

The complaint

Ms B complained about the quality of a mobile phone supplied to her under a fixed sum loan agreement with Telefonica UK Limited trading as O2 (O2).

What happened

The circumstances of the complaint are well known to the parties, so I'm not going to go over everything again in detail. But to summarise Ms B bought a mobile phone for around £1,090 through a fixed sum loan agreement with O2 in October 2024. She paid a deposit of £100, and she needed to make monthly repayments of around £30 for 36 months towards the loan.

In August 2025 Ms B contacted O2 and informed it that the phone wasn't charging and required repair. Ms B said that she was misinformed about the repair process and the request wasn't raised correctly, which led to delays in collecting the phone and its receipt at the repair centre. Eventually the phone was collected but there were delays at the repair centre and updating Ms B's address.

Ms B was told that the phone couldn't be repaired due to a damaged charging port and she would be sent a replacement. However, she said she was told this would be a refurbished phone. Ms B complained as she didn't want a refurbished phone and wanted a brand-new replacement phone or her phone repaired. She said she was impacted as she required her phone because of medical apps she used.

O2 sent Ms M a response around mid-September 2025. It explained that as the charging port needed an individual component and couldn't be repaired, a replacement handset had been sent. It said it would pay £50 for the inconvenience caused and credited this to Ms B's account.

Ms B said that she asked that the replacement phone wasn't sent but said she was told this couldn't be stopped and she would have to decline delivery, which she said she did. Ms B remained unhappy and said she wanted a new warranted product and said she didn't consent to the £50 credit and wanted this to be reversed.

Ms B referred her complaint to the Financial Ombudsman. After Ms B's complaint was referred, O2 said that it would like to pay Ms B £200 in recognition that it took longer than its service standards for a repair to be completed or a replacement sent. An Investigator considered Ms B's complaint but didn't think O2 was required to do anything more. She considered the £250 compensation it offered (in total) and said this was fair.

Ms M didn't agree she thought she should be provided with a brand-new replacement and didn't agree to accept O2's offer, she reiterated that she declined the original £50 offered.

O2 recently told this service that it received the replacement phone back and this has been placed on hold and if Ms B wishes to accept the replacement phone it can arrange to be delivered again via courier.

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.

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 Ms 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.

Ms 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. O2 is also the supplier of the goods under this type of agreement and is responsible for dealing with a complaint about the quality of those goods.

The Consumer Rights Act 2015 (CRA) is of relevance to this complaint. It says that under a contract to supply goods, there is an implied term that "the quality of the goods is satisfactory." The CRA also sets out what remedies are available to consumers if statutory rights under a goods contract are not met.

The CRA sets out that goods which do not conform to the contract at any time within the period of six months beginning with the day on which the goods were delivered to the consumer must be taken not to have conformed to it on that day unless it's established the goods did conform to the contract on that day or that the application is incompatible with the nature of the goods or with how they fail to conform to the contract.

O2 said that it acted in line with the warranty it offered. I'm looking at a complaint about how O2 dealt with a claim for the quality of the goods it supplied under a credit agreement, and not a complaint about the handling of a warranty claim. I've considered if O2 acted in line with its obligations under the CRA.

As Ms B had the phone more than six months she needed to demonstrate that the phone was inherently faulty or not durable, rather than the fault being as a result of use or accidental damage. I appreciate that she contacted O2 and a repair was arranged for a warranty, however I've not seen sufficient evidence to show that the phone wasn't durable or wasn't of satisfactory quality and therefore O2 was required to provide Ms B a remedy under the CRA. However, as O2 has said that it couldn't repair the phone and offered Ms B a replacement, I don't consider it necessary to make a finding on whether the phone was of satisfactory quality. O2's actions indicate that it accepted the phone couldn't be repaired and offered a replacement, which is a remedy provided under the CRA where goods do not conform to the contract.

I understand Ms B was concerned about receiving a refurbished replacement handset and she wanted a brand-new replacement. However, I don't consider that O2 would've been required to provide a brand-new phone, if the phone hadn't been of satisfactory quality. Ms B had been able to use the original phone for around nine months. I don't think it would be fair or reasonable for her to receive a brand-new phone when the phone she had purchased was at that stage a used device.

I've also considered the way O2 handled matters after Ms B informed O2 her phone wasn't working. I accept that it could have explained the rights Ms B had under the CRA, but as I've said the remedy it provided was the same. But there were delays and problems with how this

was administrated. I'm satisfied that the compensation of £250 offered by O2 fairly reflects the inconvenience and frustration caused to Ms B and is in line with what's awarded where the impact of the mistake has caused distress, upset and worry – and/or inconvenience that needs a reasonable effort to sort out.

Overall, I don't consider that O2 was required to provide Ms B a brand-new replacement phone, and I don't find grounds to direct it to provide this to her. I think the compensation it offered Ms B is fair to resolve her complaint and I don't require it to do anything more.

Putting things right

For the purposes of this decision and noting that O2 has already paid £50 compensation to Ms B, I direct Telefonica UK Limited trading as O2 to pay Ms B a further £200 compensation. If Ms B doesn't wish to accept this payment, she should liaise with O2 directly. She may also wish to contact O2 regarding the replacement phone if she now wishes to accept it.

My final decision

For the reasons I've explained I uphold this complaint and direct Telefonica UK Limited trading as O2 to pay Ms B £200 compensation if it's not done so already. I make no further award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 25 February 2026.

Amina Rashid
Ombudsman