

## The complaint

Mr R has complained about Telefonica UK Limited (trading as O2) terminating a credit agreement and defaulting his account and barring the linked phone.

## What happened

The parties are familiar with the background details of this complaint – so, I'll only briefly summarise them here. It reflects my role of resolving disputes quickly with minimum formality.

Mr R bought a new phone from O2 for around £1,200 in December 2024 using a new fixed sum loan agreement. O2 attempted to collect the first monthly instalment for the credit agreement in January 2025, but this was unsuccessful. O2 was also unable to collect the monthly payment for the linked airtime agreement. O2 says they sent Mr R several notifications to make him aware of the missed payments and what would happen if they weren't paid - which included O2 issuing a Notice of Default for the credit agreement in February 2025.

Because O2 hadn't received any payments since the credit agreement had started, they proceeded, in early March 2025, to terminate the agreement and default the account. O2 also disabled Mr R's phone. Records show Mr R did make a payment for the credit agreement in March 2025, but this was received by O2 after the agreement had already been terminated.

Mr R complained to O2 in May 2025 about how they'd administered his credit agreement. O2 didn't uphold Mr R's complaint, saying, in summary, they'd acted fairly when terminating the account and registering a default because of the missed payments. Unhappy with what O2 had said, Mr R asked the Financial Ombudsman to consider the matter saying he hadn't received any of the initial notifications O2 says they sent to warn him about the missed payments, and he didn't understand why O2 had disabled his phone. Mr R also said O2 had agreed to remove the bar following a conversation he held with them in April 2025.

Our Investigator didn't uphold the complaint. In summary, they were satisfied O2 had taken reasonable steps to make Mr R aware of the missed payments and what would happen if they weren't paid. So, the Investigator thought O2 had acted fairly when terminating the agreement and registering the default when they did. The Investigator also found, after listening to recording of the April 2025 conversation, that O2 hadn't promised to remove the block, rather they said this request would be considered by their collections team.

Mr R didn't agree with the Investigator's findings saying he didn't think it was fair for him to repay the borrowing if this would still result in him owning a phone he can't use or sell because it's been disabled. So, the complaint came to me to decide.

I recently wrote to both Mr R and O2 to explain why I thought, *'a practical and fair resolution to this complaint is for O2 to reactivate the phone following them receiving confirmation that Mr R has either cleared the outstanding balance that was due under the credit agreement by means of a lump sum payment or a mutually acceptable payment arrangement has been set*

*up. However, O2 may decide to reapply the block should Mr R fail to adhere to the payment arrangement'.*

O2 accepted what I said, but Mr R did not. Mr R has let us know he's now bought a new phone. In Mr R's response he said: *'Given the prolonged delay, the lack of resolution, and the fact that the debt has now been cleared by the third party, I do not wish to resume or continue the contract with O2, and I do not consider it reasonable to make further payments in order for the device to be unblocked at this stage.'*

### **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 R says he didn't receive the notifications O2 issued to warn him about the missed payments. I accept Mr R may not have received any of the letters due to him apparently no longer living at the address he supplied to O2 at point of sale. But I agree with what the Investigator said about this when saying it's a consumer's responsibility to ensure a business is kept updated about any changes to their contact details. I'm also mindful O2 sent email notifications and SMS messages as well as postal correspondence.

Based on what I've seen, I think it's fair to say O2 took reasonable steps to inform Mr R of the missed payments and of their intention to terminate the credit agreement and default the account if they weren't received. O2 did this in March 2025 because no payments had been received since the agreement started. As the agreement was now three months in arrears, I consider O2 acted fairly when doing so.

Records show Mr R did make a payment for the credit agreement in March 2025. But it was made after the termination had already taken place – so, too late for it to have stopped the process. I also appreciate the payment was received by O2 only two days after the agreement had been terminated. But O2 has explained they're unable to reinstate a regulated credit agreement once it has been terminated. So, O2 appointed a debt collection agent (DCA) to collect the outstanding balance. I think this comprised of a reasonable action for O2 to have undertaken. I say this because it isn't disputed that Mr R borrowed some money from O2, and so, I think it was fair for O2 to ask for that money to be repaid.

In addition to terminating the credit agreement, O2 also disabled the device. This means Mr R can't use it to make or receive calls, texts or data. I appreciate O2's point of view on this – why should Mr R be able to use a phone he hasn't paid for. However, I also appreciate Mr R's point of view – why should he now pay for a phone that potentially he will never be able to use or sell.

With regards to O2 disabling the device, the policy wording for the credit agreement says under condition 11.2 that: *'In certain limited circumstances, such as where we receive your instructions to do so, or where we reasonably suspect fraud, we may disable your Device'*. As far as I can tell, the credit agreement doesn't set out what *'limited circumstances'* would allow O2 to disable the device. But in the circumstances, I think O2 acted fairly when disabling the device when they did. I say this because at that point in time, O2 hadn't received any payments since the agreement started – the account was three months in arrears. In the circumstances, I think it was reasonable for O2 to believe they may never receive back any of the money they'd loaned to Mr R to help him buy that device. So, disabling the device seems a fair action for O2 to have taken at the time. The phone remains disabled because apart from the one payment Mr R made in March 2025, he's made no further payments towards the phone. So, I don't consider O2 has acted unfairly when deciding not to re-enable the phone before now.

The debt has now been returned to O2 by the DCA. But this doesn't mean O2 has written off the debt – O2 has informed us that they haven't. So, it seems likely O2 will continue to ask Mr R to repay what's owed, potentially by reappointing the same or another DCA. However, it's my understanding O2 is still prepared to re-enable the phone should Mr R pay what's owed by means of a lump sum payment or following the setting up of a payment arrangement. I leave it to Mr R to decide if he wishes to take O2 up on their offer.

I appreciate Mr R has strong feelings about what's happened. But for the reasons I've detailed above, I'm not upholding this complaint. Based on what I've seen, I find O2 acted fairly when terminating the agreement, registering the default and disabling the device when they did.

### **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 R to accept or reject my decision before 6 March 2026.

Carl Bibby  
**Ombudsman**