

The complaint

Miss L complains about the balance of a fixed sum loan agreement she has with Telefonica UK Limited trading as O2.

What happened

In May 2022, Miss L took out finance with Telefonica to buy a brand new mobile telephone handset. Miss L says that after a year, the handset developed a fault and so Telefonica sent her a replacement. They also cancelled her previous finance and gave her a new loan.

However, Miss L says the replacement developed a similar fault and that it was a used model. So, she complained to Telefonica and asked them for another brand new handset. Miss L also complained, because she noticed that a loan agreement for a tablet device was opened in her name with Telefonica. She said she hadn't authorised the loan, or received the tablet. So, Miss L wanted Telefonica to refund all the repayments they had taken from her bank account.

To try and put things right, Telefonica cleared the outstanding balance of all of Miss L's borrowing. This included the loan for the tablet device. Telefonica also provided Miss L with a new fixed sum loan and supplied her with a brand new handset. The cash price of the handset was around £1,450 and under the agreement, Miss L was scheduled to make monthly repayments of about £30 over a three year period.

But, Miss L wasn't satisfied with the steps taken by Telefonica and said the monthly repayments were not as she expected. She said Telefonica assured her the monthly cost would stay the same, when taking out the latest loan.

Over the following year, Telefonica agreed to pay a total of £351.75 to Miss L's airtime services account to try and help. However, Miss L wasn't happy and brought her complaint to our service.

One of our investigators looked into Miss L's complaint and found that Telefonica had treated Miss L fairly. She said Telefonica had removed all the borrowing for the faulty devices and the unauthorised loan. The investigator also said that the payments made to Miss L's account, more than covered the difference in what Miss L was expecting to pay. So, the investigator didn't think Telefonica needed to take any further steps to settle the complaint.

Miss L didn't agree with the investigator's findings and said Telefonica hadn't made any payments directly to her. Instead, she said all the refunds had repaid previous loans. Miss L also said Telefonica should refund all the repayments they had taken for the tablet device and they had misrepresented the term of the loan used to buy her current handset.

The investigator didn't change her conclusions and Miss L's complaint has now been passed to me to make a decision.

I sent Miss L and Telefonica my provisional decision on this case, on 12 February 2026. I

explained why I think this complaint should be upheld. A copy of my provisional findings is included below:

This case is about a fixed sum loan agreement which Miss L took out with Telefonica. These types of loans are regulated financial products, so we are able to consider complaints about them.

The crux of Miss L's complaint is that she says Telefonica should have given her a loan, with the monthly repayments set at the same level as she was paying in 2021. From looking at the correspondence between Miss L and Telefonica, I can see where Telefonica had accepted that her previous two devices were faulty. They took back both of those handsets and removed any responsibility from Miss L to repay any outstanding debt.

So, on the face of it, I think Telefonica took steps to try and resolve Miss L's concerns about the handsets she'd been given and to start afresh, with a new loan agreement for a brand new device. Although I cannot see where Miss L was told Telefonica would provide an agreement to match the monthly repayment amount she had previously paid, it seems Telefonica accepted that it was appropriate to try and make that happen. I say this after looking at the various refunds and credits paid to Miss L's airtime services account.

Telefonica's records show where they credited a total of £351.75 to Miss L's airtime services account from August 2024 to August 2025. And from looking at the difference of the cash price between Miss L's previous device and her most recent handset, I can see that the difference is around £250. This means Miss L has received more in airtime credit, than the difference in the cost of the handsets supplied by Telefonica.

I accept Miss L's point, where she says Telefonica haven't given her a lump sum refund directly to her back account for her to spend as she wishes. But, I think the steps taken by Telefonica effectively put Miss L in the position, where she will pay less for a device, than she initially expected, when she took out the first fixed sum loan agreement in 2021.

So, in the round, I think Telefonica have treated Miss L fairly when looking at the total amount they have paid to her and what she was expecting. It then follows that I don't think it would be fair to require Telefonica to take any further steps with this part of Miss L's complaint.

Within her complaint to us, Miss L also said Telefonica should have set the term of her current fixed loan agreement to two years instead of four. From looking closely at all the evidence available, I cannot see where Telefonica told Miss L that her loan would last for two years.

Indeed, Telefonica's records show that they sent the fixed sum loan agreement to Miss L's email address in August 2024. I can also see where Miss L contacted Telefonica off the back of this email, to talk about the contract sent to her. Within the loan documents, the contract explains that the term of the loan Miss L used to buy her most recent handset, was set for four years.

With this in mind, I don't think Telefonica gave Miss L incorrect information about the term of the agreement. So, I don't think it would be reasonable to ask Telefonica to change the length of the contract now.

