

The complaint

Miss B is unhappy that the full balance of her finance agreement with Telefonica UK Limited became due following the termination of her airtime contract for a smart watch.

What happened

Miss B had a finance agreement in place that was used to purchase a smart watch. Payments towards the finance agreement were paid alongside payments for her airtime contract with the mobile network provider.

In October 2025, Miss B chose to deactivate her services with the mobile network provider. But, upon doing so, the remaining payments due under her finance agreement with Telefonica were consolidated, and the full outstanding balance of the finance agreement fell due – with a payment of £263.25 owing. Unhappy with this, Miss B complained. She said that whilst the contract for her airtime had been terminated, she should still have been allowed to continue to maintain payments for the finance agreement for the watch, as they were separate contracts.

Telefonica responded, and accepted fault. They said that in deactivating her services with the network provider, it had inadvertently triggered the termination of the finance agreement. They apologised, and as a good will gesture, agreed to write off the outstanding balance owing under the agreement, as well as removing any negative markers from her credit file linked to their error.

Miss B however, felt this didn't go far enough. She said that the letters she received from Telefonica in relation to the outstanding debt caused her severe anxiety, and she explained that she is already a vulnerable person with pre-existing mental health conditions. She feels that Telefonica should increase their compensation to £1,000. So, unhappy with Telefonica's response, Miss B brought her complaint to this service.

An investigator considered the matter, but ultimately didn't think the complaint should be upheld. She said, in summary, that while Telefonica had admitted to causing the error, the steps they had taken to put things right, which included correcting Miss B's credit file and writing off the outstanding balance of over £250, went far enough.

Miss B remained unhappy however and reiterated that the redress did not go far enough. So, the case has been passed to me, an Ombudsman, 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.

Having done so, and while I accept this may be disappointing for Miss B, I've reached the same conclusions as the investigator, and for broadly the same reasons.

Looking first at the issue of the debt being consolidated and becoming due immediately, I haven't set out a great deal of detail here. That's because Telefonica accept that the debt should not have been consolidated, so this element of Miss B's complaint is no longer in dispute. What remains to be decided however, is how Telefonica should put things right for Miss B.

Had the finance agreement for the watch continued – as it should have - Miss B would have owed in the region of £260 that would have been due to have been paid off over the remaining months within the contract. So, putting aside for now, the distress this matter clearly caused Miss B, if I were to look to try and put Miss B back in the position she would have been - but for Telefonica's error - Miss B would still be required to repay the above amount over the remaining term of her contract.

I appreciate in this case, that it wasn't just the error itself that needed correcting, but consideration of the distress the above matter caused Miss B, along with the subsequent distress caused by the correspondence she received. I also understand that Miss B struggles with her mental health, and this matter would certainly have heightened her anxiety, she has told us as much within her complaint.

I'm sorry to hear of the difficulties Miss B is experiencing. When looking at what Telefonica have agreed to, in this case, as a goodwill gesture, rather than simply reinstating the finance agreement to allow Miss B to continue making monthly payments, they have instead chosen to write off the outstanding amount owing under Miss B's contract, essentially making her around £260 better off. In the circumstances, I think this is a relatively generous offer.

I also accept that had it not been for Telefonica's error, based on what I've seen, Miss B's credit file would not have been negatively impacted. While I haven't seen anything from Miss B to evidence any negative impact on her credit file, I can see, from Telefonica's Final Response, that they have agreed to remove any negative markers from Miss B's credit file in relation to this issue. Again, this seems like a fair way to put Miss B back in the position she would have been but for Telefonica's error.

So, while I agree with Miss B, and Telefonica, that the issue in question should not have happened; in the circumstances – and while I accept that it's Miss B's wish that the compensation be increased significantly – I've not seen sufficient evidence to lead me to conclude that a compensation increase is warranted; and I'm satisfied that the steps taken by Telefonica to put things right are sufficient in the circumstances. So, while I appreciate this may come as a disappointment to Miss B, for the above reasons, I won't be asking Telefonica to do anything further.

My final decision

My final decision is that I do not uphold Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 27 February 2026.

Brad McIlquham
Ombudsman