

## **The complaint**

Mr C has complained Telefonica UK Limited (trading as O2) mishandled a fraudulent credit agreement application.

## **What happened**

The parties are familiar with the background details of this complaint – so, I'll only briefly summarise them here. It reflects my role of resolving disputes quickly with minimum formality.

In March 2025, O2 received an application for a new phone and watch which appeared to have been submitted by Mr C. To help fund those purchases, O2 agreed to lend Mr C some money by means of two fixed sum loan agreements. O2 also agreed to provide a new airtime agreement to cover the minutes, texts and data usage for the two devices.

Mr C contacted O2 at the time and made them aware he hadn't ordered the goods nor applied for the linked credit and airtime agreements. Following an investigation, O2 let Mr C know they believed he'd been the victim of identity fraud. As a resolution, O2 said they'd disassociate his details from the fraudulent accounts and ensure all record of them were removed from his credit record.

At the start of October 2025, Mr C got back in touch with O2 because he'd been declined credit for a new car hire purchase – which the lenders had said was due to O2 reporting an account was in arrears. Mr C also contacted the Financial Ombudsman for help in resolving the matter.

Following our involvement, O2 identified they'd only rectified one of the two credit agreements in March 2025. This meant Mr C's credit record was showing the account was five months in arrears because O2 had continued to report the missed payments. To put things right O2 said they'd arrange for all record of it to be deleted from Mr C's credit record and offered to pay him £200 for any distress and inconvenience – which Mr C declined.

Our Investigator agreed the continued reporting of missed payments on Mr C's credit file had caused him to suffer unnecessary distress and inconvenience. To resolve the complaint, the Investigator recommended O2 pay £400 to Mr C and ensure the adverse loadings were removed from Mr C's credit record. O2 accepted the Investigator's findings, but Mr C didn't.

In summary, Mr C said he didn't think £400 fairly compensated him for the impact of O2 continuing to register missed payments on his credit record. Mr C provided evidence to show he'd been revoked credit by several lenders and the day after the adverse loadings disappeared from his credit record a new leasing agreement application was approved. Mr C thought it was fair O2 compensate him for the increased car hire payments he'd had to pay.

I issued a provisional decision on the matter, where I set out the below:

Since our Investigator issued their findings at the start of January 2026, things have moved forward. More recently, Mr C has provided us with copies of his credit record. These show

the adverse loadings had reappeared on his credit record. Mr C says this was preventing him from obtaining a wanted mortgage.

Currently, we don't know why this happened. It could be due to an error by O2. It may also be due to an error by the credit reference agencies. However, it's my understanding O2 has now arranged for those adverse loadings to be removed. So, it seems Mr C should be able to proceed with a mortgage application.

If Mr C thinks he's suffered any financial loss due to any potential delays in him obtaining a mortgage, in the first instance, he'll need to provide evidence of this to O2. If Mr C is unhappy with O2's response, it's likely this would be something the Financial Ombudsman could consider. But it's not something I'm going to decide on as part of this complaint. What I'm deciding on here is what happened up to our Investigator issuing their findings.

The regulated activity which enables me to consider this complaint stems from O2 chasing Mr C for the debts arising from the two credit agreements. Ordinarily, the Financial Ombudsman would be able to consider a complaint about the sale and administration of a regulated fixed sum loan agreement. But all parties agree Mr C didn't submit the applications and didn't consent to them. As Mr C was the victim of identity fraud, it means he wouldn't meet the definition of an eligible consumer in relation to the sale or administration of those agreements.

It's evident things have gone wrong. We'll never know how the fraudster was able to get hold of Mr C's personal information. But this information was enough for the fraudster to successfully apply for the two linked credit agreements in Mr C's name. It was always going to take some time for O2 to complete their fraud investigation and to put things right. And this was always going to mean Mr C would experience some distress and inconvenience. Based on what I've seen, I think O2 completed their initial fraud investigation within a reasonable period. I also consider their proposed resolution of disassociating Mr C's name from the fraudulent accounts and removing all record of them from his credit record was fair and reasonable.

However, O2 accepts they only arranged for one of the credit agreements to be removed from Mr C's credit profile. This meant O2 continued to report missed payments to the credit reference agencies for the other account. Mr C says this directly led to credit providers revoking credit and declining his applications for a new car leasing agreement.

Lenders will take several key factors into consideration before agreeing to provide credit, aiming to assess the risk of default and the borrower's ability to afford to repay – commonly referred to as creditworthiness and affordability. In most instances, this will likely include a lender looking at a consumer's credit history and score. But it's likely a lender will also consider other things, including but not limited to, affordability and income, financial assets, security for the loan, purpose for the loan and economic conditions.

