

The complaint

Mr M has complained that Vodafone Limited carried out a hard search when he applied for a fixed sum loan agreement.

What happened

Mr M says Vodafone contacted him to say he was due an account upgrade for his business mobile telephone. He tells us he used to pay around £68 per month for airtime and his device. And he says he was given a similar quote for the upgrade which he accepted. But after taking out the agreement he noticed the payments had been split in two – one for a device plan, and one for airtime. He also noticed a hard search had been placed on his credit file. Mr M says he wasn't aware this was how the agreement would be set up and so he contacted Vodafone. Mr M says he didn't want a loan and would be happy to pay it off to have the hard search removed as he was under the impression it would be a soft search with no trace on his credit file.

Vodafone said it now provides separate agreements for airtime and device plans. It says it acted fairly by carrying out a credit search and that its process is clear for customers. So it didn't think it had done anything wrong.

Mr M says he's a director of a business and the hard search could impact any future loans his business may wish to take.

To resolve the complaint, Mr M says he'd like the hard search removed. He says he'd be happy to pay to unwind the loan amount for the device. Or he'd be happy for the full contract to be unwound and he'd go to another provider.

One of our investigators looked into the complaint. He said he couldn't ask Vodafone to merge the device plan and airtime payments together. He said he thought Vodafone warned Mr M that two separate direct debits would be set up. He also said Vodafone provided a screenshot from its online upgrade process that said it needed three year's address history for Mr M so it could carry out a 'quick credit check'. He also noted Vodafone's website says a footprint will be placed on a credit file when credit reference agencies receive a search from it.

Our investigator also saw as part of a commercial credit checking process that Vodafone would look at the customer's personal and business credit records, but the check wouldn't show on the personal record. Our investigator queried this with Vodafone, and it said Mr M was down as a sole trader which is why the search was recorded on his personal credit file.

Our investigator didn't make any recommendations. Mr M didn't agree. He said he wasn't shown screenshots with warnings when he made his application. And that the live chat also didn't let him know.

I issued a provisional decision that said:

I contacted the parties to clarify a few things. Mr M took the agreement out for business purposes, which appeared to be for a limited company because he referred to himself as a director. This would have affected our power to be able to consider the complaint. But Mr M has explained the agreement was taken out for a sole trader business that he has. Therefore, while he's not a consumer as defined in the Financial Conduct Authority handbook, he can bring the complaint in his sole trader business capacity.

Secondly, I can see Mr M wants us to make sure the same thing doesn't happen to other customers. But our role is to resolve complaints quickly and with minimal formality. I'm looking at the specific circumstances of Mr M's complaint.

Vodafone carried out the search for a regulated fixed sum loan agreement, and our service is able to consider complaints relating to these sorts of agreements.

Mr M would like the hard search removed. But Vodafone has explained the hard search is an accurate reflection of what happened. And that Mr M would have been warned a search would be carried out when he applied for his finance agreement. I'll never know for sure whether Mr M was warned or saw that a credit search would be carried out. And I'm conscious it looks like Vodafone changed its processes with regards to how phones were purchased. So Mr M may not have realised a credit search would be carried out. But even putting that to one side, I can't see the hard search has caused any significant detriment to Mr M. It's an accurate reflection of what happened and is a typical thing to happen when a customer applies for a finance agreement.

Mr M took out the agreement in December 2022 (the hard search was recorded on his credit file this month), and he's shown us his credit score went up the following month. Mr M hasn't shown us the hard search has caused him any loss or issues, or that it's likely to cause any issues. Vodafone isn't reporting anything negative on his credit file.

Mr M has shown us his score went down in February 2023. And he's shown a snippet of his credit file summary that shows he entered into an unsecured agreement with Vodafone and that it was recorded for that month. But I can't see from the screenshot if anything else impacted his score that month. Moreover, Mr M has said he would be willing to pay to unwind the agreement. He's still got the option to settle the agreement, and I'd imagine any impact of the loan on his credit file would be reduced, if not removed in full if he were to do that.

Taking everything into account, the hard search recorded is an accurate reflection of what happened. In any event, I can't see it's caused any detriment to Mr M. So I don't find I have the grounds to direct Vodafone to remove it.

Mr M responded to say he wasn't fully made aware Vodafone had changed its process. He said he thinks saying it was a 'quick credit check' was misleading. He also wanted to explain the hard search didn't show up immediately on his credit file. And that his score dropped points as it was carried out.

Vodafone didn't want to add anything further.

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 appreciate Mr M says he wasn't fully made aware of Vodafone's new process, and that he thinks referring to a 'quick credit check' is

misleading. Vodafone has said it warned Mr M a credit search would be carried out and that he was told he'd have a separate direct debit set up for the device plan. And it's provided screenshots of what it says Mr M would have seen.

I'll never know exactly what Mr M saw but, as I said in my provisional decision, the recording of the search is an accurate reflection of what happened. While Mr M says it's misleading to say a quick credit check was to be carried out, Vodafone ultimately says it did tell him that was going to happen. Mr M could have queried this before proceeding if he had any concerns. Mr M has resent a summary page of his credit file showing his score went down in February 2023. The summary says this is when the loan was added to his credit file. So I'm not sure the score reducing here is as a result of the hard search. And I can't see if anything else has impacted his score that month. In any event, I've also already explained that if Mr M is unhappy with having a loan on his credit file, and if he thinks this is impacting his score, he can choose to pay off the loan as he indicated he was prepared to do.

However, all things considered, the hard search is a true reflection of what happened. Mr M hasn't shown us it's caused any significant lasting detriment. And while I understand the process changed, it looks like Vodafone did give some warning it would carry out a credit check. So I'm not going to direct Vodafone to remove it or take any other action.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 21 August 2023.

Simon Wingfield
Ombudsman