

The complaint

Mr T has complained about the way Telefonica UK Limited trading as O2 administered fixed sum loan agreements he has with it.

What happened

Mr T bought various devices using fixed sum loan agreements with O2. The agreements are known as device plans. He also has airtime agreements with O2. Mr T has given us a timeline of what happened leading up to his complaint:

- Mr T says between April and August 2021 he had issues with the airtime service. He tells us he upgraded a device because O2 hadn't told him about the issues with the service he was receiving i.e., the coverage. Mr T says he had issues with his new device and contacted O2. He tells us O2 reported several masts experiencing issues in his locality.
- In September 2021 Mr T says O2 agreed to adjust his airtime bill by £117.
- In October 2021 Mr T says his bill wasn't adjusted so he complained, and his airtime account was placed on hold, but he continued to pay his device plans.
- In March 2022 Mr T says his complaint was upheld and his airtime account was placed in special measures and that he could hold off paying from airtime until the following month. He says he was also offered incentives for an early upgrade. But he was unable to take advantage of this because of the 'arrears' on the account while his complaint was looked into.
- Mr T says O2 told him his complaint hadn't been finalised and that his airtime and device plans were put on hold.
- Mr T says his complaint wasn't upheld and that he was told his airtime and device plans would be placed on hold until a complaint he raised with the Financial Ombudsman had been decided. He says he was also told that automated communication would continue to be sent and to contact O2 should any service restrictions occur.
- In July 2022 Mr T says he contacted O2 after receiving communication and he was told to ignore it.
- Mr T says three devices were disconnected despite his accounts being on hold. He says one account was reconnected.
- In summary, Mr T says O2 has continually held him off from paying device and airtime bills despite him raising his concerns.

O2 sent a final response to Mr T's complaint. In summary, it said:

- As no payment was made towards the airtime balance since his complaint was resolved and a credit was applied, his account fell into arrears, so he was unable to upgrade and take advantage of the offers available.
- It was not prepared to cancel all of Mr T's contracts and that the outstanding

balances need to be cleared.

Mr T wants to be freed from his O2 contracts without penalty or charge. And he's unhappy his credit file was impacted given O2 was supporting non-payment of his accounts.

Our investigator said that as the complaint related to an unregulated airtime agreement, she didn't think we had the power to investigate the complaint.

Mr T wasn't happy with the outcome because he says O2 also told him to stop paying his device plans.

I issued a provisional decision that set out why I was unable to consider the complaints relating to the airtime agreement. I'm not going to go over that again here. For the part of the complaint I was able to consider, I set out in my provisional decision:

While not the main thrust of Mr T's complaint, he has mentioned he's unhappy his credit file has been impacted because missed payments have been recorded in relation to the credit agreements.

So I've thought about whether O2 has acted unfairly in relation to its reporting to the credit reference agencies. O2 is required to report fair and accurate information. It's not in dispute Mr T stopped paying towards the device plan, so I think missed payments will have been reported accurately. But is the reporting fair?

I asked our investigator to contact O2 about the device plans. O2 responded to say it applied various credits to Mr T's airtime account for disputed charges and because of reported network issues. It acknowledged things could have gone better. But it also said Mr T was offered various payment arrangements, but these weren't kept to. It said no payments have been made since April 2022. It said Mr T has six device plans with varying balances due.

The device plans and balances are as follows:

Account ending 735	£32.27
Account ending 307	£374.04
Account ending 821	£178.09
Account ending 345	£931.32
Account ending 704	£385
Account ending 826	£48.87

O2 has said it looked at the credit files for the device plans and that it is reporting several 'query' markers along with various late payment markers. But it also said if Mr T makes full payment of the outstanding amounts in one go it would look to remove the late payment markers.

Therefore, considering I'm not able to decide matters in relation to Mr T's airtime accounts, I've thought about what O2 has offered in relation to the device plans.

It's not in dispute that O2 could have handled things better (for the airtime complaint at least). And that I think this may have contributed to the difficulties Mr T has faced. But I'm also mindful that Mr T is required to make payments towards the device plans as per the agreements he entered into.

