

Credit Firm To Disclose Subpoenas

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NEW YORK, Feb. 13 — American Express announced today it would henceforth notify its nearly 7 million credit cardholders if their records are subpoenaed by government agencies or private attorneys, except when such disclosure would obstruct the investigation of a suspected felony. Cardholders will be notified before the files are turned over, presumably to give them a chance to have the subpoena quashed.

The change in corporate policy came two days after it was revealed in testimony before the Privacy Protection Study Commission that American Express routinely supplied personal financial data to the Justice Department, Internal Revenue Service, FBI and even attorneys in matrimonial cases without telling those concerned. Last year American Express supplied information in answer to about 500 subpoenas.

Rep. Edward I. Koch (D-N.Y.), a commission member and chief industry critic in three days of hearings on abuses of privacy rights in the computerized credit card industry, said after the announcement, "There's no question but that American Express was chastened by the process" of public exposure.

But Koch called the policy change "still not adequate." While American Express said it "endorsed" the idea that a judge, not an agency head or attorney, should decide if there is a legitimate need to keep a data request confidential, it stopped short of saying it would require such a court order in the future.

American Express also reversed its opposition to federal legislation to protect cardholders' rights of privacy. Though virtually all credit

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card issuers came to the hearings opposed to extending the provisions of the 1974 Privacy Act to the private sector, many eased their stand after abuses and the potential for abuses were detailed, and after they contemplated the chaos that would result if the 35 states now considering privacy laws each came up with a different version.

The commission, which also plans to interview credit card reporting bureaus and individual cardholders, will make an interim report to Congress later this year. Chairman David Linowes, a New York international management consultant, maintained throughout and after the hearings he was not sure whether computer technology — with its ability to store data on millions of persons in huge central banks — has indeed caused a serious privacy problem.

The Bank of America, for example, testified Wednesday it regularly notifies by telephone and in writing its customers whose files are subpoenaed. In California, the bank's home state, state law requires such notification in civil cases. Federal and state banking laws tend to restrict information that can be given out about bank cards, whereas it is company policy that governs disclosures about

travel and entertainment cards.

A parade of corporate witnesses testified today about how they gave personal financial information to government and legal authorities without notifying the subjects.

American Airlines' vice president for data processing, Max Hopper, said no more than a dozen subpoenas are received yearly for documentation on individuals' flights, yet telephone requests from government agencies are common. The inquirer is told whether a person was booked aboard a particular flight, but no record is made of the inquiry, nor is the person told. The same holds true for divorce case subpoenas.

Hertz Corp. Vice President Bruce G. Curry testified the car rental agency refuses to make any customer information available to other commercial sources, and will not furnish information to the government without a subpoena except in criminal cases.

Edward Prichard, director of reservations for Sheraton hotels, said occupancy information — sometimes including who accompanied the subject — is supplied by phone if it is in the central computer. However, 70 per cent of the time a reservation was made by other means, so inquirers must ask the individual hotels for registration records. He said he did not know if the hotels had a policy of refusing such data.