

The complaint

Mr E complains that Lantern Debt Recovery Services Ltd incorrectly chased him for a debt and didn't remove a default marker from his credit record.

What happened

In September 2021, Lantern purchased a debt from a third-party lender, I'll refer to as B. B provided Lantern with Mr E's information and the amount owed. Lantern then reported this information to the credit reference agencies.

Mr E contacted Lantern in October 2021, explaining that he had been removed as a guarantor for the loan and so B shouldn't have sold the debt onto Lantern and provided his details. Mr E later noticed that Lantern were wrongly reporting a default against him for the debt.

Lantern responded to Mr E's complaint and confirmed that once it was notified by both Mr E and B that Mr E wasn't liable for the debt, it took steps to remove Mr E's information from its records. It accepted it should have done more to remove the default marker from his credit file and offered Mr E £100 to apologise for this.

Mr E says that the default has caused him considerable trouble, in that he wasn't able to borrow money at a reasonable rate, he was declined for credit and he has been unable rearrange his mortgage. He's said this situation has caused him a lot of stress. And he doesn't think the £100 Lantern has offered him by way of an apology is enough.

To put things right, Mr E says he wants Lantern to pay him more compensation for its mistake. And he would like the regulator to fine Lantern.

The Investigator didn't uphold Mr E's complaint and they thought that the £100 compensation for not removing the default sooner was a fair way to settle things.

Mr E didn't agree with the Investigator. He didn't feel as though the Investigator had considered all of his concerns. And he feels that Lantern are purchasing debts without due care and attention.

Because Mr E didn't agree with the Investigator, the complaint has been passed to me to make a decision on the matter.

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.

Having considered everything, I won't be upholding Mr E's complaint. I appreciate this decision will come as a disappointment to Mr E, but I'll explain my reasons for this below.

Lantern purchased the debt from B in September 2021, and I can see Mr E was notified of this. Generally, when a firm, Lantern in this case, purchases a debt, it will do so in good faith – in that it'd expect the information provided by the lender to be correct.

I appreciate Mr E feels as though Lantern should have done more to check that he was liable for the debt before purchasing it, but it would generally be up to the lender to ensure that it had provided the debt purchaser with the correct information prior to the sale.

I can see Lantern notified Mr E of the purchase of the debt. And soon after, Mr E contacted Lantern to let it know he shouldn't be held liable. This is the first point I've seen where Lantern ought reasonably to have been aware of a potential problem with the information it had received about the debt.

I can see that after notification from Mr E that he shouldn't be liable for the debt, Lantern quickly started to make enquiries with B to check what Mr E had said. At this point, I can see that Lantern put a note on the file to ensure that Mr E wasn't contacted about the debt while it was being investigated – which is what I would have expected it to do.

Once Mr E and B had both confirmed that Mr E wasn't liable for the debt, Lantern removed Mr E as a guarantor. This all appears to have happened in a relatively timely manner.

Once a debt is purchased, it is Lanterns responsibility to report the debt to the credit reference agencies – and any defaults that had been recorded by the lender would then need to continue to be reported by Lantern. So, I don't find that Lantern initially did anything wrong in reporting the debt to the credit reference agencies – it could only act on the information provided to it by B.

However, once Lantern removed Mr E as a guarantor, it should have also updated this information with the credit reference agencies, which should have included removing any defaults that had been recorded. Lantern has accepted that it should have done this sooner. So, it's now for me to decide if the £100 Lantern has already offered Mr E is enough to put things right here, and I think it is.

When considering what might amount to fair compensation in these circumstances, I have considered what happened, the impact this had and our general approach to distress and inconvenience awards, which can be found on our website.

Mr E has explained that as a result of the default incorrectly on his credit file, he was unable to borrow money at a reasonable rate, declined for credit and unable to rearrange his mortgage. He's also said he had been caused a lot of distress.

I'm sorry to have read about the stressful time Mr E went through as a result of Lanterns error. I can understand it must have been worrying for him to not know if or when the default would be removed. Mr E also told us he'd been declined credit as a result of the default; however, when asked he hasn't been able to provide this service with any evidence of this.

Lantern certainly should have been quicker at removing the default from Mr E's credit file, but I don't think more compensation is warranted here. I haven't seen any evidence of Mr E having been declined for credit or having to pay more for credit. Even if I had seen this, it would be difficult for me to find that the declined or more expensive credit was as a result of the default. For all of these reasons, I think the £100 Lantern has already offered is a fair distress and inconvenience payment in the circumstances, so I won't be asking Lantern to do anything more for Mr E.

It isn't clear if Lantern has paid the £100 to Mr E yet or not. If it hasn't, it should still do this, if Mr E wishes to accept it.

I have noted Mr E's comments that he wants this service to fine Lantern for what it has done wrong. But it isn't the role of this service to fine or punish businesses for mistakes it has made.

My final decision

For the rules set out above, I don't uphold Mr E's complaint.

However, Lantern Debt Recovery Services Ltd should pay Mr E the £100 it has already offered him, if it hasn't done this already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 10 March 2023.

Sophie Wilkinson
Ombudsman