

The complaint

Mr C complains Lantern Debt Recovery Services Ltd didn't carry out due diligence when purchasing his debt from another company.

What happened

I issued a provisional decision setting out what'd happened, and what I thought about that. I've copied the relevant elements below, and they form part of this final decision.

In January 2018 Mr C took out a short-term loan for £200 with a lender I'll refer to as U – U have since gone into administration. The loan wasn't repaid, and ultimately Lantern purchased the debt and asked Mr C to repay it. Mr C didn't feel as though Lantern did proper checks when buying his debt and has evidence to prove it. Mr C says the relevant evidence shows U found one default, but at the time of the application, he had four defaults.

Lantern replied and said they held two accounts for Mr C. One from U, and another relating to a different lender. Due to points raised by Mr C, Lantern said they'd written that debt off with the other lender. In respect of the debt with U, Lantern said they'd not done anything wrong in contacting Mr C for repayment of the debt. Lantern also said they "complete thorough due diligence on all lenders prior to purchase. Treating customers fairly is at the heart of our organisation and Lantern are committed to purchasing accounts where the original lending was completed in a fair and responsible way and that affordability checks are as we would expect and align with Lantern's values."

Unhappy with this, Mr C asked us to look into things and provided some information – including a complaint he'd made to U about irresponsible lending. The response from U mentioned there had only been one default in the previous 12 months, no CCJ's nor any outstanding balance with other lenders and had only opened two accounts in the previous six months. Mr C also specifically highlighted the paragraph from Lantern's response to him, where they said they complete thorough due diligence on all lenders prior to purchase.

One of our Investigators looked into things, but found overall Lantern hadn't done anything wrong, so didn't uphold the complaint against them.

Mr C didn't agree, in summary he said:

- *He's proven there were four defaults on his credit file but U only mentioned one – and no one is prepared to acknowledge this is wrong.*
- *He felt Lantern needed to be held accountable for their statement which says they complete thorough due diligence on all lenders prior to purchase – as the evidence he has suggests this statement is untrue and misleading.*

Mr C has explained that had Lantern not told him they'd done their due diligence, then he'd have checked what they said, and contacted the FCA. He says Lantern telling him they have checked has led to him wasting numerous hours of his time. Because Mr C didn't agree with our Investigator, the complaint's been passed to me to decide.

What I've provisionally 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 upfront I can't decide whether U did or didn't irresponsibly lend to Mr C. From the information he's provided, he raised a complaint about that where U said they hadn't irresponsibly lent.

I've seen Mr C's comments that he's proven this was based on incorrect information – and that U talked about only one default, when he had four and says this is enough to prove they got it wrong. But what U actually said in their response was Mr C had only had one default in the last 12 months. The evidence Mr C has provided of the default's pre-date the 12-month timeframe U have mentioned. So, although I can't investigate a complaint against U, I can see this has been a concern of Mr C's and hope providing this information helps. Mr C has also mentioned holding numerous short-term balances at the time which contradicts what U said – but I don't have the information to try and help on this point.

I've read all of Mr C's comments about why he thinks the loan he took out with U was irresponsibly lent, but I can't make any finding on this point. U is a separate company and in this complaint I'm only able to consider the actions of Lantern.

Similarly, I've seen Mr C's concerns about how the short-term loan industry, and the debt industry, work. But as I can see our Investigator explained, that would be a matter for the Financial Conduct Authority.

So, turning to Lantern's actions.

Here, as I've explained above, they're not responsible for selling the loan, so we can't consider an irresponsible lending complaint against them. I can see our Investigator has explained that, and from my review of his responses I think Mr C has understood that – even if fundamentally he disagrees the wider financial system is operating fairly.

With that in mind, what's left for me to consider is whether Lantern have misled Mr C as he's said they have by stating they:

“complete thorough due diligence on all lenders prior to purchase. Treating customers fairly is at the heart of our organisation and Lantern are committed to purchasing accounts where the original lending was completed in a fair and responsible way and that affordability checks are as we would expect and align with Lantern's values.”

In reviewing this complaint, I thought this was one of Mr C's key points. So, to address it, I arranged for us to ask Lantern what due diligence they did when purchasing Mr C's two accounts (U – and the account written off).

Lantern told us they do some sample checks of accounts to ensure relevant notices have been sent. But when asked, haven't provided a response about whether any specific checks were carried out on Mr C's accounts.

In the absence of information and given Lantern have had plenty of opportunity to provide a full and detailed response, I need to move forward with the case.

I think it's clear the information Lantern gave Mr C has caused him considerable distress. He believes very strongly the accounts were irresponsibly lent – but Lantern effectively told him they hadn't been. Yet when questioned, Lantern have failed to back up their statement.

Given that, I'm currently planning to require Lantern to pay Mr C £200 compensation for the distress he's been caused by this seemingly incorrect statement.

Responses to my provisional decision

Mr C replied and I've summarised what I consider to be his key points below:

- He'd like to know if the £200 compensation is taken off the balance owing, or if that can be paid to him directly and Lantern can still pursue him for the debt
- He's moved a few times since Lantern acquired his debt and he gave his current address
- He has no intention of repaying the debt as he believes it's unenforceable, and is concerned about how Lantern will contact him if the debt remains payable due to his personal circumstances

Lantern provided more detail about how their checks are completed, but as part of that confirmed no checks were carried out on Mr C's accounts.

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.

Lantern have eventually provided the information I asked for. I appreciate them sharing their information on the checks they do, and they've explicitly confirmed Mr C's accounts weren't part of any checks they did.

A big part of Mr C's complaint was the loans had been lent irresponsibly to him. So, I'd have expected either for the accounts to have been checked as part of the sample checking, or Lantern to explain they do sample checking but that didn't include his accounts – so they couldn't say whether they had been irresponsibly lent or not. And then it'd have been helpful had they sent out why they were entitled to ask for repayment regardless of whether the loans had been irresponsibly lent or not.

Instead, they told Mr C they only purchased accounts which hadn't been irresponsibly lent, without really addressing the points Mr C had raised about why he felt they had been irresponsibly lent.

So, overall, I'm going to continue to uphold this complaint and remain of the opinion £200 compensation is fair.

In respect of that, this amount will be paid directly to Mr C for the distress Lantern have caused him due to their poor communications. In terms of how this is paid usually financial businesses will transfer the money rather than sending a cheque, but I'll ask our Investigator to speak to Mr C regarding this as I've noted his comments Lantern may not have his up to date address.

Finally, in respect of the debt, if Mr C chooses not to enter into a repayment plan with Lantern I think it's very likely they'd continue to contact him and ask for repayment of it. Lantern aren't responsible for the lending of the money, but they are entitled to expect repayment of it. I'm sorry to hear of the difficulties Lantern's contacts may cause Mr C, as I can imagine that wouldn't be very pleasant. But I've simply no grounds on which to tell Lantern they're not allowed to ask for repayment of a debt Mr C currently owes.

My final decision

For the reasons I've explained above, I uphold this case and require Lantern Debt Recovery Services Ltd to pay Mr C £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 11 October 2023.

Jon Pearce
Ombudsman