Moreover, Miss L says Telefonica have agreed that a loan for a tablet device was taken out in her name, without her authority. During our investigation, Telefonica agreed not to hold Miss L responsible for the repayments due under that agreement, and they cleared the remaining balance.

Since the case was passed to me, Telefonica have also agreed to refund any repayments Miss L made towards the loan for the tablet. I think Telefonica's offer to refund the repayments is fair, given they have accepted the loan was processed without Miss L's authority.

Additionally, Miss L hasn't had the use of the funds she has paid to Telefonica, since the loan for the tablet started. So, I think it's fair for Telefonica to also add interest at 8% a year simple, to each repayment, from the date each payment was made, to the date of settlement of this complaint.

I've not seen where Telefonica may have recorded adverse information on Miss L's credit file. But, I'm aware Miss L is worried about that and has tried to prevent it from happening by keeping up with repayments. Overall, I think it's fair for Telefonica to remove any connection between Miss L and the fixed sum loan agreement for the tablet, that they may have passed on to credit reference agencies.

Finally, I can see that Miss L was put to some inconvenience by Telefonica. I say this having considered where Miss L needed to contact Telefonica several times about the handsets they had provided. And where Miss L wanted Telefonica to investigate what she says was a fraudulent application.

I think Miss L was inconvenienced in that it was left for her to remind Telefonica to close the loan for the tablet device and refund the payments she has made. So, I think Miss L has suffered a degree of trouble through Telefonica's actions. Therefore, I think it's fair for Telefonica to make a payment to Miss L in recognition of that. In all the circumstances, I think it's fair for Telefonica to make a payment of £150 to Miss L for the distress and inconvenience she experienced.

Telefonica responded to the provisional decision and accepted it. Miss L responded to the provisional decision and in summary, she said:

- Telefonica said that they would honour their promise to make sure the repayments for her device do not exceed £30 a month. And that Telefonica have agreed that they told her that.
- The refunds and payments she's received were because of intermittent loss of service, due to problems with a telecommunications mast. Also, where Telefonica had overcharged her in the past.
- The offer to pay £150 for the distress and inconvenience caused isn't enough, and she'd like the remaining balance of her loan for her latest handset written off or cleared.

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.

Miss L has explained she had previously recorded a telephone conversation with Telefonica, where she says they agreed to keep her monthly repayments at a particular level. I've found that Telefonica have accepted where Miss L was given that assurance, and where they have taken steps to put that arrangement into place.

I've looked again at how Telefonica have sought to put things right. Having done so, I still think that the payments Telefonica have made to Miss L's account, mean she will pay less

for her most recent handset, than she set out to in 2021.

I accept where Telefonica have refunded some of Miss L's monthly airtime service costs, when there has been a disruption to things like the availability of signal. But, after looking at all the goodwill payments and refunds Telefonica have made to Miss L's account, I still think Telefonica have treated her fairly. I say this because I'm persuaded Miss L has received more in direct payments, than the difference in the cost of the two handsets she has complained about.

So, I still don't think it would be fair to ask Telefonica to provide a further discount in the cost of her current handset. Overall, I think Telefonica have made the appropriate payments to make sure Miss L isn't disadvantaged.

I acknowledge that Miss L would like an increased level of compensation, for the trouble she says she's been put to. But, after thinking carefully about all the circumstances, I still think the payment of £150 is a fair and reasonable award, in light of the distress and inconvenience Miss L has told us about.

I'm also aware that Miss L would like Telefonica to clear the balance of her existing loan as further compensation. However, I think it's fair for Miss L to pay for the handset she's been given and regularly uses. So, I don't think it would be fair to require Telefonica to allow her to exit the fixed sum loan agreement for her current handset with nothing further to pay.

Putting things right

For these reasons, I require Telefonica UK Limited trading as O2 to:

1. Allow Miss L to exit the fixed sum loan agreement for the tablet device and cancel it, at no additional cost to her;
2. Remove any information about the fixed sum loan for the tablet device, from the details held about Miss L with credit reference agencies;
3. Refund all the repayments to Miss L that she has made under the fixed sum loan agreement for the tablet device;
4. Add interest at a rate of 8% a year simple to part three of this settlement, from the dates the repayments were paid, to the date of settlement of this complaint; and
5. Pay Miss L a further £150 for the distress and inconvenience caused.

Telefonica must pay these amounts within 28 days of the date on which we tell them Miss L accepts my final decision. If they pay later than this, they must also pay interest on the settlement amount from the date of final decision to the date of payment at 8% a year simple.

If Telefonica deducts tax from any interest they pay to Miss L, they should provide Miss L with a tax deduction certificate if she asks for one, so she can reclaim the tax from the tax authorities if appropriate.

My final decision

My final decision is that I uphold this complaint and require Telefonica UK Limited trading as O2, to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 19 March 2026.

Sam Wedderburn
Ombudsman