

The complaint

Miss M complained about the way Hutchison 3G UK Limited trading as Three (Three) administered fixed sum loan agreements she had with it.

Miss M is represented in her complaint. But to keep things simple I have referred to all submissions and actions taken from Miss M's representative as being made by Miss M.

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 August 2023 Miss M entered into a fixed sum loan agreement for the purchase of a mobile phone (device plan one). The cost of the phone was around £1,270 and Miss M needed to make monthly repayments of around £35 for around 36 months.

Miss M then said she entered into a separate fixed sum loan agreement for a higher specification phone (device plan two) in November 2024. The cost of the new phone was around £1,240 and Miss M needed to make monthly repayments of around £34 for 36 months.

Miss M said she contacted Three in June 2025 and said she had been mis-sold device plan two, as she didn't think she would remain liable for payments under device plan one. Miss M said she believed she was eligible for a free upgrade. However, payment for both device plans were taken. Three informed Miss M she was liable to pay for both agreements, so Miss M complained.

Miss M also raised a direct debit indemnity claim with her bank in July 2025, but payments for her airtime SIM contract were stopped instead of payments towards device plan one. Miss M contacted Three again in August 2025. She said she was paying for two device plans but only had one phone and one airtime SIM. She also said that her indemnity claim had resulted in the SIM payment being stopped instead of the additional phone payment. The agent in this call asked if Miss M had the mobile phone for device plan one, and she said no and the payments for this should have been stopped when she entered device plan two.

The agent said that they would refund the amount paid for the mobile phone under device plan one, as this wasn't cancelled correctly and Miss M would be required to pay the amount outstanding on the airtime contract. Miss M said that she would do this once the refund for device plan one had been paid.

As Miss M didn't receive a refund, she contacted Three again around a week later. Three said that Miss M had been misinformed and it wouldn't refund her the money for the phone on device plan one.

It sent Miss M its final response letter and said it would uphold her complaint in part based on her conversation with the agent where she was told that she would receive a refund for device plan one and offered £50 compensation. However, it didn't agree that Miss M wasn't informed that she was still be liable for payments for the mobile phone on device plan one as

she had applied for device plan two using the self-service portal online and she was informed that she would need to continue to pay this off until the balance is paid off.

Miss M referred her complaint to the Financial Ombudsman Service. Three increased its offer of compensation from £50 to £100. Our Investigator considered the complaint and thought the compensation of £100 was fair and didn't think Three needed to do anything more. She said she reviewed the application process Miss M would have needed to have gone through before agreeing to device plan two and said that it was reasonable Miss M was required to pay for her device plan one. She acknowledged that Miss M was told in a call that she would be refunded payments made towards device plan one because the agent misinterpreted what was discussed but didn't think it was fair for Three to refund Miss M for the payments she made towards device plan one. She said the offer of £100 compensation was fair.

Miss M didn't agree as she said that the offer made it seem like it was free and that as a result it was misleading. She said she was told that the payments would be refunded as compensation to resolve her complaint and as this was agreed Three needed to pay it.

As the matter remains unresolved it 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.

When considering what is, in my opinion, fair and reasonable, I must take into account relevant law and regulations; regulator's rules including Consumer Duty, guidance and standards; codes of practice; and what I believe to have 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 informal nature of this service in resolving disputes.

Miss M bought the phones using regulated fixed sum loan agreements, and our service is able to consider complaints relating to these sorts of agreements.

Miss M has also mentioned issues with payments towards her airtime contract. The airtime contracts are not regulated financial agreements, so we do not have the power to consider complaints about them.

Mis-sale

I understand that Miss M is unhappy and said she thought she was able to take out a new agreement without having to repay device plan one.

Miss M accepts she was given information explaining that any existing device plan would need to continue to be repaid. But Miss M has said that the headline wording about the upgrade was more prominent and gave the impression that she could change to a newer phone at no cost. She considered that while information about continuing to repay the device plan was provided, it appeared in smaller print and amounted to mis-selling.

From the screenshots provided by Three, I note the wording “*Upgrade today with no fee*” appears in bold. Beneath this, it states “*If you have a device plan agreement, you’ll need to continue paying this until your balance is paid off. Or pay off your balance today by selecting ‘Make a payment’ on your app homepage*”. While this information is presented in smaller print, I don’t find it misleading. I’m satisfied it clearly explains that any existing device plan would still need to be paid.

Although Miss M may have believed that upgrading to a new handset meant she no longer needed to repay the finance for her previous device, I’m satisfied she was given information explaining that this wouldn’t be the case. I can’t see that she was given any assurances that device plan one wouldn’t need to be repaid. I don’t therefore consider that device plan two was mis-sold. I’m also not persuaded it would be fair to require Three to refund any payments made under device plan one following the start of device plan two in November 2024. I consider it fair that Three required payments for both device plans.

In these circumstances, I don’t consider it unreasonable that Miss M continued to make payments for the phone. She’d accepted the terms which set out the payments, and I don’t think the second agreement was mis-sold and the phone likely had some residual value which she could have offset against the outstanding balance for device plan one.

Customer service and incorrect information

I’ve listened to the call that Miss M made in August 2025, during which she was told she would receive a refund of around £800 because device plan one hadn’t been cancelled. Miss M said she understood this to be compensation offered as a goodwill gesture to resolve her complaint.

On balance, it appears the agent made an error. It seems they believed Miss M had previously asked for the device plan to be cancelled as she didn’t have the phone, and this wasn’t done properly. I say this because Miss M had mentioned that she raised a direct debit indemnity claim but the payments for the SIM were cancelled instead of the device plan. I appreciate when Miss M was asked if she had the phone she said no and that reflected the circumstances at that time. I think had she been asked if she received the phone its likely she would have explained that she had but didn’t think she needed to pay for the phone on device plan one as she had obtained a new phone on device plan two.

However, it seems the agent interpreted this as Miss M didn’t ever receive the phone and was being charged for this incorrectly. The agent agreed to refund the payments made towards device plan one.

I acknowledge Miss M’s strength of feeling that as she was told the refund would be made, this amounted to a verbal agreement and that the sum promised should have been paid. However, while I accept the agent made a mistake, I don’t think it would be fair to require Three to refund the payments for device plan one. I’m satisfied Miss M was made aware that she remained liable to pay for that device plan when she entered into the new agreement. I appreciate that the incorrect information caused Miss M frustration and inconvenience. However, I note when Miss M contacted Three again around a week later, she was informed that the information she had been given was incorrect and that no refund would be made. Taking everything into account, while I recognise the impact of the incorrect information Miss M was given about a refund of payments, I’m satisfied that Three corrected its position soon after and the compensation it offered for its error is fair.

Putting things right

I'm sorry to disappoint Miss M but I don't find I have the grounds to direct Three to refund her the payments required for device plan one or pay a higher amount of compensation for telling her that the payments should be refunded. I think the £100 compensation it offered for the mistake is fair and I don't require it to do anything further.

My final decision

My final decision is that I uphold this complaint and direct Hutchison 3G UK Limited trading as Three to pay Miss M £100, 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 Miss M to accept or reject my decision before 24 February 2026.

Amina Rashid
Ombudsman