

The complaint

Mrs G complains that Lantern Debt Recovery Services Ltd (Lantern) purchased her debt of a loan from the administrators of the loan company, when it was still in dispute, and are pursuing recovery of the debt.

What happened

Mrs G took out a loan with a loan company, P, in November 2018. Subsequently she made a complaint of irresponsible lending, which P rejected. She was then told that P had gone into administration. She then raised her complaint with a firm, G, the administrators of P. She says she didn't receive any reply and she next heard that the loan had been sold to Lantern who contacted her about recovery of the debt.

Mrs G says that Lantern requested that she provide it with details of the dispute and it would contact G to investigate. She then heard from Lantern that it had been told by G that all claims had now closed so the debt remained with it for recovery.

Mrs G made a complaint to Lantern that she had been led to believe that the account would be closed and returned to G. Lantern said in its final response that it didn't say that. It agreed to query the outcome of Mrs G's claim with G, but when it established that this was not something it could do, it sent her the contact number so she could discuss the matter with G. It said it would put a 30 day hold on recovery to allow her to do this and was willing to discuss a payment plan. It also offered to accept a final payment of £550, the amount owing being £916.84.

On referral to the Financial Ombudsman Service, our Investigator explained that Lantern wasn't responsible for the irresponsible lending and that G wasn't under our jurisdiction. So he couldn't uphold the complaint.

Mrs G said she understood that Lantern wasn't responsible for the original lending. But she said her complaint is that Lantern purchased a debt from the receivers that was still in dispute and are trying to collect on that debt. She believes Lantern had a responsibility to carry out due diligence, reasonable and proportionate checks to ensure the debt was free from dispute.

The matter has been referred to me for further consideration.

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 believe Mrs G understands that Lantern isn't responsible for any issues concerning the sale of the loan to her including irresponsible lending. Also that G doesn't come under our jurisdiction, so if she wishes to raise a complaint about G, she should contact it to ask it what the procedure is.

Generally debt recovery agents like Lantern are subject to the Consumer Credit (CONC) Rules contained in the Financial Conduct Authority (FCA) Handbook (available online).

CONC 7.3.6 says:

“A firm must treat customers in default or in arrears difficulties with forbearance and due consideration.”

And it is subject to the overriding principle that:

“A firm must pay due regard to the interests of its customers and treat them fairly.”

If a debt is still in an active dispute, I wouldn't expect a debt recovery firm to buy that debt. Nor would I expect the loan account holder to sell on such a debt. But I don't think it's for that firm to check that the debt isn't in dispute before taking it on.

Here Mrs G told us in her complaint form that she contacted Lantern when it advised her the debt had been passed to it. Mrs G says it asked her to email it with the details and it would contact G and investigate. It appears that it did this but was told by G that it had closed its complaints process, and wasn't accepting any new complaints. Mindful that Mrs G had said she had raised a complaint with G, Lantern provided her with a contact number for her to discuss the matter with G. I don't know if she did this but I don't think Lantern needed to take any further steps with G. It had been told that the complaints process was closed so it advised Mrs G it wouldn't change its position. I think Lantern's actions were reasonable.

In respect of Lantern's dealings with the debt, I've noted that it agreed to put the account on hold while Mrs G contacted G and also offered to accept a lower payment to clear the debt. It also said that it only wished to agree repayment plans which were considerate of Mrs G's circumstances and affordable for her. So I think it acted appropriately with regard to repayment of the debt

My final decision

I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 1 August 2023.

Ray Lawley
Ombudsman