

The complaint

Mr M complains Lantern Debt Recovery Services Ltd have reported a default on his credit file when he doesn't think they should have.

The borrower is also joined to this complaint, but for simplicity I've just referred to Mr M by name.

What happened

Mr M acted as a guarantor on a loan taken out by a family member. I understand the loan was taken out in February 2019 with a company I'll refer to as A. The account fell into arrears. A sold the account to Lantern, who then applied a default to Mr M's credit file.

Mr M complains about the application of the default – saying there was a change of terms between A and Lantern which Lantern didn't tell him about. Mr M also said this had impacted him getting a mortgage.

Lantern said they'd told Mr M and the family member about the default and they'd followed A's terms and conditions when applying the default. Overall they didn't think they'd done anything wrong, but as a gesture of goodwill they'd chosen to remove the default.

Lantern also offered Mr M £150 for the distress he'd been caused – which I understand was paid to him.

Unhappy with Lantern's actions Mr M asked us to look into things – saying he'd spoken to a debt charity who suggested he had good cause to ask for him to be removed from the account as guarantor.

One of our Investigators considered things, and felt Lantern removing the default and paying Mr M £150 was a fair resolution to the complaint. Mr M didn't accept this. He said:

- Is there cause for complaint while the account was in Equitable Set Off?
- After saying the default would be removed and it wasn't, it now has been
- At the time of his response, Mr M's property purchase hadn't completed – so the default negatively impacted his mortgage hadn't happened yet – but he did get very different quotes with and without the default
- He's very worried the default could be applied again and would like to remove this possibility because of the house purchase process
- A didn't properly check he could afford to act as a guarantor

Overall, Mr M thought it'd be fairer for him to be removed as a guarantor. So, 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 firstly explain I've read and taken into account all of the information provided by both parties, in reaching my decision. I say this as I'm aware I've summarised Mr M's complaint in less detail than he has. If I've not reflected something that's been said it's not because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. 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. This also means I don't think it's necessary to get an answer, or provide my own answer, to every question raised unless I think it's relevant to the crux of the complaint.

Lantern have already removed the default and paid £150 compensation. So, the key focus is for me to consider whether Lantern needs to do anything more at this point. As part of deciding that, I'll address Mr M's comments.

Mr M has asked if Lantern applying the default during Equitable Set Off was right. Equitable Set Off is, as I understand it, a legal procedure which seemed to place the requirement of payments to the loan to be put on hold.

I don't know if Lantern should have applied the default or not during this time – but it's since been removed. And, if they shouldn't have applied it, then that in itself wouldn't be enough to increase the compensation – I'd need to see what impact that had.

Mr M has framed his primary impact around his mortgage – but has also told us that the process hadn't completed in his last contact – while also telling us the default had now been removed. In the circumstances it wouldn't appear the default is going to have any impact on the mortgage offer Mr M actually takes out.

I can though understand the worry about the default being applied again given the potential impact on Mr M's mortgage application. But I can only address what has happened – not what might hypothetically happen. And given Lantern proactively removed the default, I'd be surprised if they added it again.

I understand Mr M has concerns over A accepting him as a guarantor for his family member's loan – but this isn't something I can reasonably say Lantern are responsible for – as it was A's decision to do this – not Lantern.

Finally I've noted Mr M's ultimate goal is to be removed from this loan, but I don't think I can reasonably require Lantern to do that in his case. I say that because Lantern proactively removed the default, haven't given any indication they may apply it again, and A is responsible for him being the guarantor.

Taking everything into account, I do sympathise with the difficult position Mr M has found himself in, but I'm satisfied Lantern did enough by removing the default and paying him £150. So, I don't require them to take any further action.

My final decision

For the reasons I've explained above I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mr M to accept or reject my decision before 9 September 2025.

Jon Pearce
Ombudsman