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A Lot of Hearsay

Credit Reports That Invade Privacy

William Proxmire (Dem-Wis.), chairman of the Senate Consumer Credit Subcommittee, was the principal sponsor of the Fair Credit Reporting Act.

By *William Proxmire*
Los Angeles Times

Analysis and Opinion

A man in Tennessee learns by mail that his four-year-old son has a bad credit rating. Upon complaining, the man learns — again by mail — that he can straighten out the file of the credit reporting company by going to one of its offices. But he would have to go to New Jersey, Illinois or California to do that. Or, if he made arrangements by mail beforehand, the credit company would be glad to telephone him — collect.

That incident — a real complaint made to Washington — summarizes some of the major deficiencies in the Fair Credit Reporting Act. Since April 25, 1971, when the act became effective, the Federal Trade Commission — which is charged with enforcing the law — has received more than 2000 complaints about it. Members of Congress, myself included, have received countless more.

The Fair Credit Reporting Act is a good beginning, but it is by no means perfect. Its purpose is to protect consumers from inaccurate or out-of-date information in reports, which are used in granting credit, selling insurance and filling jobs. The act has been successful in uncovering — and bringing to an end — many abuses in the consumer credit reporting business. But other problems — particularly in regard to investigative reports and consumer access to all reports — have not been so squarely met.

Some distinctions might be in order here. Simple credit reports, which provide basic information about employment, salary and bill-paying history, are relatively trouble-free. But investigative reports — the ones based on interviews with friends and neighbors about a consumer's personal habits and behavior — are more prone to error.

The errors in these reports crop up for a number of reasons — lack of investigative time, the way questions are slanted and, incredibly, a requirement by at least one company that investigators provide derogatory information.

The five largest investigative reporting firms have dossiers on more than 54 million Americans. These companies wrote nearly 20 million reports in 1972, mostly for insurance companies but also for employment and credit purposes.

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What can a subject do?

The largest agency, Retail Credit Co. of Atlanta, has — or at least had at last report — a quota system: each investigator is required to produce 16 credit reports each work day — and, according to company practice, at least ten per cent must be derogatory.

What kind of information is sought? Drinking habits: how much, how often, what kind? Living habits: what kind of neighborhood, what kind of house or apartment, how clean? Sex habits: married, divorced, living with a woman (man), or another woman, another man?

The answers beg hearsay.

In fact, a lot of hearsay. In March, 1972, Retail Credit issued instructions on how detailed investigators' information should be. "We haven't done the job unless we've found out and reported":

- "Current marital status

"If divorced, when, why, whose fault?

"If separated, how long, cause, divorce planned?

- "Past and present moral reputation

"If promiscuous, extent, class of partners?

"If particular affinity, how long, criticized, partner beneficiary?

"If living with partner, how long, children, stable home, criticized, is there living undivorced spouse?

- "Possible homosexuality

"How determined, living together, demonstrates affection for partner in public, dress and/or manner,

Senator Proxmire thinks consumers should be entitled to inspect their credit files

criticized, associated with opposite sex?"

Assuming that all that detail is necessary, how can it be obtained in 30 minutes (16 reports in an eight-hour day) and still be accurate and fair? How objective can the investigators be when they have to produce nearly two adverse reports each day? How good can this investigating system be when it confuses a four-year-old boy for his father?

But there are deeper, even more unsettling problems in the Fair Credit Reporting Act: there is no provision which would allow a subject to examine reports about himself. How can a consumer know that a report about him is inaccurate? How can he take steps to refute it, if he does not know what it contains?

What is wrong with just an oral disclosure?

Lewis A. Engman, chairman of the Federal Trade Commission, told the Consumer Subcommittee last October about an FTC survey on reporting agency disclosure practices.

"We found," Engman said, "that there is often wholesale withholding of information concerning character, reputation or morals. Since the consumer does not have the right to examine his own file or receive a copy of the information, he is unable to question the completeness of the disclosure."

I believe four major reforms of the Fair Credit Reporting Act are in order:

- A consumer should be entitled to actually see and inspect his credit file and obtain a copy at nominal charge, either in person or through the mail.
- Anyone wanting an investigative report on a person's private life through interviews with friends, neighbors and acquaintances should be required to have the subject's permission.
- Consumers should be given access to medical information in files about them, including those held by the Medical Information Bureau, a largely secret group run by life insurance companies.
- Consumers should be entitled to know the source of information in investigative reports