Due to the many factors a lender considers, it's often difficult to prove that a decision to decline credit is based on a single factor – in most cases it's usually due to a combination of things. However, on this occasion, I think the evidence supports the likely reason Mr C was declined the new car leasing agreement around October 2025 was as a direct consequence of the missed payments O2 had reported for the fraudulent account. I say this because there were no other adverse loadings showing on Mr C's credit record and Mr C has explained he'd never been declined credit before. However, of most importance, is the evidence shows the day after the adverse loadings were removed, an identical car leasing application was approved. I think it's fair to say this is persuasive in showing the likely cause of the previous applications being declined was solely due to the adverse loadings O2 had reported. So, I

think it's fair for O2 to compensate Mr C for the higher car rental payments he needed to pay between the previous lease agreement ending and the new one starting.

I'm also satisfied the failure by O2 to ensure the adverse loadings were removed from Mr C's credit record when they said they would have resulted in him suffering unnecessary distress and inconvenience over a prolonged period. Our Investigator thought a payment of £400 would comprise of fair redress. Having taken account of all the information both parties have provided to date, I also consider O2 paying Mr C £400 would comprise of a fair amount in the circumstances.

In addition, I also said I was minded to direct O2 to refund to Mr C what he paid in total to hire a vehicle from 13 October to 23 December 2025 less the pro-rated amount he would have paid had the new leasing agreement started on 13 October 2025 with O2 adding interest on the resulting amount (at 8% simple per year) from 24 December 2025 to date of settlement.

### **The responses to my provisional decision**

O2 responded by saying they accepted my provisional decision, but they believed it would be fair for them to also deduct the new leasing agreement processing fee (of £262.80) as this was a cost Mr C needed to pay to get the new vehicle.

Mr C responded to say he also accepted my provisional decision and the deduction of the processing fee. But he highlighted that because his credit cards were maxed due to the previous increased rental payments, he was unable to authorise a deposit for one of the hires - which the rental company would have charged in the event of an accident. This meant he had no choice other than to pay (around £140) for an excess waiver policy. Mr C thinks it would be fair for O2 to refund this amount.

### **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.

Given neither party has raised any objections or concerns about what I said in my provisional decision in relation to what had gone wrong and the reasons why I was minded to uphold this complaint, I don't intend to add anything further. However, both parties raised queries about how I proposed the redress should be calculated.

Having looked again at the leasing agreement Mr C started in December 2025, I think it's fair the processing fee is taken into account as part of the redress calculation. I say this because it was always going to be a cost Mr C would need to pay as part of setting it up.

I appreciate what Mr C has said about him needing to pay for an excess policy (for the three-day car hire from 18 to 21 November 2025) as he was unable to provide the alternative deposit to the hire company at the time he collected the vehicle. I'm mindful it doesn't seem Mr C paid an excess amount for the vehicles he hired for the other 68 days, and I think paying around £280 to hire a vehicle for three days is disproportionate when comparing it to what Mr C paid for the other hires (at around £60 per three days). In the circumstances, I'm not persuaded it would be fair or reasonable for me to say O2 should be held liable for the excess cost.

## **Putting things right**

Mr C has provided a copy of the new car leasing agreement which shows he's paying £417.80 per month.

Mr C has also provided receipts to show he paid the following car hire amounts:

- £720.00 for 36 days car hire from 13 October to 17 November 2025
- £143.92 for 3 days car hire from 18 to 21 November 2025
- £640.00 for 32 days car hire from 22 November to 23 December 2025

I'm satisfied Mr C took reasonable action to mitigate the potential car rental costs following the end of his previous car leasing agreement. It seems Mr C was proactive in checking for the removal of the adverse loadings from his credit record – this meant he was able to submit a new car leasing application the day after this happened. I'm also persuaded Mr C then pushed for the new vehicle to be delivered at the earliest opportunity.

To put things right, I direct O2 to:

- Refund to Mr C the £1,503.92 he paid to hire a vehicle from 13 October to 23 December 2025. From this amount O2 should deduct the new leasing agreement's processing fee (of £262.80) plus the pro-rated amount Mr C would have paid had the new leasing agreement started on 13 October 2025. In addition, O2 should add interest on the resulting amount (at 8% simple per year) from 24 December 2025 to date of settlement.

Pay Mr C a distress and inconvenience payment of £400.

## **My final decision**

My final decision is that I uphold this complaint and direct Telefonica UK Limited (trading as O2) to resolve it in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 11 May 2026.

Carl Bibby  
**Ombudsman**