

## The complaint

Mr M complains Lantern Debt Recovery Services Limited trading as Lantern are asking him to repay a debt he doesn't think they should be and thinks overall they've treated him unfairly.

## What happened

Mr M took out a loan with a company I'll refer to as A. A went into administration, and Mr M made a claim through the scheme of arrangement (SOA) that was set up. His complaint was upheld and he was awarded redress for an irresponsible lending claim against A. During this time, his account was sold by A to Lantern who then contacted him.

Mr M says he disagrees with how Lantern were pursuing the debt, as at the time of making his complaint he was waiting for his redress. So, the debt they were pursuing could be reduced or written off. Mr M was also unhappy Lantern contacted his guarantor when the outcome from the SOA with A was the guarantor would be released from any ongoing liabilities. Mr M says this has caused significant distress, confusion and reputational damage within a personal relationship. Mr M adds that Lantern have breached a number of Financial Conduct Authority (FCA) rules.

Lantern said they acquired Mr M's account on 31 October 2024, they sent a Notice of Assignment (NOA) on 20 November 2024 and he raised his complaint two days later. Lantern acknowledged they'd emailed Mr M's guarantor in error despite saying in the NOA they wouldn't. They explained this was due to a system issue, said sorry for this, and offered Mr M £50. In terms of their pursuit of the debt, they explained they didn't think it was inappropriate, and provided Mr M with the Consumer Credit Agreement and statement of account from A showing he'd taken out the account and the balance owing.

In a later response, following a further complaint from Mr M, Lantern explained they'd checked with A, and there was an outstanding balance of £5,154.20 – but as a gesture of goodwill and to show they were working with him they'd reduced the balance by £50. In this response, Lantern confirmed there was no further redress due to Mr M from A.

Unhappy with Lantern's reply, Mr M asked us to look into things, saying he wanted our help to confirm the debt was unenforceable.

One of our Investigators considered things, and overall felt Lantern had done enough to put right their error regarding the guarantor, and didn't think Lantern had done anything else wrong.

Mr M disagreed, ultimately saying:

- When he made his complaint Lantern were made aware the debt arose from irresponsible lending and a formal redress scheme was ongoing. Mr M has suggested Lantern's actions after he made his first complaint is what should be considered.

- Lantern treated the account as a routine recoverable debt without meaningful consideration of the redress context and its implications for fairness, proportionality and due care. Mr M has said Lantern's failure to adapt its conduct once material context is known can be relevant to an assessment of an unfair relationship complaint under Section 140A of the Consumer Credit Act 1974 (s140A).
- The contact with the guarantor had a direct and serious emotional impact on him, reopened personal and family harm linked to the original loan and exacerbated his mental health difficulties.

Mr M said overall while he recognises the £50 payment and apology, he doesn't agree this reflects the seriousness of the impact or resolves the imbalance created once Lantern were aware of his circumstances.

### **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've considered all of the information provided by both parties in reaching my decision. If I've not reflected or answered 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.

Although Mr M initially raised concerns about some actions A were responsible for – such as selling the account while redress was ongoing – I can see his complaint focus is now solely about Lantern's actions. In light of that, I'll solely focus on what Lantern have or haven't done.

Before doing so, I need to explain I can't decide if an account is or isn't unenforceable, only a court can do that. If Mr M wants a decision about whether the debt is unenforceable or not, he'd need to seek legal advice about taking this matter to court. I can though consider whether Lantern have acted fairly in asking Mr M to repay the debt.

#### *Are Lantern fairly asking Mr M to repay this debt*

Mr M has said on a number of occasions he was expecting more redress from A – so Lantern shouldn't be asking him to repay this debt when the matter isn't fully resolved. Mr M has also said Lantern's actions in asking him to repay the debt have amounted to an unfair relationship under s140A.

Lantern say they'd checked with A, who said there was no further redress due, and the outstanding amount of £5,154.20 (later reduced to £5,104.20) was owed. Lantern overall didn't think they'd done anything wrong.

In general terms, when an account is sold by a lender to a debt purchaser, it's expected to have been sold free from any outstanding disputes. So, as a starting point, I don't think even if there was an outstanding dispute it'd have been unreasonable for Lantern to have contacted Mr M – as they wouldn't have known about the dispute unless A told them – and I've seen no evidence of that.

I've seen a copy of a letter dated 20 May 2024 addressed to Mr M from A – this says:

Following our investigation, your claim has been upheld. Based on our valuation, no redress or balance adjustment is due to you. No further payments will be due to you

in respect of your Scheme claim. Once the remaining balance due to A is paid, your loan will be settled and closed. This outstanding loan balance is the remaining amount (without any interest) that you have received and benefited from, and that needs to be repaid, before the loan can be settled in full

This letter from A is around five months before the account was sold to Lantern. So, in context, I don't think it's fair to say there was an ongoing dispute with A regarding the outstanding balance. A had already told Mr M that no further redress was due.

