

## **The complaint**

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

## **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 April 2024 Mr L entered into a fixed sum loan agreement for the purchase of a mobile phone. The cost of the phone was around £1,000 and Mr L needed to make monthly repayments of around £27 for around 36 months. Mr L also entered into a separate airtime contract with O2.

Mr L missed payments towards the agreement and O2 sent notices of sums of arrears and default notices after which Mr L made a payment in October 2024 and a promise to pay. However, after this Mr L had further missed payments and O2 sent a default and termination notice in January 2025.

Mr L complained as O2 recorded a default in August 2025 and said he hadn't received notifications about the arrears, and he wanted the negative information to be removed from his credit file.

O2 responded to the complaint in October 2025 to say that it had sent the required notices and while a payment arrangement may be in place with its collection agent this didn't prevent a default from being recorded if the account was in arrears. It said it correctly recorded the account in default in August 2025.

Mr L referred his complaint to the Financial Ombudsman. An investigator considered the complaint but didn't uphold it. She said O2 sent a number of communications and notices and Mr L didn't make the required payment to clear the arrears on the account and therefore O2 acted fairly in recording the default.

Mr L didn't agree. He referred to an outcome made by an alternative ADR scheme. He said that O2 demanded that he had to clear the full balance of the agreement and this was unfair and subsequently it passed the debt to a collection agent and recorded a default without accepting his offer to pay in instalments. He also said that he wanted to retain the number for his airtime contract.

Mr L asked for the complaint to be decided by an ombudsman, so it's 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.

In considering what is 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 having been good industry practice at the relevant time.

I've read and considered the evidence submitted by both parties, but I'll focus my comments on what I think is relevant. If I don't comment on a specific point, it isn't because I haven't considered it, but because I don't think I need to comment in order to reach what I think is the right outcome. This is not intended as a discourtesy but reflects the quick and informal nature of this service in resolving disputes.

Mr L bought the phone using a fixed sum loan agreement from O2. That is a regulated consumer credit agreement, and our service is able to consider complaints relating to it. Mr L has also referred to his airtime contract and the outcome he received from an alternative ADR scheme. As airtime contracts aren't regulated financial products I can't comment on the outcome he received or how this account was handled, including Mr L's ability to retain his telephone number.

I've considered whether O2 acted fairly in terminating the credit agreement and recording the default on Mr L's credit file.

The fixed sum loan agreement Mr L signed clearly sets out the consequences of failing to make payments of the correct amount by the due date. It explained that where payments were missed, O2 could issue a default notice requiring any arrears to be paid by a specified date. If this wasn't done, it's clear the agreement allowed O2 to terminate the contract and require immediate repayment of the outstanding balance.

I can see there were arrears on the account which O2 wrote to Mr L about prior to October 2024. Mr L then made payments towards the loan agreement in October 2024 but then payments weren't received in November and December 2024.

O2 wrote to Mr L about the arrears and issued a default notice in January 2025 requiring payment by 23 January 2025. It subsequently wrote to Mr L on 24 January 2025 to inform him that as it didn't receive payment, it would terminate the contract and exercised its right to require Mr L to repay early all amounts due under the credit agreement. I'm satisfied that O2 followed the process set out in the fixed sum loan agreement. The correspondence O2 sent is what I would typically expect to see in these circumstances, and the notices were addressed to Mr L's address as held on the loan agreement and on O2 records. When payment wasn't received by the date specified, O2 was entitled, under the terms of the agreement, to terminate the contract and request early repayment of the remaining balance.

I understand Mr L feels strongly that O2 should have allowed him to repay the balance by instalments. However, I'm persuaded based on the evidence available that O2 attempted to engage with Mr L and that payment wasn't made following the required notices in January 2025. Once the agreement had been terminated in line with its terms, O2 wasn't obliged to agree to a further repayment plan.

Following the termination, Mr L was required to repay the full outstanding balance. As this didn't happen, the account remained in arrears. In line with the industry practice and relevant guidance, a default is normally recorded when an account remains unpaid for a sustained period – typically when there are arrears between three to six months. In these circumstances, I'm satisfied that O2's decision to record a default was fair.

The agreement also set out when and how O2 could report missed payments and defaults to the credit reference agencies. By signing the agreement, Mr L accepted these terms. I don't think O2 acted unfairly by recording a default as this accurately reflected the payment history on the account. Additionally, I can see that Mr L took some action after some of the notices

were sent in October 2024, so I think he was aware that he needed to take action to make repayments to the loan agreement. And once he made these payments I don't think he maintained payments in line with the contractual obligations, so I don't think it was unfair for O2 to pursue Mr L for payment or how it recorded the information on the account when Mr L didn't pay the balance.

I know Mr L will be disappointed with my decision, however I think O2 acted in line with the terms and conditions of the loan agreement, so I don't think it acted unfairly by terminating the agreement and recording a default. I appreciate Mr L wanted O2 to agree to a repayment plan, but I don't think O2 was required to do this, so I don't find I have grounds to direct it to take further action. O2 needed to report a true reflection of his payment history, which it has done, so I don't require it to do anything further to resolve this complaint.

### **My final decision**

For the reasons I've explained above, my final decision is that I don't uphold this complaint.

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

Amina Rashid  
**Ombudsman**