FTC Calls for Greater Regulation of Data Brokers

May 28, 2014 - The Federal Trade Commission has released a report on the state of data brokers in the United States and is calling for greater regulation of the industry. Data brokers buy and sell for marketing purposes, the personal information of virtually every American. But the data they collect isn't always accurate and individual consumers have almost no ability to correct any errors. Furthermore, there are few restrictions on who can purchase consumer data or what they can use that data for.

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The FTC's report calls on data brokers to be more transparent about their data collection efforts and to give consumers more control over their own data.

The report makes it clear that data brokers know virtually everything about the shopping and personal habits of most people. Their files contain information on everything from income to individual purchases to religious affiliation. In fact, there are more than 3,000 separate categories of data associated with each person in their database.

Once data brokers parse this information, they sell it for marketing purposes. This allows companies selling a product or service to advertise to a targeted audience that they believe will be the most receptive to whatever it is they are attempting to sell.

While the FTC is calling for greater regulation of the industry, the Direct Marketing Association which represents them is opposed. The DMA's position is that even the FTC investigation - which took 18 months - didn't show any legal violations.

But that really isn't the point. The real question is, "Who does your personal information actually belong to? The data brokers or to you?" Certainly, if your information actually belongs to you, data brokers have an obligation to make sure that any data they sell is accurate. This means that consumers need the ability to review that data and to make changes.

What the FTC is calling for is reasonable from a business perspective. From a consumer perspective, it isn't reasonable at all. Consumers should have to opt-in before their data can be exchanged or sold with marketers or other companies. This is especially true with regard to personal data that is provided to financial services companies.

In order to open a bank account, you are legally required to provide the bank with a great deal of personally identifiable

information. And if you lie about that information, you may be committing a crime. When the federal government forces you to turn over highly personal information to a company, it makes absolutely no sense to say that the company receiving your data should also have the legal right to sell that data without your express, written permission.

The FTC's call for greater transparency in the industry is good. But it is ACCESS opinion that they missed an opportunity to suggest that consumer protection laws in this area should actually be consumer friendly.
byJim Malmberg
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