Credit Monitoring - The Great Rip-off

Consumer credit monitoring services are a "must-have" according to numerous companies within the credit industry. After all, offers for these type of services are included in most every credit card bill.

However, these services are really a consumer rip-off.

If anyone has subscribed to these types of services, I'm sure you may of already determined this.

From providing you a label to order your medical records to allowing you to pull your credit report daily, these services are feeding on consumer's fears.

However, none of them solve the problems - inaccurate credit information, predatory lending, identity theft, improper or unauthorized access to your file, unlimited access to your personal information, and no tracking on credit scores being pulled on you.

Some monitoring services have gone so far as offering you "insurance" if your identity is stolen. What a waste of hard earned money.

All these services provide a false sense of security and no protection. A recent Kansas City Star article "Stolen identities and lives: Kansas couple fights back," chronicals the many problems one family found with this system.

To show how out of wack this service is, we need to digress into some history.

History of Consumer Disclosures

Since the formation of credit bureaus, consumers have always been able to review the credit information store on them.

Before automation, this review was usually done in person. You were able to sit down with an expert in credit reporting and discuss what was contained in your file. Any mistakes were corrected within a few minutes, hours or days. This review was done at NO CHARGE to the consumer. After all, credit bureaus were responsible for compiling and dispensing "accurate" credit reports. By reviewing the file with you the credit bureaus were assured that the information was correct.

At that time in history there was only ONE credit file on you - not the four or more that we have today. And it was stored right in your local town.

The Automation Monster

In the 1970's, automation came to the credit bureaus. There were numerous ASP's (Automated Service Provider) to chose from - Chilton, Pinger, TRW (now Experian), TransUnion and Equifax. There were also over 2,600 independent credit bureaus servicing our nation.

With automation being so very expensive, these ASP's systematically destroyed the local credit bureaus. Their tactics of stealing the local bureaus' clients, price fixing and unfair trade practices completely undermined the local bureaus' ability to compete. With that destruction, went your privacy and accuracy.

Fast Foward to Today

They project that the "credit monitoring" business will generate over $5 Billion dollars in unearned profits in 2006.

These ASP's (as known as CRA's), only knowing the power of computers and lacking a basic understand of the FCRA, began charging consumers for services which had always been free.

They even went so far as getting Congress to sanction the charge.

Even though the law provides for consumers to obtain a copy of their credit report for free under certain situation;such as when you are denied most favorable rates, or when you are looking for a job, etc., just try to find this their websites. Find where you can exercise your rights under these conditions. You are also able to get a free annual credit report - but find that on their systems.

No, these CRA's want to make money off of you and your information. For the annual free report, they are driving you to a

third party website, where if you choose to "opt-out" you're unable to get your credit report on-line. Hummm, does that tell us anything?

If you are expecting the Federal Trade Commission or any other state or federal agency to step in and enforce your rights, you may have a long wait.

The federal government in general, and Congress in particular, have shown little propensity to enforce existing credit laws. In many cases, they have gone way out of their way to prevent the states from enacting and enforcing stronger laws when dealing with the credit industry. They did this by preempting states rights.

The Fair Credit Reporting Act

The Fair Credit Reporting Act (FCRA) guarantees consumers a variety of rights. These rights include giving consumers the ability to have false or inaccurate credit data removed from their credit report. Unfortunately, when Congress passed the FCRA in 1970, it had no way to foresee the computer revolution, or the sharing of electronic consumer data that it would become so prevalent.

Companies that engage in the unabased sharing of consumer data; such as banks, insurance companies and major retailers, contribute to some of the inaccuracies that appear on credit reports. Protective creditors withhold important information, such as high credit balance, which unfairly causes additional problems for consumers and results in lower credit scores.

As mentioned before, consumers are guaranteed by law that these inaccuracies must be removed without charge. The credit repositories that store consumer credit reports are the companies responsible for removing inaccurate data without charge. And therein lies the problem.

The Fox is in the Hen House

The credit repositories, along with a number of large creditors, are the very companies that sell credit monitoring services. It is therefore in their self serving interests to make it difficult to reach someone within their organizations to correct a problem with your credit report. Thus driving individuals to credit monitoring services. Presto, chango a cost center becoming revenue generating center.

It is also more profitable for them to see to it that the number of inaccurate credit reports increases over time. Maintaining a public perception that credit monitoring is needed. Thus driving sales.

Inaccurate reports = greater sales in credit monitoring.

What incentive do the credit repositories, or large corporations, have to make reports accurate? NONE.

Inaccurate credit reports = increase revenue.

What do you really get with these services?

They don’t make your credit report more accurate. You have to do that. They won’t restore your identity if it is stolen. You have to do that.

What you get is an opportunity to buy your own credit report at hightly inflated prices. You get on their mailing lists. You get on the mailing lists of their affiliated companies. You most personal information is data-mined and sold to other list brokers.

And, if you are very unlucky, you may find that you contracted for credit monitoring with a company that isn’t even located in the United States, such as Intersections Identity Track - a Canadian corporation. Meaning that US laws may not even apply.

Not quite the service you need.

But there are options.

Depending upon where you live, if you are concerned with becoming a victim of identity theft, or if you are already a victim, you may have other alternatives.

California and Texas already allow consumers to freeze their credit files. Vermont and Louisiana will follow suit next year. Freezing your credit file is the only sure-fire way to prevent unauthorized access to your credit report and to stop identity theft. The rules for a credit freeze vary from state to state. The credit repositories will also charge you for freezing your

credit report. These charges are also regulated by the states.

Consumers who live in the western portion of the United States, are currently entitled to a free annual credit report from each of the repositories.

By December of 2005, all US consumers will be entitled to see their credit report for free on an annual basis.

And, as always, if you are a victim of identity theft, or if you are turned down for credit or employment because of something appearing on your credit report, you are entitled to a free copy of the report each and every time.

Also, now creditors are able to share with you the credit report and credit score that they pulled. So if you want to see it, just ask for a copy.

As for credit monitoring, save your money or better yet, use that money to pay down your credit cards.

Written by Guest on 2005-09-23 Thank you for the article. I was just about to sign up for TrueCredit's monitoring service but being a little aprehensive. I'll be sure to pass this on to my mother who has monitoring service.

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