

The complaint

Miss D is unhappy that Telefonica UK Limited trading as O2 sent her the wrong phone during an upgrade, leading to problems with administering a fixed sum loan agreement for her old phone.

What happened

Miss D purchased a mobile phone from O2 using a fixed sum loan agreement ('device plan') in 2023. In September 2025, Miss D upgraded her phone in an O2 store, using O2's Switch Up scheme, and ordered a new phone. However, O2 sent the wrong model by mistake.

O2 initially told Miss D she'd need to return to the store to resolve things, but Miss D wasn't happy to do this. O2 said it would send Miss D the correct phone, but then found it no longer had the right model and colour in stock. Miss D wasn't happy about the delay and the effort involved when trying to put things right, so complained to O2.

O2 agreed Miss D wouldn't be required to pay for the incorrect phone and said it would remove it from her account. It offered her £117 compensation in total for this, which Miss D accepted. Miss D sent the disputed handset back to O2.

When Miss D went to try and place another upgrade order, it created an error. O2 says this was because it had marked the 2023 handset as already traded in on its system and couldn't change this. Miss D wasn't happy and made a new complaint.

O2 proposed two ways Miss D could upgrade her contract:

1. Miss D could repay the 2023 phone's device plan balance (just under £400), and O2 would give her credit of £250 towards the device plan for a new upgrade. Miss D would keep the 2023 handset and could sell it privately if she wanted. Or,
2. Miss D could send the 2023 phone to O2, and it would manually clear the balance of the device plan, leaving her free to order a new handset.

O2 also confirmed it would credit Miss D's airtime contract with three months' worth of her airtime payments if she upgraded again.

Miss D wasn't happy with either option, saying neither offered her enough compensation for the issues. She said O2 hadn't paid any of the compensation it previously offered. So she brought the complaint to our service.

Our Investigator looked at the complaint but thought O2 had already offered to do enough to resolve things. He said O2 also confirmed Miss D could accept the £117 compensation in addition to three month's airtime credit, if she decides to upgrade with O2. The Investigator said the offers put Miss D back in the position she would have been in, had things not gone wrong, so they were fair.

Miss D didn't accept the finding. She said the £117 compensation was for the wrong phone being sent and didn't reflect the upgrade errors that had happened later. She added that she'd taken time off work to wait for O2's courier to collect the wrong handset, and it failed to do this twice. Miss D had concerns about the way O2 recorded things and said it provided her with the wrong information on occasion. Miss D says she wants O2 to apply the credit already promised to her, pay compensation for prolonged distress and time, and close the matter without financially disadvantaging her.

As the parties haven't agreed, the complaint has been passed to me for 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.

Having done so, I agree with the outcome reached by the Investigator – and I'll explain why.

Where the evidence is incomplete, inconclusive or contradictory (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.

Both Miss D's old phone and the device she ordered as an upgrade were supplied by O2 and financed with regulated consumer credit agreements. This means our service can consider complaints about them. I should clarify that the Switch Up scheme O2 offers isn't a regulated financial activity itself – but Miss D is unhappy O2 failed to supply the correct goods under the 2025 agreement. She's also unhappy with the way O2 had administered her 2023 agreement after the upgrade didn't complete. So, I'm satisfied I can consider the complaints about the regulated credit agreements here.

There's been some confusion about the offers O2 has made throughout the complaint, so I asked it to clarify what it was willing to do to put things right for Miss D, and whether it had completed any of the options it offered. Miss D has also said she no longer wants to upgrade with O2. So, I think some of the resolutions O2 has offered are no longer relevant.

I've broken down Miss D's complaint into the key aspects:

Supplying the wrong goods

Neither party disputes that O2 supplied the wrong handset to Miss D when she asked to upgrade her phone in September 2025. The terms and conditions of the device plans state O2 is liable to ensure the goods supplied are satisfactory, acting as both the supplier and lender for the contracts.

The Consumer Rights Act 2015 also implies terms into the contract. This sets out that goods must be of satisfactory quality and as described. As the phone supplied by O2 wasn't the same model or colour as the one Miss D ordered, it's clear there was a breach of contract by O2.

Where the goods under a contract aren't supplied correctly, Miss D can ask O2 to either replace them or refund the contract. O2 agreed Miss D could return the handset it provided, and it ended the agreement. I think this is in line with the remedies set out in the Consumer Rights Act 2015, and so O2 has offered a reasonable way to resolve the breach of contract.

