

The complaint

Mr U has complained that Hutchison 3G UK Limited trading as Three (Three) defaulted his agreement and instructed a debt collection agency.

What happened

In May 2024, Mr U entered into a Fixed Sum Loan Agreement with Three for the supply of a new device. The amount of credit under the agreement was £1,438.00 and the agreement had a term of 35 months starting from the date of the first payment, with payments of around £40.00 due each month.

The first two payments were due in June and July 2024. These payments were not collected and so Mr U raised a complaint.

Three investigated and provided a response on 5 September 2024. This said that direct debit payments had not been attempted due to no fault of Mr U, noting an error in store and said emails and text messages were sent to him regarding the arrears. It confirmed any negative markers would be removed from his credit file and that £50 would be paid for the distress and inconvenience caused. It said he was liable for the £79.88 of arrears and advised he should contact the device payment support team to set up an arrangement.

All payments due in August 2024 until December 2024 were successfully collected via direct debit. The January 2025 direct debit was attempted, however this returned as unpaid, resulting in the agreement being three months in arrears. Three sent Mr U a Notice of Sum in Arrears, asking him to make contact regarding the £119.82 of arrears. This confirmed he would not incur any default sums or extra interest from the missed payments.

In February 2025, Three sent Mr U a Default Notice. This confirmed that Mr U had not made the required monthly payments, that the arrears were £119.82, the date it needed to be paid by and included details of how he could pay. It explained the consequences of not making payment for the arrears would be the full balance becoming due, termination of the agreement, a debt collection agency would be instructed and the default would be recorded on his credit file. It also included an information sheet, with contact details of organisations that could provide support. As payment for the arrears was not made, Three terminated the agreement in March 2025 and it wrote to Mr U to confirm this and that the full balance of £1,238.30 was due.

In May 2025 Mr U complained to Three about his account being passed to a debt collection agency and that his direct debit payments were not collected. In its response, Three explained that direct debit payments had been successful until January 2025, after which time it notified Mr U about the overdue amounts, before issuing a Default Notice. It said that after that Mr U had made it aware again that he was experiencing financial difficulties, health issues and was expecting to start a new job in April. It said it offered support and adjustments, by placing a hold on the agreement, which prevented payments being collected by direct debit. It said that Mr U made contact to set up a repayment plan, but was advised he needed to make contact in the days before 29 March 2025, when the hold was coming to an end to set up a new arrangement, which would prevent the account from being

terminated. It said Mr U didn't make contact by that date, that he was made aware of the consequences of not doing so and so the agreement was terminated. It confirmed the account had been passed to a debt collection agency who would be able to assist him and provide more flexibility to make repayments.

Unhappy with this response, Mr U referred his complaint to this service. Our Investigator considered the complaint and didn't find that Three had treated him unfairly. He acknowledged Mr U's September 2024 complaint to Three, but said he was not investigating this complaint. He said that payments were successfully collected via direct debit from August 2024, until January 2025, when it bounced, suggesting there were insufficient funds in Mr U's account. He said support was offered by Three, after Mr U had got in touch with it and that the agreement defaulted and was terminated after then. He acknowledged that Mr U was going through a difficult time and had made Three aware of this, however Three had tried to assist him and Mr U had left it too late to provide further information about his finances, as he made contact with Three after the default had expired.

Three accepted, but Mr U did not agree. He said he felt the origin of the debt had been overlooked, which was a result of Three breaching its contract, which caused him financial disruption and exacerbated his later financial difficulties. He said he felt it was unreasonable for Three to hold him responsible for one missed payment in January 2025, without considering the context of their prior admitted failures, and that as a result the default was disproportionate. He said that Three were aware of his vulnerabilities, but didn't provide him with sufficient or tailored support and that it was unlawful of Three to instruct a debt collector when he was actively engaged with it, trying to resolve the issue.

As an agreement could not be reached, the complaint has been passed to me to decide.

I issued a provisional decision explaining that this service was unable to consider all of the complaints raised and gave my thoughts on the elements of the complaint this service could consider. In relation to the 2025 complaint, in my provisional decision, I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In considering what's fair and reasonable, I need to have regard to the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider to have been good industry practice at the relevant time.

My summary above and comments below will focus on what I consider to be the key points to this complaint. Whilst I've considered everything in detail, if I don't comment on a particular point, it's because I don't feel that I need to in order to reach a fair answer on this complaint. It's not meant as a discourtesy, but instead it reflects the informal nature of this service.

The agreement relating to the device in this case is a regulated consumer credit agreement. As such, this service is able to consider complaints relating to it.

Mr U is unhappy that Three defaulted his account and instructed a debt collector. So, I need to decide whether Three treated Mr U fairly when it defaulted his account and instructed a debt collector. Both the 2024 and 2025 complaints are somewhat intertwined. Whilst I'm not able to consider the subject of the 2024 complaint, including the origin of the debt, as it was referred to us too late, I will make reference to the arrears that were the subject of that complaint.

