

The complaint

Mr P complains that Lantern Debt Recovery Services Ltd was chasing him for a debt which he denied was his. He seeks compensation for the costs he's incurred.

What happened

Mr P tells us that he received notification by post in July 2020 regarding the repayment of a debt in the sum of over £12,000. He says that he didn't recognise the debt and that he and his solicitor advised Lantern that he'd been the victim of fraud. And that they asked Lantern for information to prove the debt was that of Mr P. Rather than acting upon this, Mr P feels that Lantern asked him for unnecessary personal information and that its investigation was delayed.

Lantern told us it had bought the debt in July 2020. And that it had been contacted by Mr P and then his solicitor to the effect that they believed the agreement giving rise to the debt was the result of a fraud. Lantern has explained the progress of the investigations it undertook. And says it's now accepted that Mr P was the victim of fraud. And that he won't be chased for the debt. Lantern also accepted it was in error in demanding payment in August 2020 whilst the debt was still disputed.

Our investigator recommended that the complaint should be upheld. She thought that Lantern should've responded more quickly to Mr P's solicitor's request for details of the bank account into which the loan had been paid. And had this been done the matter would've been settled much earlier. As Mr P was able to confirm that he'd never held an account with the bank that had received the funds. Nor had he been employed by the company referred to in the loan application.

She recommended that Lantern pay £200 to Mr P for distress and inconvenience caused.

Mr P reluctantly agreed to this outcome. But Lantern didn't accept it should pay any compensation. As it's not been possible to resolve this complaint an ombudsman's been asked to make the final decision.

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 understand that Mr P would justifiably be concerned to be chased for a debt which was not his to pay. And to be asked to provide personal information which ought not to have been required in order to resolve the issue.

In determining the outcome of this complaint I think it's fair to emphasise that the responsibility for proving that Mr P owed this debt at all times rested with Lantern.

But the impression I've had from reading through this complaint is that Lantern has at times acted as though it was up to Mr P to prove the debt wasn't his. I find that approach to be erroneous.

Whilst it's reasonable to expect the alleged victim of a fraud to assist, that doesn't mean they are required to supply personal information which isn't – or ought not to be – required to further the investigation. So why Lantern required details of Mr P's current bank account details eludes me.

Exemplifying this approach is the letter of 26 August 2020 in which Lantern told Mr P's solicitor that it had concluded its investigations and was requiring payment. This was apparently on the basis that the original owner of the debt had said that:

"The customer passed all automatic checks, therefore there is no proof required."

I'm pleased to acknowledge that Lantern immediately admitted this error and has taken steps to ensure it's not repeated. And that it complies with the relevant FCA rules.

CONC 7.14.1 R

(1) A firm must suspend any steps it takes or its agent takes in the recovery of a debt from a customer where the customer disputes the debt on valid grounds or what may be valid grounds.

CONC 7.14.2 G

Valid grounds for disputing a debt include that:

(1) the individual being pursued for the debt is not the true borrower or hirer under the agreement in question; or

(2) the debt does not exist; or

(3) the amount of the debt being pursued is incorrect.

I also cannot accept that Mr P's solicitor requiring proof of the loan and seeking to enquire about its enforceability should be thought to be indicative of a lack of cooperation. Or that it should result in a delay in the investigation of Mr P's complaint.

A solicitor is required to act in the best interests of their client. And it's entirely reasonable to explore alternative routes to determine if the client is liable for the debt being pursued.

And Lantern's assertion, *"Clearly, we cannot accept verbal statements as evidence of fraud"*, is in my opinion, to mistake what's required.

Upon receiving notification of the dispute, there's a number of actions which I think Lantern could and should have commenced. And which wouldn't at that stage have needed Mr P to provide anything more.

Not least was doing simple checks relating to the start of the agreement. This would've included checking what information had been used to support the loan application. And details of the bank account into which the loan had been paid.

This information ultimately proved to be a crucial part of the investigation and showed the money wasn't paid into an account operated by Mr P. And that he'd not worked for the employer stated in the application.

That information was known to Lantern by 15 September 2020. Yet it was more than three months before it was accepted that Mr P was not the debtor. It should have been possible for this to have been checked much quicker.

I've concluded that Lantern ought reasonably to have accepted no later than by the end of September 2020 that the debt was not that of Mr P's. And that the subsequent delay was the cause of distress and inconvenience that was avoidable.

I agree with our investigator that Lantern shouldn't be responsible for the fees of Mr P's solicitors or the associated costs of checks made with CIFAS or a credit reference agency. Nor for the potential loss of choice in mortgage provider. It seems to me that these were the direct consequences of the fraud rather more than Lantern pursuing the debt. I understand that Mr P accepts this. I also acknowledge that he does so reluctantly.

In summary, I'm upholding this complaint. In my opinion the delay caused by the approach which Lantern adopted, resulted in Mr P experiencing unnecessary distress and inconvenience. And I find that it should pay him £200 as a fair and reasonable resolution of this complaint.

Putting things right

Lantern should pay £200 to Mr P for distress and inconvenience.

My final decision

For the reasons given above my final decision is I'm upholding this complaint.

I now require Lantern Debt Recovery Services Ltd to take the action I've stipulated in the preceding section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 16 July 2021.

Stephen Ross
Ombudsman