

## The complaint

Mr C complains about problems with a finance agreement he took out with Telefonica UK Limited trading as O2 ('T').

## What happened

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

Mr C took out a fixed sum loan with T to purchase a mobile phone around July 2025 (the 'Device Plan'). The total amount repayable under this being £1,749. At the time Mr C also took out a pay monthly agreement with T for network services (the 'Airtime Agreement') to use with the phone.

Mr C says in late September 2025 a system error led to T creating 'fictitious debt' and issuing him with incorrect demands for payment. He says that because of this T restricted his network services from 18<sup>th</sup> September 2025 and despite his follow ups it failed to resolve matters promptly.

Mr C contacted this service about his complaint and said:

- due to a 'material breach' of his Airtime Agreement T should terminate the Device Plan with no outstanding liability for him;
- T should remove any debt created in error from its records and provide written confirmation that no adverse information will be recorded on his credit file; and
- provide appropriate compensation for what has occurred.

T said it had resolved the issues with the Device Plan and offered Mr C £100 compensation in respect of these. Our investigator thought this was fair.

During our involvement the Communications Ombudsman ('CO') issued a decision relating to the Airtime Agreement.

Mr C has asked for an ombudsman to consider his complaint about the Device Plan for a final decision. So the matter has now been passed to me.

I issued a provisional finding on this matter as follows:

### ***What I've provisionally 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.*

*While I might not comment on everything (only what I consider key) this is not meant as a discourtesy to either party – it reflects my role resolving disputes with minimum formality.*

*I note a significant aspect of Mr C's upset with T relates to it restricting his network services provided under the Airtime Agreement which he says was done in error and caused him a lot of distress and inconvenience particularly noting it occurred around a big life event for him when he needed access to the network. I am very sorry to hear about this. However, I note the Airtime Agreement is outside the jurisdiction of this service as it is not a regulated consumer credit agreement. So I cannot consider a complaint pertaining to it. I also note the CO (another ADR body) has issued a ruling on the problems Mr C had in respect of the Airtime Agreement and connected network services. So even if these matters were in jurisdiction I would likely conclude they should be dismissed under our complaint handling rules (known as DISP).*

*I don't think Mr C is actively contesting this issue now that he has a decision by the CO on the Airtime Agreement. But for clarity, my role here is not to re-open, rule on or make directions on the issues specifically relating to the Airtime Agreement or the subject matter of the previous ruling by the CO. This includes T demanding payment for service charges in respect of the Airtime Agreement, escalating said demands to collections, any failure of its service provision in respect of said agreement or the quality or availability of Mr C's network services which said Airtime Agreement funds. Or T's refusal to end the agreement under particular terms. Where I refer to the Airtime Agreement and actions in respect of it or the services funded by it – this is for relevant context only.*

*Here I will look at Mr C's complaint as it specifically pertains to T as a lender exercising its rights and duties in respect of a regulated credit agreement (the Device Plan here).*

*Did T make an error in respect of the Device Plan?*

*From what I understand T does not dispute that a system error led to it issuing Mr C with incorrect arrears notices. I note that its phone agents confirmed to him this was due to a 'system glitch' or 'technical issue'. It appears that T was demanding an 'overdue' figure of around £1,700 in relation to the Airtime Plan service charges. However, I also note that around the same time T was also referring to arrears relating to the Device Plan. This is clear from both written correspondence from the time and T's automated phone system. For example the transcript of T's automated call service shows it told Mr C:*

*Okay. The amount currently due on your airtime plan is £1,695.04. This includes your arrears of £1,695.04. The amount currently due on all your device plans is £0. This includes your arrears of £0.*

*While mobile communication said:*

*'You have an overdue bill of £1,775.98 for your line [Mr C's mobile number]'*

*And*

*'You have an overdue payment of £48.58 on the device plan of your line [Mr C's mobile number]'*

*Email communication from the time refers to payment plans and arrears for the amount relating to service charges on the Airtime Agreement and also separate arrears of £0 for the Device Plan.*

*Not only is there no persuasive evidence that Mr C was behind on payments for the Device Plan at the time of these communications – but T demanding £0 in 'arrears' for this is clearly an error in any event.*