Mr U agreed to make payments each month to Three under the agreement he had with it, as the borrower under the agreement. It's not in dispute here that the June and July 2024 payments were not made, as well as payments due from January 2025 onwards. As such, I'm satisfied that the account was in arrears.

I'm also satisfied that Three had made Mr U aware of the arrears and the need to repay them. I say this because in November 2024, Mr U was in contact with Three to request repayment plans. Mr U has said that he doesn't feel that Three provided him with appropriate support and so I've thought carefully about this.

Three's notes show that in November 2024 Mr U made contact with Three to set up a payment plan and let it know he was unemployed and suffering from health issues. At that stage the account was two months in arrears and the notes say that Mr U left the chat before breathing space could be agreed. Three added a vulnerability marker to Mr U's account, which I consider to be fair and I'm not persuaded it treated him unfairly by not setting up a payment plan when one was not agreed before Mr U exited the chat.

Mr U made further contact in January 2025, asking for a three month payment break, when the account was still two months in arrears. The notes show that Three gave Mr U two options, the first was to split the arrears over three monthly payments and the second was a 60 day payment extension, meaning Mr U would have had 60 days to clear the arrears. Whilst I appreciate that Mr U was unhappy with both options and I can appreciate his disappointment when Three declined to provide the exact support that he requested, I'm not persuaded that the support offered at that point in time was inappropriate.

In the months that followed Three sent Mr U various emails and letters regarding the arrears. These communications provided offers of support and details of organisations that could provide additional support. In February 2025, the Default Notice was issued to Mr U, when the agreement was three months in arrears. The relevant guidance, set by the Information Commissioner's Office (ICO), sets out that a default may be registered, when a consumer is at least three months in arrears and that a default is expected to be registered by the time a consumer is six months in arrears. As such I can't say that Three acted unfairly.

In late February 2025, after the Default Notice had been issued, Three applied a 30 day hold to the account. I think this was fair action for Three to take, given what Mr U had told it about his situation, and I'm satisfied that it treated Mr U with forbearance, as it gave him more time to bring the account up to date.

Before the Default Notice expired, in early-March 2025, Mr U reached out to Three again. It's not entirely clear from Three's contact notes what was discussed and agreed, however I can see he was sent a follow up email which included an income and expenditure form and said *'As discussed, an advisor will call you on 28/03/2025 between 16:00- 18:00. They'll run through your support options with you. Please have a copy of your form with you when we call.'* Having reviewed the contact notes and other evidence provided, I can't see that Three made any attempts to contact Mr U when it said it would.

Whilst I'm persuaded that Three treated Mr U fairly, it seems that Three were willing to consider if it could offer further support to Mr U from late-March 2025, but this doesn't seem to have transpired. In its final response Three said that Mr U had been made aware of the need to make contact before 29 March 2025 and was made aware of the consequences of not doing so. However, this is in contrast to the email

Three sent to Mr U in which it says Three would make contact with him prior to this date. So I can understand why Mr U may have thought he didn't need to do anything more and felt he had been treated unfairly when his account was terminated and a debt collection agency was instructed.

It seems that Three have made a mistake here. So I've thought about what I think on balance would have happened had Three called Mr U when it said it would, to determine if I think Mr U is in a worse off position or not.

Having reviewed the contact notes, I think it's fair to say Mr U's financial difficulties were not short term and didn't have a clear fixed end date, as Mr U was looking for work. This resulted in him being unable to meet his contractual repayments under the agreement from January 2025 onwards. Mr U explained to Three that he was suffering from health issues, which were causing his financial difficulties and unemployment. I appreciate that Mr U was going through a very difficult time and that's not in dispute. Three's notes show that in late March 2025 Mr U told it he was still unemployed, by which time the agreement was five months in arrears and so if the call had taken place at the end of March 2025, I think it's more likely than not that Mr U would not have been in a position to resume his contractual payments or make any inroads into clearing the arrears.

Three has an obligation to treat consumers experiencing financial difficulties fairly and with forbearance. I think it's more likely than not that Three would have decided that it would have needed to take some action, to prevent the arrears from growing, as it didn't seem Mr U would have been in a position to make payments and could not be certain when he would be in a position to do so. As such, I think that had Three not already defaulted the account when it did, I think it would have likely done so after getting an update on Mr U's situation in late March 2025. Had this happened, I would have considered that action to be fair, given it doesn't seem that Mr U was in a position to resume his monthly payments. It follows that I think it's more likely than not that the agreement would have defaulted and so I don't think Mr U now finds himself in a worse off position than he would have been in had Three done what it said it would.

And it's worth pointing out that later notes show that Mr U didn't start a new job until June 2025, so his situation didn't improve until some time later. And so even if I'm wrong about what I think likely would have happened in March 2025, had Three reached out like it said it would, I think the increasing arrears would have resulted in the agreement defaulting by June 2025, given the agreement would have been eight months in arrears at that time.

