

The complaint

Miss A complains that Lantern Debt Recovery Services Limited (Lantern) unfairly recorded a default on her credit file and this caused her a financial loss.

What happened

Miss A was a guarantor on a loan which was taken out. The loan account wasn't kept up to date and the original lender (OL) issued a default notice to the borrower in July 2020, Miss A was sent a copy of the default notice, which allowed an opportunity for the account to be brought up to date and avoid the default being issued. The account wasn't brought up to date and so the default was applied on 4 March 2021.

In August 2023, OL sold the account to Lantern. Lantern began reporting the default to Miss A's credit file as they felt the terms and conditions of the guarantor agreement allowed them to.

Miss A complained about this to Lantern, she also raised that she hadn't received an agreed call back from Lantern's customer service team. Lantern didn't uphold Miss A's complaint about the default but offered to remove it as a gesture of goodwill if she settled the account in full. They did uphold her complaint about the call back and offered her £50 compensation for that.

Miss A was unhappy with this response and so brought her complaint about the default to our service. Our investigator upheld her complaint and asked Lantern to remove the default and pay Miss A £150 for the trouble and upset this had caused to her.

Lantern agreed with the investigator's findings. Miss A didn't, she said that because of the default she had been turned down by a high street bank for a mortgage and had needed to take a more expensive option through a broker. The broker fee alone for this was £5000 so the £150 awarded nowhere near covered her financial losses and she wanted that to be taken into consideration by an Ombudsman.

The matter has now 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 realise that I've summarised this complaint in less detail than the parties and I've done so using my own words. I've concentrated on what I consider to be the key issues. The rules that govern this service allow me to do so. But this doesn't mean that I've not considered everything that both parties have given to me. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is.

As Lantern agreed to remove the default and pay £150 compensation to Miss A. The only thing left here for me to decide is if Lantern need to pay Miss A for the financial loss she says the default caused her. Having thought about that carefully I don't think they do, I'll explain why.

For me to fairly be able to say Lantern's recording of the default was the cause of any additional costs Miss A incurred I would have to be satisfied of the following:

- She'd had a declined mortgage application where the sole reason of the decline was due to this default only and not anything else including other information in her credit history; and
- she only used a broker where she incurred these fees because of that declined mortgage application.

While I don't doubt what Miss A has said about an application being turned down, she hasn't been able to provide any evidence of the declined application from either the high street lender or the broker.

She was also asked to provide a copy of her credit file to us, she didn't. But she did provide a form on the broker's headed paper that had been completed by hand listing the account as an outstanding debt, saying the default was being disputed. Again, I accept that Miss A is saying her credit history is clean, but I haven't seen any evidence to support this. And even if I had, lenders can and do decline applications for a number of reasons so this wouldn't have necessarily satisfied me without the evidence of the application.

Based on this I can't say the first point above has been satisfied, but for completeness I have explored the second point so Miss A can be satisfied I have been thorough in my thought process.

I've listened to a call where Miss A told our service her broker had looked at her credit file and noticed the default, which is what prompted her knowledge of it. However, it was after our investigator issued their findings, she raised the financial loss associated to the broker. She told us she applied online for a mortgage with a high street lender, who she already had a mortgage with, and failed the credit score and this prompted her knowledge of the default forcing her to use a broker and pay the associated fees. Based on the conflicting statements she has made to us I'm not persuaded that she wasn't intending to use a broker from the start – before her knowledge of the default - so may have always incurred broker fees.

Bringing all of this together, I'm satisfied that Lantern don't need to pay any financial loss to Miss A. I know this will come as a disappointment to Miss A, but I hope my explanation helps her to understand why I have reached the decision I have.

Putting things right

Lantern should now:

- Remove the default from Miss A's credit file
- Pay her £150 in addition to the £50 they previously offered to her, for the trouble and upset caused to her.

My final decision

For the reasons set out above, my final decision is that I uphold Miss A's complaint and now require Lantern Debt Recovery Services Limited to carry out the actions set out in the 'Putting things right' section of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 17 April 2025.

Amber Mortimer
Ombudsman