Equifax Fined for Selling Marketing Lists from Credit Data

October 22, 2012 - In the last Privacy Times, an article was published about Equifax (see below). The company was just fined by the FTC because they were selling contact lists of people who were behind in their mortgage payments. Frankly, the sale of any credit report information for marketing purposes has been a disaster for consumers. In ACCESS opinion, the sale of the type of list that Equifax was selling - people who are already facing credit issues - is especially problematic. These lists are a magnet for identity thieves and scam artists trying to take advantage of people who are often desperate.

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(function() {
var s = document.createElement('SCRIPT'), s1 = document.getElementsByTagName('SCRIPT')[0];
s.type = 'text/javascript';
s.src = 'http://widgets.digg.com/buttons.js';
s1.parentNode.insertBefore(s, s1);
})();
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(function() {
  var po = document.createElement('script'); po.type = 'text/javascript'; po.async = true;
  po.src = 'https://apis.google.com/js/plusone.js';
  var s = document.getElementsByTagName('script')[0]; s.parentNode.insertBefore(po, s);
})();
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Unfortunately, the fines imposed for the sale of these lists were miniscule. The company was hit with $393,000. The reseller that purchased the list was hit with a much more substantial fine of over $1.2 million, although that is still quite small in comparison the amount of damage that is done through these types of sales.

It is important to note that there is quite a bit of blame to go around for these types of sales; which were illegal until 2003. It was then that Congress tossed out the rules that had barred the selling of credit information in marketing lists. Prior to that, the Fair Credit Reporting Act had made this practice illegal, and for good reason. But anytime there is a lot of data in the hands of a few companies, those companies are going to want to use it and sell it. They understand its value. So those companies, along with their lobbyists are going to push hard to get any laws that stand in their way changed. That's largely what happened leading up to 2003.

In the end though, the ultimate responsibility for the change in law rests with Congress. If you are wondering why financial privacy is so difficult to come by these days, look no than the Capitol steps.
Here's the article from Privacy Times

EQUIFAX & DIRECT LENDING PAY FTC FINES FOR ROLE IN MORTGAGE SCAMS

Equifax, one of the â€œBig Threeâ€• credit bureaus, has agreed to pay $393,000 to settle Federal Trade Commission charges that it improperly sold lists of consumers who were late on their mortgage payments. The lists ended up being used by scam companies that tried to deceive delinquent consumers into paying for mortgage relief.

Moreover, as part of a separate settlement, Direct Lending Source, which bought the pre-screened lists from Equifax, will pay a $1.2 million civil penalty, and will be barred from using or selling prescreened lists without a permissible purpose, or in connection with solicitations for debt or mortgage assistance relief products or services.

Citing both the Fair Credit Reporting Act and its Section 5 authority, the FTC alleged that between January 2008 and early 2010, Equifax sold Direct Lending and its affiliates prescreened lists revealing credit scores and whether there were 30-, 60-, or 90-days lates on the mortgage payments of millions of consumers.

According to the FTC, Direct Lending and its affiliates, Bailey & Associates Advertising, and Virtual Lending, re-sold sold over 2,400 lists to scamsters with such names as: â€œSave Me From Foreclosure,â€• â€œSOS Modification,â€• â€œStop Your â€œVirginia Foreclosure Prevention,â€• â€œMaking Homes Affordable,â€• â€œFight Your Credit Co.,â€• and â€œDebt Regret.

Direct Lending and Bailey & Associates, named for one of its principles, Robert Bailey, also sold to Mason Capital Group LLC, which in May 2010, became the target of a criminal complaint by the California Attorney General for obtaining at least $2.3 million from a fraudulent loan modification operation.

Mason Capital allegedly charged more than 1,500 homeowners up-front fees ranging from $1,000 to $5,000 and promised to obtain a loan modification from the consumerâ€™s lender. As alleged in the criminal complaint, in almost every case, no loan modification was completed as promised. The Attorney General further charged that homeowners were lured by misrepresentations contained in the solicitations and dissuaded from timely pursuing other legitimate options to modify their mortgage or stop foreclosures, and that, in some instances, homeowners realized they had been scammed too late to avoid the loss of their home.

In addition to selling lists without a permissible purpose and having inadequate procedures to prevent this from happening, the FTC accused Equifax of failing to investigate properly when it learned Direct Lending was violating Equifaxâ€™s internal policies on prescreening. The FTC also alleged that Equifax knew or should have known that in many cases Direct Lending resold the lists without telling Equifax who would end up using the information. Despite these failures, the FTC alleged Equifax continued selling prescreened lists to Direct Lending. The FTC alleged that Equifaxâ€™s failure to employ appropriate measures to control access to sensitive consumer information was unfair, in violation of Section 5 of the FTC Act. (www.ftc.gov/opa/2012/10/equifaxdirect.shtm)

(Editorâ€™s full disclosure: Evan Hendricks was an expert witness for Direct Data Solutions, which had a contract dispute with Direct Lending and Bailey & Associates in Florida.)

byJim Malmberg
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