Mr U was unable to make the payment to satisfy the Default Notice, which ultimately led to his agreement being terminated and I don't think any further conversations with Three would have changed this. So I don't think the position Mr U now finds himself in is any different and as such, I can't fairly ask Three to reverse the default and termination or remove the default information from Mr U's credit file, given it has an obligation to report accurate information.

I can appreciate why Mr U feels it was unreasonable for Three to include the first two missed payments in the arrears balance, given that Three had admitted an error that resulted in those payments not being collected from him. Whilst I don't think it was unreasonable for Three to include the two earlier missed payments in the overall arrears amount in the Default Notice, given Mr U had a contractual obligation to make the payments and Three had made it clear that Mr U needed to make the payments, I've thought about what would have happened if Three didn't include this.

And I think it's more likely than not that this would have still resulted in the same outcome for Mr U, given that by the end of March 2025 three payments had been missed that year and by that point Three could have fairly defaulted the agreement based on the 2025 arrears alone. Or at the latest by June 2025, when the agreement was six months in arrears.

I also don't think that Three treated Mr U unfairly by passing the account to a debt collection agency, given the arrears communication and the credit agreement set out it would do so in the event of arrears. I understand that Mr U felt that was unfair because the payments were in dispute, but given the arrears stemmed from payments that Mr U was liable to pay and all I've said above, I can't say this was unreasonable. Mr U has said that he feels harassed by the debt collection agency. I'm sorry to hear about that. Having reviewed the information provided, I haven't seen any evidence that Three made inappropriate contact with Mr U, or that it instructed the debt collection agency to do so on its behalf.

Mr U has suggested that he has been charged penalties, despite having the funds in his account to make payments. I haven't seen any instances of Three adding any additional charges or interest to Mr U's balance and given what Mr U told Three about his circumstances in late 2024 and early 2025, including his requests for additional time to make payments, I'm not persuaded that the January 2025 direct debit failed as a result of something Three did wrong. Three has confirmed that it didn't attempt to collect payments after January 2025 due to the payment issues, which I don't think was unreasonable given what Mr U had told it about his financial situation.

Mr U has also raised concerns about how Three dealt with the issue overall and the impact this has had on him. I can fully appreciate his disappointment in the outcome reached. For the reasons I explained, I think Three could have done more, but as I'm not persuaded that it would've resulted in the account not defaulting and being passed to a debt collection agency, I don't think the position Mr U now finds himself in is any different and I haven't seen any other instances of Three treating Mr U unfairly or inappropriately. As such, I'm intending to say that I can't fairly ask Three to do anything more."

Three accepted, however Mr U did not. He said that he felt there were some critical errors and that as he started a new job in April 2025, he felt that had Three called him on 28 March 2025, things would have been different. He said the default resulted in him losing a job offer in or after April 2025 and said he felt the devastating consequences of Three's action had not been taken into consideration. He also said he felt Three had failed in its obligations in how it treated him as a vulnerable customer and made his situation worse.

As both parties have now provided a response, the complaint has been passed back to me to decide. I have since issued a decision to explain why this service is unable to consider the 2024 complaint and so this decision will focus on the 2025 complaint only.

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've considered Mr U's response to my provisional decision but I've not seen anything to cause me to depart from the conclusions I reached. Whilst I appreciate his strength of feeling, and appreciate the impact this had on him when he was already going through a very difficult time, I have thought very carefully about what would have happened had Three

called him as it indicated it would. Mr U says he had capacity to pay from April 2025 and so he feels strongly that had the call taken place, the account would not have defaulted. However, Three's notes confirm a conversation took place on 1 April 2025, four days after the call was due to take place, in which Mr U said he was unemployed, on benefits and was looking for a job in the coming days. I think it's more likely than not that Mr U would have provided similar information if the call took place four days prior.

So even if that call took place, I don't think Mr U was in a position to resume making payments, as it doesn't seem his situation had changed. Even if his situation had changed at the time, that information doesn't appear to have been shared with Three and payments were not made. As such, I think that had Three not already terminated the agreement when it did, I think it would have likely done so after getting an update on Mr U's situation, either in late March 2025 or when he confirmed he was still unemployed on 1 April 2025. As such, I'm not persuaded that the default and termination were unfair.

Mr U feels strongly that Three haven't met its obligation to treat him fairly, when he was going through a very difficult time and was vulnerable. I've thought very carefully about this and for all of the reasons given, I don't think Three treated Mr U unfairly, based on the information he provided to it at the time. As I'm not persuaded that Three treated Mr U unfairly, I cannot hold it responsible for the impact the default had on him, or ask it to remove it.

My final decision

My final decision is that I do not uphold this complaint.

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

Daniella Roberts
Ombudsman