I'm conscious Mr M had also told Lantern a complaint had been raised to our service about A's actions – and it's for this reason Lantern also shouldn't pursue him.

I've checked our records and found a complaint recorded against A from Mr M. The last contact on this was us emailing Mr M telling him we wouldn't be taking his case against A forward because of the SOA. This was 31 May 2022 – around two years and five months before his account was sold to Lantern.

So, I don't think there was any outstanding dispute when the account was sold by A to Lantern.

Next, I need to think about Lantern's actions once Mr M raised his complaint.

Lantern contacted Mr M for the first time on 20 November 2024 with the NOA, and he contacted them two days later raising his complaint. I haven't seen anything to suggest Lantern contacted Mr M directly asking him to repay the account since that date. But, even if they did, there was no outstanding dispute at the time despite Mr M's claims. So, I don't think it'd be fair for me to uphold this complaint against Lantern for this – and I can see they did investigate Mr M's claims about outstanding disputes as I'd expect.

I've read Mr M's comments about the impact taking out this loan initially had on him. I'd like Mr M to know he has my deepest sympathy for what he experienced, and I'm pleased to hear he's in a better place now. I haven't listed out in detail what he's told us, as this decision is published on our website.

In thinking about Mr M's vulnerability this is something I'd expect Lantern to take into account if they knew about it. I can't see A told them anything about this. So, it'll only be if Mr M told them he was vulnerable that I'd expect to see Lantern have taken actions to support him.

In Mr M's original complaint contact there is no reference to this. I've also seen his correspondence dated 27 November 2024, 20 May 2025 and 21 May 2025. Mr M doesn't make any clear references to his vulnerability that I'd expect Lantern to have picked up on.

I also can't ignore when Mr M did disclose the impact of the loan on him to our service before our Investigator reached their outcome – which I thank him for as I can't imagine it was easy for him to do so – Mr M has characterised things slightly differently than he did in response to our Investigator's outcome.

Mr M has said:

In summary, the combination of Lantern's pursuit of a loan already deemed to be irresponsibly lent, their disregard for the ongoing redress scheme, and their inappropriate contact with the guarantor has caused me renewed mental health difficulties, emotional harm, and lasting damage to my personal life.

I'll come to Mr M's guarantor concerns in the next section. But, in respect of Mr M's vulnerability, I can't see he's raised anything to Lantern to make them aware of this. I don't think asking Mr M to repay a debt that was irresponsibly lent is in itself inherently unreasonable. The typical redress for a complaint about an account that's been irresponsibly lent is a refund of interest and charges – but the amount borrowed still has to be repaid if it hasn't been already. This is the redress Mr M received and Mr M hadn't repaid the amount he'd borrowed. In addition, as I've set out above, there was no ongoing redress issue at the point of Lantern taking over the account – though, as I also said above, Lantern did as I'd expect by looking into his concerns about this.

In summary then, I've found no reason to suggest Lantern have unreasonably or unfairly asked Mr M to repay this debt – or ignored his vulnerabilities when doing so. Because of that, I'm satisfied there are no grounds to uphold this complaint on a fair and reasonable basis, or when taking into account s140A.

#### *Guarantor contact*

Mr M has said the contact with the guarantor had a direct and serious emotional impact on him, reopened personal and family harm linked to the original loan and exacerbated his mental health difficulties.

Lantern have accepted an error in their systems meant they were contacting Mr M's guarantor when they shouldn't have been.

As a starting point it's disappointing to see Lantern have made this error – as it shouldn't have happened. But, as I can see Mr M understands, I need to decide if the impact on him has been fairly put right.

When deciding the impact, it's important for Mr M to understand I can't hold Lantern responsible for the way his guarantor has reacted to the contact in this complaint. That's because any impact to the guarantor is something they could bring as a separate complaint if they wanted to. But, this is also relevant to the impact on Mr M.

I say that because Lantern, in the NOA, have said they wouldn't contact the guarantor and then did. They've later accepted this was an error by them and they've said sorry while also paying Mr M £50.

In context, Lantern have acknowledged they've made an error, and I can't hold them responsible if Mr M's guarantor has decided to hold Mr M directly responsible for their error. It follows I can't hold Lantern responsible for the impact on Mr M's mental health for this.

But, I can hold Lantern responsible for creating the possibility of this issue happening. Clearly, Lantern shouldn't have written to Mr M's guarantor but I don't think they could reasonably have known how Mr M's guarantor was going to react. In weighing everything up, overall I'm satisfied £50 is fair compensation for resolving this complaint point.

#### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 16 February 2026.

Jon Pearce  
**Ombudsman**