I think it's fair that O2 has offered to remove the late payment markers if Mr T makes full payment of the outstanding amount. But, for the avoidance of doubt, I think this amount should be the current arrears. So that Mr T can effectively pay off the arrears and then carry

on with any of the device plans that still have a balance – under the originally agreed contractual terms.

I think Mr T should be given 28 days to bring the accounts up to date from acceptance of a final decision, should he wish to do so. But I'd remind Mr T that if he were to miss payments in future, O2 may decide to record this on his credit file.

In summary, it looks like O2 could have handled things better. But I think this is mainly in relation to how it dealt with Mr T's problems he had flowing from the airtime agreement – which isn't something I can consider. I think the problems he's had with the device plans have arisen largely as a by-product of the other complaint. It looks like O2 has sought to help Mr T by offering account holds and payment arrangements. But I think the dispute was never resolved which is why there was a stalemate.

Therefore, to resolve things, I think it's fair Mr T is given the option to pay off the arrears resulting in all negative markers removed from his credit file for the relevant period. Mr T is free to pursue his complaint about the airtime issues by other means, such as through alternative dispute resolution (ADR) schemes, or ultimately through the courts.

I think this is a fair and reasonable outcome considering the limited scope of the complaint I'm able to consider.

Mr T responded to say O2 held his account every month and that he was advised to stop making payments while the ombudsman looked into his complaint. So it's not true he didn't keep to payment arrangements. He also said O2 incorrectly referred him to the wrong ADR scheme. And that he's been penalised which has resulted in three of his devices being disconnected. He thinks this is unfair.

In summary Mr T is unhappy with how long things took to resolve, the loss of service, the impact on his credit file, and the distress caused. He requested he be able to clear the arrears over six months and that he wants support to say any money owed doesn't include devices that have been disconnected.

I contacted O2 and sent over details of Mr T's response. With regards to the disconnections, it said as devices had been disconnected for over six months it could not reconnect them. But I understand the devices still work. However, it has agreed to allow Mr T to clear the arrears over a six-month period, from acceptance of a final decision, should Mr T wish to do so.

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 thank the parties for their responses. I do empathise with the situation Mr T finds himself in. It's been a tricky case to unpick. But for the reasons I gave to him previously, I only have the power to decide Mr T's complaint insofar as it relates to his regulated credit agreements.

I can't award compensation for alleged failings in relation to how O2 dealt with the airtime issues. O2 has said its unable to reconnect Mr T's devices that have been disconnected for over six months. As I understand it, the devices still work, and presumably can be reconnected elsewhere, or under a different contract with O2. I don't have the grounds to say O2 can't seek to recover the payment for the credit agreements taken out to purchase the devices. I also want to point out I didn't make a finding that Mr T refused to make

payment. I said O2 had said payment arrangements weren't kept to.

Mr T has agreed he's required to make payments against his contract (although I appreciate he doesn't want to pay for the disconnected devices). I think it would have been prudent of him to put the money to one side to cover the payments. But I explained to O2 that unexpected expenses could come up from time to time. And I thought it was fair O2 agreed to Mr T's request to extend the time period to bring the arrears up to date from 28 days to six months, from acceptance of a final decision, if Mr T wishes to do so. Overall, in the individual circumstances of this complaint, I think that's a fair and reasonable outcome for both parties, given what I've set out I'm able to consider. I don't find I have the grounds to direct O2 to do more.

If Mr T does accept this final decision, I'd recommend he speaks to O2's payment team to discuss a suitable way forward.

Putting things right

Telefonica UK Limited trading as O2 should remove all adverse information from Mr T's credit file from April 2021 onwards if he clears the arrears within six months of accepting a final decision (if he wishes to do so). Mr T should then be allowed to carry on paying any outstanding agreements on the original terms.

My final decision

My final decision is that Telefonica UK Limited trading as O2 should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 10 August 2023.

Simon Wingfield
Ombudsman