

The complaint

Mr B complained about the way Telefonica UK Limited trading as O2 (O2) administered a fixed sum loan agreement he had with it.

What happened

The circumstances of the complaint are well known to the parties, so I won't go over everything again in detail. But to summarise, in November 2023 Mr B entered into a fixed sum loan agreement for the purchase of a mobile phone (device plan). The cost of the phone was around £1,720 and Mr B needed to make monthly repayments of around £47 for around 36 months. He also had a separate airtime contract.

Mr B wanted to delink his airtime contract from the device plan and contacted O2 about this and was told it was possible. He requested this around November 2024 and got confirmation that he would just be paying for his device plan with O2. Mr B continued to make payment towards his device plan in January 2025 and February 2025. However, Mr B was then told that the debt had been passed to a debt collection agency, and he was required to repay the full amount for the device. O2 said that Mr B was incorrectly charged a termination fee when Mr B delinked his airtime contract and agreed to waive the balance owed on the device plan.

Mr B contacted O2 in September 2025 as he said that he found out by applying for a mortgage that O2 recorded an "arrangement to pay" on his credit file after he delinked his airtime contract and this had an adverse impact on his mortgage application. He said he was declined by several mortgage lenders and had a financial loss.

In response to Mr B's complaint O2 said it recalled the debt and submitted a credit file amendment to rectify the information recorded on Mr B's credit file. It offered £200 compensation but said that it couldn't cover the financial losses Mr B claimed, which he said was as a result of having to take a mortgage at a higher rate due to the information O2 recorded on his credit file.

Mr B referred his complaint to the Financial Ombudsman. O2 offered to refund Mr B the payments he made towards the balance of the loan agreement after he delinked his airtime contract totalling £95.54 and increased its offer of compensation from £200 to £300. An investigator considered Mr B's complaint and asked him for evidence to show that his financial loss was as a result of the information recorded by O2. Mr B wasn't able to provide statements from the lenders but provided a statement from the mortgage broker he used. The investigator said based on the information available she thought O2's offer was fair. Mr B didn't agree and submitted additional information from his mortgage broker and a counteroffer. O2 considered the information from Mr B and agreed to offer Mr B a final compensation amount of £500 for the impact the matter had on him. Mr B still didn't agree and wanted O2 to offer £1,000 compensation.

O2 said it wouldn't offer compensation above £500 and asked for an Ombudsman's decision. As Mr B also didn't agree to accept O2 final offer of £500 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 want to acknowledge I've summarised the events of the complaint. I don't intend any discourtesy by this – it just reflects the informal nature of our service. I'm required to decide matters quickly and with minimum formality. But I want to assure Mr B and O2 that I've reviewed everything on file. And if I don't comment on something, it's not because I haven't considered it. It's because I've concentrated on what I think are the key issues. Our powers allow me to do this.

Mr B bought the phone using a regulated fixed sum loan agreement, and our service is able to consider complaints relating to this sort of agreement.

It's not in dispute that O2 made an error when Mr D delinked his airtime contract. As a result of that error adverse information was recorded on Mr B's credit file when it shouldn't have been. I'm satisfied this was a mistake on O2's part and I recognise that seeing negative information recorded in these circumstances would have been upsetting and concerning for Mr B, particularly given the importance of his mortgage application at the time.

I can also see that once the issue was brought to its attention, O2 said that it amended the information recorded on Mr B's credit file and made offers of compensation as well as a refund of £95.54 Mr B paid towards his device plan.

Where I need to consider the matter more carefully is the extent of the financial impact Mr B said happened as a result of this error. Mr B said that the information recorded incorrectly by O2 directly caused his mortgage applications to be declined and ultimately resulted in him taking a mortgage at a higher interest rate leading to a financial loss.

In order for me to fairly require O2 to pay this financial loss, I would need to see clear persuasive evidence that adverse information recorded on Mr B's credit file by O2 was a direct financial consequence in the lending decisions made and the outcome of his mortgage applications.

While Mr B has provided information from his mortgage broker, I don't think there is sufficient evidence from the lenders themselves to demonstrate that the information recorded was a determining factor in the decisions made. I appreciate Mr B and his mortgage broker have said that these wouldn't be provided by lenders, and I appreciate the difficulties of obtaining this information. However, mortgage lending decisions are complex and typically consider a range of factors, and I haven't been provided with sufficient evidence to demonstrate that Mr B was refused credit or offered credit on less favourable terms directly because of O2's actions. Each lender applies its own lending criteria, and I haven't seen enough to convince me that the sole reason he's been declined credit was a result of O2's mistake. And not for some other reason such as not meeting the lender's criteria, or other checks it might be required to complete, or even other information which is shown on his credit file. Therefore, I can't reasonably conclude that O2's error alone caused the financial loss Mr B has claimed for.

That said, I recognise that O2 made an error when Mr B asked to delink his device plan and it caused him upset and worry when he was applying for a mortgage and he had to contact O2 to sort the matter out. And while I have noted that O2 agreed to waive the balance on his device plan for the initial error, which I consider generous, I accept that it didn't correct the mistake which impacted Mr B's credit file. For these reasons I consider O2's offer of

refunding £95.54 as a gesture of good will and its offer of £500 compensation to be a fair resolution to the complaint and I don't require it to do anything further.

I should, however, point out Mr B doesn't have to accept this decision. He's also free to pursue the complaint by more formal means such as through the courts.

My final decision

My final decision is that I uphold this complaint and direct Telefonica UK Limited trading as O2 to:

- pay Mr B a total of £595.54 to reflect the compensation and refund of payments it has offered and
- to ensure that the information "arrangement to pay" it recorded on Mr B's credit file has been removed if it hasn't done so already.

I make no further award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 5 March 2026.

Amina Rashid
Ombudsman