensation and ensure adverse information in relation to the account is removed once the outstanding balance is paid.

Miss W didn't agree with our Investigator's findings. She explained her complaint isn't isolated and spans far before what was set out in our Investigator's view. She said our Investigator's findings didn't include important details. In summary, she said:

- There has been a breach of contract because Telefonica didn't perform its obligations in good faith and with reasonable care and skill (implied under the Supply of Goods and Services Act 1982 and reinforced by the Consumer Rights Act 2015). She says she was deliberately and persistently blocked from paying the final bill and they gave her incorrect information which caused her financial loss.
- Telefonica breached the Equality Act 2010. Telefonica had a legal duty to make reasonable adjustments. However, it ignored requirements, provided inaccessible systems and refused alternative ways to pay the account which is direct disability discrimination. It also breached Ofcom's General Conditions of Entitlement. General Condition C5 requires providers to have special measures for vulnerable customers, including accessible billing and payment methods.

- Telefonica should waive and refund incorrect charges and debt collection fees, remove adverse credit markers, pay compensation (she would accept cancelling the remaining contract fee) and confirm in writing what went wrong.
- Telefonica didn't offer monthly payments until debt collection was ongoing and admin fees had already been added. The adverse effect was already in motion.
- The errors are in breach of the contract she signed so they unfold the contract entirely.

As Miss W didn't agree, the complaint 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.

I recognise Miss W has taken the time to make her submissions to our service and I want to provide her with reassurance that I've carefully considered everything which she has set out. I want to explain that where a specific point is not mentioned in my decision, it is not because I've not considered it but rather because I don't think I need to comment on it to reach the right outcome here. I have focused on the key reasons for reaching the decision I have. No discourtesy is intended by this, and it reflects the informal nature of our service. I also want to explain that I have considered all of the relevant rules and regulations when deciding what's fair and reasonable in the circumstances of this complaint.

I appreciate Miss W expected to be able to pay the remainder of the balance for the device plan as normal under her agreement. However, she activated the PAC code on 8 April 2025 when she would have needed to wait until 22 April 2025. Miss W says she was misadvised in a phone call she had with Telefonica prior to activation. Telefonica have listened to the call and said the call handler didn't inform her she could activate the PAC early. However, it has since deleted the phone call. This means I can't conclude Telefonica were reasonably clear about when the PAC code should be activated to avoid early cancellation and the full amount falling due.

Miss W made it clear in her email to Telefonica in March 2025 that she wanted to continue to pay for the device plan by the monthly instalments. I understand she would have been able to do this had she activated the PAC code after 22 April 2025 (as she would have been 24 months through the device plan). Therefore, Miss W seems to have acted on what she understood and the information she received at the time when activating the PAC code. In other words, I think it's likely she would have waited a couple of weeks before activating her PAC code to prevent the remaining amount falling due as a lump sum had she been reasonably informed. So, I think it's fair to conclude Telefonica weren't reasonably clear about this and caused some confusion here which meant Miss W experienced distress and inconvenience.

Following this, Miss W became increasingly frustrated with Telefonica's communication about how she should pay the outstanding balance. I have seen Telefonica sent an arrears letter to Miss W and included a link to the app. However, the details weren't available via the app because the agreement had been cancelled and Telefonica explained this in correspondence to her. She was also told she could call and pay over the phone. However, she had told Telefonica that she couldn't speak over the phone when she contacted it in March 2025. So, I can appreciate why this communication exacerbated her frustration.

I have seen a copy of email correspondence between Telefonica and Miss W. I note Telefonica explained it could set up a payment plan for the device balance, but it might impact Miss W's credit file, and the account would need to go to collections before being set up. It confirmed the app wouldn't work now the device plan had been deactivated. It invited Miss W to contact it if she wanted to set up a payment plan. Miss W did respond to the email but didn't accept the payment plan. However, I appreciate it's likely she would not want it to impact her credit file.