Miss D says she had to take time off work to return the phone to O2 and there's contradicting information about the exact date the phone was collected by O2's postal carrier. I can't say for certain why the initial collection didn't happen or who was responsible for this, if anyone. But I agree it's likely Miss D was inconvenienced when she had to arrange the return of the incorrect handset. I've thought about the compensation award O2 offered for this later on, taking into consideration everything else that happened in the course of the complaint.

Miss D also explained the upgrade was for her daughter, who was upset by not having the new phone she expected. I appreciate this likely disappointed Miss D's daughter, but I need to remember Miss D is the only eligible complainant on this case, as she is the named borrower for the device plan. This means I can't consider any upset or impact caused to other parties who aren't eligible to bring the complaint to our service.

Completing a new upgrade

Miss D says there were further issues when she tried to place another upgrade order for her 2023 handset. O2 says it had already marked the 2023 handset as "traded in" and so Miss D couldn't try to trade it again for another upgrade.

I can appreciate Miss D's disappointment that she couldn't complete the upgrade after what happened. Miss D says O2 incorrectly told her the Switch Up could be completed manually if she returned the phone, then that she needed to wait 90 days, and finally that she couldn't complete another Switch Up for the 2023 device. She says this added to her confusion and frustration.

I've reviewed the notes from the contact Miss D had with O2 in September and October, and it seems to support that she was given contradicting information about the problem with the upgrade. I agree this shows O2 wasn't giving Miss D clear and accurate information about her device plan, or her options to take out a new loan agreement as an upgrade. So, I think O2 let Miss D down here.

I've considered the steps O2 has offered to put things right for Miss D. While I can understand why it might not be practical for Miss D to repay her remaining device plan loan for the 2023 handset in full, O2 has also offered a pragmatic solution where Miss D could send O2 the 2023 handset and manually complete an upgrade afterwards. I think this would have been a reasonable solution to the problem.

In addition, O2 says it would honour the offer to credit the equivalent of three months of Miss D's current airtime plan payments if Miss D decides to go ahead and upgrade her 2023 device plan. This can either remain as a credit on the airtime account or be refunded to Miss D.

I think O2 has therefore provided Miss D with a reasonable way forward to upgrade the 2023 device plan and compensate her for the inconvenience of this. Miss D says she no longer wants to upgrade, so I don't think it's fair for me to direct O2 to complete any of these options. But, if Miss D changes her mind, I see no reason why she can't approach O2 directly to discuss the upgrade process and compensation it's offered for this.

Putting things right

As I think O2 could have done more to support Miss D with the problems on her account, I've thought about a fair compensation award to put things right. My role is to consider everything on the complaint as a whole and decide what should happen, if anything, to put things right - rather than make separate awards for everything that might have gone wrong.

I understand Miss D's argument that the compensation O2 offered only reflects the first complaint about the breach of contract, not the later issues she faced trying to order a second upgrade. While O2 made an offer to resolve things after the wrong device was sent, I need to think about the complaint holistically. So, I've thought about everything that happened, the impact on Miss D, and whether O2 has already put forward an offer that fairly reflects this.

In summary, I've found:

- O2 provided the wrong device under the fixed sum loan agreement but provided a fair remedy by allowing Miss D to return the device and ending the agreement.
- It's likely O2 gave Miss D conflicting information about the cause of the upgrade problems on more than one call.
- O2 provided alternative ways for Miss D to upgrade her contract when it couldn't resolve the upgrade error itself.
- Miss D likely faced additional upset and inconvenience because of what went wrong, and the support from O2 could have been better.

Even when I consider the impact Miss D says this had on her throughout the complaint, I think the £117 compensation O2 has already offered is in line with the total award I would have made for the complaint as a whole.

So, while I don't doubt Miss D has faced additional inconvenience and upset by the issues with her upgrade, I don't think O2 needs to pay her further compensation to reflect this.

My final decision

Telefonica UK Limited trading as O2 has already made an offer to pay Miss D £117 - and I think this offer is fair in all the circumstances. So my final decision is that Telefonica UK Limited trading as O2 should pay £117 to Miss D – to the extent not done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 10 March 2026.

Hannah Dunkley
Ombudsman