

## **Complaint**

Mr T has complained about loans Telefonica UK Limited (“Telefonica”) provided to him. He says that he shouldn’t have been provided with so many loans.

## **Background**

Mr T entered into a total of five interest free agreements with Telefonica.

In October 2020, Mr T purchased a phone for £964, which was due to be repaid in 35 monthly instalments of £26.78 followed by a final instalment of £26.70.

In January 2021, Mr T purchased a phone for £1,217.56, which was due to be repaid in 35 monthly instalments of £33.83 followed by a final instalment of £33.51.

In September 2022, Mr T purchased a phone for £587.48, which was due to be repaid in 35 monthly instalments of £16.32 followed by a final instalment of £16.28.

In February 2023, Mr T purchased a phone for £1,399.00. Mr T paid a deposit of £30 and the remaining £1,369.00 was due to be repaid in 35 monthly instalments of £38.03 followed by a final instalment of £37.95.

Finally, in May 2023, Mr T purchased a watch for £233.70, which was due to be repaid in 35 monthly instalments of £6.50 followed by a final instalment of £6.20.

One of our investigators reviewed what Mr T and Telefonica had told us. And she thought that Telefonica hadn’t done anything wrong or treated Mr T unfairly. So she didn’t recommend that Mr T’s complaint be upheld.

Mr T disagreed with our investigator’s assessment and asked for an ombudsman to look at his complaint.

## **My findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr T’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mr T’s complaint. I’ll explain why in a little more detail.

Telefonica needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Telefonica needed to carry out proportionate checks to be able to understand whether Mr T could afford to repay before providing these loans.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Telefonica says it agreed to Mr T's applications after it carried out credit searches on at least some of these applications. And in its view, all of this information showed Mr T could afford to make the repayments he was committing to.

On the other hand, Mr T has said he should not have been provided with these agreements as he was allowed to have too many of them at the same time.

I've carefully thought about what Mr T and Telefonica have said.

The first thing for me to say is that the information provided does suggest Mr T was asked to provide some information regarding his circumstances and Telefonica didn't just rely on what it was told as it carried out credit searches too. Telefonica's credit checks did indicate that Mr T had some existing credit. Although I've not seen anything to be able to say that these were excessive. Mr T says that he had two other credit cards on his credit profile which were removed – presumably because he complained about them. However, as they were removed from his credit profile, I don't see how Telefonica could possibly be expected to know about them.

I'm also mindful that Mr T was being provided with interest free credit to purchase products rather than cash loans attracting interest. Furthermore, the monthly payments that he was required to make both individually and when both agreements are taken together are low – the amount Mr T had to pay only exceeded £100 by the time of agreement 4 and even then agreement 1 was due to end in a few months. Bearing in mind the two and a half years between loan 1 and loan 5, I don't think that the frequency of purchases was indicative of an underlying issue either.

I accept that Mr T's actual circumstances may not have been fully reflected in the information Telefonica obtained. But given the circumstances of the borrowing, I can't reasonably say that Telefonica ought reasonably to have done more here. As this is the case and bearing in mind everything, I don't think that Telefonica did anything wrong when deciding to lend to Mr T – it carried out reasonable and proportionate checks (although I accept that Mr T will not agree with this) and this suggested the repayments were affordable for Mr T.

For the sake of completeness and notwithstanding the fact that I am not upholding Mr T's complaint, I do think that it would be useful for me to explain that as Mr T entered into interest free agreements, even if I were to have upheld Mr T's complaint, I would not have asked Telefonica to do anything more.

I say this because I would typically direct a firm to refund any interest, fees and charges paid should I uphold a complaint about irresponsible lending. But the consumer would be expected to repay any funds that they received and had the benefit of.

As Mr T had the benefits of the goods financed and he wasn't scheduled to pay any interest and charges, irrespective of the fact that Mr T didn't make all his payments in these instances, I wouldn't have required Telefonica to refund Mr T's payments, even if I were to

agree that the loans were provided irresponsibly. In any event, it's also my understanding that a proportion of the amount that Mr T owed was written off too. In these circumstances, it's difficult for me to agree that Mr T has been treated unfairly.

In reaching my conclusions, I've also considered whether the lending relationship between Telefonica and Mr T might have been unfair to Mr T under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Telefonica irresponsibly lent to Mr T or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having considered everything, I don't think that Telefonica treated Mr T unfairly or unreasonably when providing him with his loans. And I'm not upholding Mr T's complaint. I appreciate this will be very disappointing for Mr T. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Mr T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 13 January 2025.

Jeshen Narayanan  
**Ombudsman**