

## EQUIFAX ACCUSED OF FAILING TO SAFEGUARD SENSITIVE CONSUMER DATA: SETTLE COMPLAINTS FOR \$393,000



Atlanta-based Equifax Information Services LLC, one of the country's biggest credit reporting agencies has consented to pay \$393,000 to settle complaints filed by the Federal Trade Commission. The company was accused of inappropriately selling lists of people who had delayed their mortgage payments to Direct Lending Source Inc., a Key Largo, Fla., company, and its affiliates, Bailey & Associates Advertising Inc., and Virtual Lending Source LLC. The complaints allege that between 2008 and 2010, the company parted with its data of 17,000 prescreened consumers, for monetary compensation. The companies to whom Equifax sold the data, then resold upwards of 2,400 of those names to other parties which used the information to assess which consumers were in financial distress and accordingly modify loans and debt relief services. The lists contained specific credit report information on millions of Equifax consumers, including such confidential details as their credit rankings and how many months they were behind on their mortgages. It is forbidden by federal law to use such "prescreened" lists for marketing purposes unless they are for the purpose of making specific offers of credit or insurance. The Federal Trade Commission said that whilst selling the data Equifax failed to ensure that the data would not be misused and that it would be used only for the purposes that it was legally allowed to. It also accused the company of not being able to safeguard sensitive consumer financial information. Moreover, it did not pay heed to what Direct Lending, to whom the data was sold, would be doing with the data. Subsequent investigations had found that Direct Lending sold the data to many third parties, some of which were under legal scrutiny. It was found that Nova Key LLC of Maryland and Mason Capital Group LLC of California, two companies who received the data, used it to delude homeowners strapped for cash, into believing that their home loans could be modified. They charged them upfront fees but did not deliver on the promised modifications. The FBI has stated that such deceitful mortgage frauds were on the rise in the USA. United States Attorney André Birotte Jr. said, "The housing crisis provided fraud artists a new avenue to exploit people in financial distress. Many of the victims in this alleged scheme were in desperate financial straits, and shameless financial predators promised relief they could not deliver." Equifax spokesman Tim Klein said that their agreeing to the settlement should not be construed as acceptance of any transgression or infringement of any laws. He also assured all Equifax consumers that their private information was safe and secure with the company. "Without a doubt, the data that is entrusted to us has the highest level of safeguards, and the protection and integrity of that data is our No. 1 priority and responsibility," he said. Klein said, "We discontinued all business activities with Direct Lending and any of its affiliates the summer of 2011. We also formally notified all of our customers at the time that we had ceased doing business with them and any of their affiliates, and that was formal notification by direct mail as well as email." Equifax along with TransUnion and Experian and three of America's largest credit bureaus and between them keep records of more than 200 million Americans and produce 3 billion credit reports a year.