*In summary, I am satisfied from what I have seen that due to a system error T incorrectly pursued Mr C for a debt in respect of the Device Plan and it should pay him compensation for the impact of this on him.*

*The correspondence referring to the 'arrears' in respect of the Device Plan continued from 18 September 2025 into November 2025, including confusingly telling Mr C he was 'still overdue' even when it was by £0. Mr C refers to T's systems producing 'nonsensical and illogical' messaging. And from what I have seen I don't think this is an unfair conclusion. And while T was referring to service charges pertaining to the Airtime Agreement, the correspondence regarding the Device Plan mixed in with this was no doubt a contributor to the stress Mr C was experiencing at the time and worry about how it might impact his credit file in some way.*

*I can see Mr C made several calls to T about the matter over this period to try and get things resolved. And I can tell how frustrated he became from it all by reading the transcripts of these calls and from his submissions to this service. Mr C has referred to the physical and mental stress caused and how this is worse due to underlying health issues.*

*I can also see that despite Mr C calling T a number of times – there was no meaningful resolution or clarity on the matter from it. Mr C spent considerable time explaining the situation yet T continued to send him arrears notices and letters about escalating the debt to recovery agents. Furthermore, although this escalation also related to the Airtime Agreement there were also references by T to arrears on the Device Plan. For example in the 'Notice of Disconnection' it refers to termination and default of a 'CCA' (Consumer Credit Agreement) which T has since confirmed is the Device Plan.*

*T confirmed as of the end of November 2025 that the Device Plan account is active, is not in collections and that no adverse information had been reported in respect of it. I have not been presented with persuasive evidence of adverse credit reporting (including defaults) in connection with the Device Plan – however, I don't consider it unreasonable for T to confirm this in writing to Mr C as he has requested. I also note even if T has not reported adverse information in respect of the Device Plan this would not have prevented Mr C from worrying about it considering the correspondence T sent him.*

*From what I can see the demands relating to the Device Plan went on for around a couple of months - which is not an extensive period. However, I am satisfied from what Mr C has said that they were a key contributor to an issue that caused him severe distress, which was exacerbated by his vulnerability. It is not entirely clear what T knew about Mr C's vulnerability prior to this incident - but based on what he or his representative told it over the phone about his situation T would fairly have known it was dealing with a vulnerable customer at the time in any event.*

*I recognise Mr C has received/been offered compensation (not including refunded payments) of around £200-£300 in respect of the distress and inconvenience caused by the issues relating to the Airtime Agreement (including the loss of network access). However, that said, I still think the issues with the Device Plan have also contributed notable distress and inconvenience to the situation, particularly around the pursuit of arrears and T's escalation to debt recovery.*

*I recognise that in respect of the issues as they pertain to the Device Plan T has now offered £100 compensation. However, I don't think that is sufficient here to reflect the impact on Mr C. This sort of thing is not a science but I think the problems with the Device Plan have contributed considerable distress, upset and worry for him overall. I think an award of £300 is a fairer reflection of what has occurred here.*

Is Mr C able to end the Device Plan and have any remaining payments written off?

One of the key reasons for Mr C's complaint to this service is Clause 17 of the Device Plan which he says entitles him to walk away from the agreement without further liability. He told T that he wanted to terminate the Airtime Agreement due to its 'material breach' and considers this means he is 'discharged from any and all obligations to pay an early termination charge or the remaining balance of the device plan'.

However, there are reasons why I don't think this is the case. I will explain.

Firstly, in order for the relevant part of Clause 17 to take effect there needs to be termination of the Airtime Agreement by Mr C for a 'material breach' of said agreement. For context, I believe this is covered by clause 8.4(a) of the Airtime Agreement. However, I note:

- While the CO confirmed 'poor' and 'significant shortfalls' in the service Mr C received from T – it did not confirm that the issues he experienced with the network services were sufficient to constitute a material breach of the Airtime Agreement giving him the right to end said Airtime Agreement in line with its clause 8.4(a). I recognise this is a matter Mr C was in dispute with T about – but it isn't something I am going into here as it relates to the dispute about the Airtime Agreement which the CO has ruled on.
- There is not persuasive evidence to show T accepted Mr C was able to bring the Airtime Agreement to an end under 8.4(a) at the time or that it has since been brought to an end (or directed to be by the CO) under this clause. I note that T indicates the Airtime Agreement is currently ongoing.

