

The complaint

Miss I complains Lantern Debt Recovery Services Ltd have held her liable for a fraudulent loan. Miss I also complains about how long they took to investigate her claim the loan they were asking her to repay was fraudulent.

Another party has supported Miss I in bringing this complaint, but as the account is in her name, I've just referred to her for simplicity.

What happened

In July 2017 a short-term loan for £250 was taken out in Miss I's name with a company I'll refer to as C. My understanding is all loan repayments weren't made, so the loan defaulted and was subsequently sold to Lantern. The balance increased to £494.80 due to interest applied seemingly before it was sold to Lantern. C is no longer trading.

Miss I says she first became aware of the loan when getting a copy of her credit file in preparation for applying for a mortgage. This was in June 2021, and she reported the matter to Lantern at the time saying the loan had been fraudulently taken out. She next heard from Lantern in October 2021 – where they said their fraud investigation was taking longer than expected.

By February 2022, Miss I wanted to apply for her mortgage but couldn't do so while she had a default registered against her. So she contacted Lantern, paid off the debt so the account would show as settled, and raised a complaint.

Lantern accepted the fraud investigation had taken too long but didn't think there was enough evidence to say fraud had taken place. They said sorry for the length of time taken.

Unhappy with this Miss I asked us to look into things – saying she'd offered to pay off the debt when originally complaining in June 2021 but Lantern said to wait until the investigation has been done. She explained after paying off the debt in February 2022, and before the default could be updated on her credit file, the Bank of England base rate had changed – meaning she could no longer get the cheaper interest rate she'd planned for on her mortgage. Because of this, she asked for £494.80 to be refunded – which was the amount she paid to settle the loan – plus £3,809 which represents the additional cost of borrowing on the mortgage she's now got.

One of our Investigators looked into things, and upheld the complaint, but not to the degree Miss I had asked for. Our Investigator recommended redress of £300 for the delays in the matter being investigated – but didn't think she could reasonably award the mortgage costs.

Miss I didn't tell us she disagreed with the outcome, but Lantern did, in summary they said:

- Their correspondence on 27 October 2021 said they'd received the completed fraud forms and the investigation was taking longer than expected to complete. They said this wasn't an acknowledgement the fraud investigation had begun.

- The fraud investigation outcome was delivered by phone on 19 January 2022 – and Lantern said in order to consider the balance as fraud they'd need a Police report and evidence from Miss I's bank there was fraud.

Because of this, the complaint's been passed to me to decide.

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 think it's important to explain I can't look at any actions by C – as this complaint is against Lantern only.

Fraud claim

Generally, I'd expect a debt collector to be satisfied they have enough information the debt is likely to belong to the person they're contacting. Lantern were provided with evidence when buying the account from C which shows the account was opened in Miss I's name, at her then address, and some payments were made to the loan.

If C was still trading, it's possible more information would come to light which might help prove Miss I's claim the loan was fraudulent. And I've not ignored that other accounts taken out around the same time have been determined to be fraudulent – but here I can only look at Lantern's decision.

Lantern purchased the account in good faith and because Miss I hadn't raised the account as being in dispute while C was trading there was no reason for Lantern to think this was anything other than a legitimate debt owing.

Given the evidence they've got, which is all they can get due to C no longer trading, I can't fairly say they've reached a wrong decision. So, because of that, I think Lantern had fairly recorded a default, and were fairly asking her to repay the debt. As a result, I won't be telling them to refund Miss I the £494.80 she paid to clear the debt.

The length of time taken to investigate the fraud claim

I've noted Lantern have accepted they've taken too long to investigate matters – but they think the award by our Investigator of £300 is excessive.

The issue was originally raised on 3 June 2021, and the outcome wasn't communicated until 19 January 2022 – this is around seven and a half months. I find this an extremely long time for a financial business to, seemingly, just review the information they already had and reach an outcome.

I've also noted when delivering the outcome, they've told Miss I that having a Police report would be helpful. This though isn't mentioned by Lantern's agent in this first call on 3 June 2021 – even after the agent was asked if there is anything else that would be helpful. So, I'm in agreement matters have taken too long, and think Lantern haven't realised the severity of their delays here.

The impact of the delays

Miss I has said as a result of Lantern's errors she's not been able to get the mortgage deal which she wanted before the interest rates increased. In order to award Miss I these costs, I

need to be satisfied Lantern are solely responsible for them – and that regardless of anything Miss I did, these costs would have been incurred anyway due to Lantern's actions / inactions.

Miss I has said to us she offered to pay off the debt during the first complaint call. I've listened to this call where the issues were raised – and I can't hear that she did offer to pay off the debt. I can see our Investigator asked when Miss I made that offer to look into it further, but she wasn't able to provide any more information.

In addition, at the time it seems there isn't any real urgency from Miss I for the matter to be resolved. It's said in the call she's not planning to apply for a mortgage for 6-12 months – and the only reason for wanting the default to be removed is for the mortgage.

Added to that, is that I'm not aware of Miss I chasing the matter up with Lantern which, given the length of time that's passed, I'd usually see. She's explained this is because she was dealing with other debts – which is perfectly understandable – so she just left Lantern to get on with sorting this out.

It's unclear to me exactly when the matter became more urgent for Miss I, but I can't reasonably say Lantern were aware of the urgency for her. And although they've caused errors leading to a delay, I also can't find Miss I offering to pay off the debt prior to when she actually did in February 2022 – nor chasing up matters regularly which might have resolved things earlier.

I do think Lantern have acted poorly here, but not to the extent I can award Miss I her mortgage costs. In addition, although I've noted Miss I has some evidence from her broker about what the lender would have taken into account, I can't say with any degree of certainty her mortgage application would have succeeded even if matters had moved quicker.

Like our Investigator though, I do think compensation is appropriate. And I think £300 for a seven-and-a-half-month delay with poor communication is a fair amount to recognise the impact on Miss I.

My final decision

For the reasons I've explained above I partially uphold this complaint and require Lantern Debt Recovery Services Ltd to pay Miss I £300.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss I to accept or reject my decision before 9 January 2023.

Jon Pearce
Ombudsman