I appreciate Miss W has said she was given no suitable method of payment and I understand from the email trail that she wasn't happy with the options given. However, I'm satisfied she was given reasonable options to make payments. For example, she was offered details to transfer the money, and it was also explained she could pay over the live chat. I also note that she had made a payment towards the device plan. I do appreciate these options had come after the account was in collections, but Miss W was informed it would need to go to collections since the PAC had been activated early. Whilst I understand she was concerned about the alternative methods, I think Telefonica reasonably sought to provide other options.

In addition to this, I've thought about what Miss W has said regarding her request for reasonable adjustments, accessibility law and the Equality Act 2010. I've also thought about the guidance around vulnerable consumers. I can't say whether Telefonica has met its obligations under the relevant law – this would be for a court to determine. But I have taken relevant law into account when deciding what's fair and reasonable in the circumstances of this complaint.

From the information I've seen and as set out above, the evidence satisfies me Miss W was given alternative payment options. Whilst this included payment over the phone, it wasn't limited to it. I also understand Telefonica did speak to her over the phone and made attempts to call her, but it also engaged with her over email and via the live chat. So, I don't think she has been excluded from communicating with Telefonica. However, I can see why the correspondence would have been frustrating for Miss W as already explained. It doesn't seem any further detail was provided to Telefonica regarding accessibility needs or reasonable adjustments, and so I can't say it ought to have done more in the circumstances.

Miss W has also said these issues should make the agreement void because Telefonica are in breach of contract. Whilst I accept there seems to have been some confusion, I'm unable to conclude Telefonica ought to waive the outstanding balance. Miss W entered into the agreement in order to acquire a phone device. I can see from Miss W's emails she was also aware she'd be liable for this and so I can't say it would be reasonable in the circumstances to waive the outstanding balance. She always expected to have had to pay under the agreement for the device and so I think it's fair for Telefonica to expect payment.

Overall, it does seem there was confusion caused about the activation of the PAC code. This wasn't reasonably expected by Miss W, and I understand she had difficulty making the repayment. Additionally, Telefonica's correspondence following the PAC activation further exacerbated Miss W's frustrations. Therefore, Telefonica should put things right in the way I've set out below.

Putting things right

Firstly, I note Miss W didn't return the device and still owes money for the device under the plan. Whilst she has previously indicated she doesn't intend to repay the outstanding amount, I am satisfied it is reasonable that she pays because she has acquired a mobile device.

When an agreement couldn't be reached in respect of the outstanding balance, Telefonica sold the debt to a debt purchaser. Miss W would need to contact the debt purchaser about repaying the balance. However, I'm satisfied Miss W wouldn't have activated the PAC code early had she known the full amount would fall due and I think she would have continued making the repayments. So, once the balance is repaid and because of the confusion around the activation of the PAC code, Telefonica should remove any adverse information from her credit file.

As our service investigated Miss W's complaint, Telefonica offered to pay £100 compensation in relation to the issues brought to us. Miss W was left frustrated when she activated the PAC code early and this was exacerbated by the correspondence she received from Telefonica. I'm satisfied this amount appropriately reflects the circumstances. Miss W experienced an emotional impact, and the issues required a reasonable effort for her to sort out.

Miss W has said the compensation wouldn't cover admin fees which have been charged by Telefonica in relation to the outstanding balance. I've been back to both parties about admin fees and neither party has provided any further information about this. Telefonica have said it isn't aware of any admin charges when it sold the debt. The arrears letters only refer to admin charges where debt collectors are appointed to manage the debt, but the debt was sold in this case. Therefore, I can't comment on this further as the evidence I have doesn't indicate admin fees have been charged and I've given both parties a reasonable amount of time to provide further evidence.

So, to put things right Telefonica UK Limited trading as O2 should:

- Once the balance has been repaid remove any negative information about this agreement from Miss W's credit file including any involvement with the debt purchasers. Miss W will need to contact the debt purchasers about repaying the outstanding amount.
- Pay Miss W £100 compensation for the distress and inconvenience caused in relation to the issues addressed in this decision.

I'm satisfied this is fair and reasonable in all the circumstances of the complaint.

My final decision

For the reasons set out here, I'm partially upholding this complaint and Telefonica UK Limited trading as O2 should put things right in the way outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 21 May 2026.

Laura Dean
Ombudsman