So prima facie – the relevant part of Clause 17 which Mr C is relying on does not take effect here. However, even if there were evidence to show that the Airtime Agreement had been brought to an end by him as a result of a 'material breach' of said agreement it would not change things here in any case. I will explain why.

Clause 17 of the Device Plan says:

*'If a Lead Device Credit Agreement is terminated at any time or your Pay Monthly Mobile Agreement is terminated within the first 24 months (whether in respect of Airtime Services for your Device, a Lead Device, or both – for example, if you give notice to terminate your Pay Monthly Mobile Agreement for any reason within the first 24 months, you cancel it during the Change Of Mind Period, or we receive notice from another network operator that you have used a PAC or STAC code within the first 24 months), we will treat that as notice to terminate this Credit Agreement (subject to serving a notice on you) and, other than in circumstances where you terminate your Pay Monthly Mobile Agreement as a result of our material breach or outside of the first 24 months, we will have the right to require immediate repayment of the remaining balance of the Amount of Credit (whether or not accrued due for payment). We will give you notice of our intention to do this and will notify you of the remainder of the Amount of Credit you owe.'*

From its construction it is clear the purpose of the clause is to explain when T can terminate the Device Plan and when it may demand immediate repayment of the outstanding balance in the event a customer ends an agreement for the network services used with the phone funded by the Device Plan. So, in the event a customer ends the agreement where there is a 'material breach' of the Airtime Agreement T cannot simply demand immediate repayment of the full balance in the same way it would if a customer had left the network in other circumstances. Practically, where it can't demand immediate repayment I expect T would have no choice but to continue allowing a customer to pay off for the phone under the Device Plan (even if it was no longer providing services under the Airtime Agreement).

*I consider Clause 17 is not to provide a mechanism (if things go wrong with network services) for a customer to simply keep the phone handset and have remaining credit payments written off. I say this considering the wording of the clause and its likely intention noting the phone is a separate piece of hardware usable on other networks which Mr C already owns and has agreed to pay T back for. It follows, even if I agreed with Mr C that the Airtime Agreement had been brought to an end due to a 'material breach' by T the consequence of such would simply be that Mr C is able to continue repayment for the phone under the Device Plan.*

*I note Mr C has referred to Section 19 of the CCA as supporting his argument for termination of the Device Plan as he considers the Airtime Agreement is a 'linked transaction' under this provision. I think it is clear the retail agreement for the purchase of the phone is a linked transaction in respect of the Device Agreement that funds it. I think it is less clear if the Airtime Agreement would be a linked transaction as well. However, even if I accepted this were the case I don't think it changes things here for similar reasons to those I have already covered. Namely that the questions over whether the Airtime Agreement had been or should have been brought to an end under its terms – and the fact that any linked termination of the Device Plan does not result in Mr C's liability for the remaining cost of the phone being written off in any event.*

*I hope my decision can help the parties draw a line under this matter. However, I recognise Mr C's strength of feeling. I remind him that my role is informal and he can reject my findings and consider any formal action he may wish to take in court instead.*

### **My provisional decision**

*I uphold this complaint and direct Telefonica UK Limited trading as O2 to pay Mr C a total figure of £300 compensation – this includes the £100 it has already offered in respect of resolving this complaint. It should also write to Mr C to confirm that it has not reported any adverse credit information in respect of this matter as it pertains to the Device Plan.*

T responded to agree with the decision. Mr C did not respond.

### **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.

Neither party has given me cause to change my provisional decision. So my final decision is the same, for the reasons already stated above.

### **Putting things right**

See below.

### **My final decision**

I uphold this complaint and direct Telefonica UK Limited trading as O2 to pay Mr C a total figure of £300 compensation – this includes the £100 it has already offered in respect of resolving this complaint. It should also write to Mr C to confirm that it has not reported any adverse credit information in respect of this matter as it pertains to the Device Plan.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 5 May 2026.

Mark Lancod  
**Ombudsman**