NATIONAL CONSUMER LAW CENTER®

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NEW REPORT REVEALS INDUSTRY-WIDE FAILURES IN HANDLING ERRORS IN CREDIT REPORTS

BOSTON, January 24, 2009 – A key component of credit reporting protections for consumers – the dispute system mandated by the Fair Credit Reporting Act – has been automated into a travesty of justice, finds a new report issued by the National Consumer Law Center.

The report, entitled *Automated Injustice: How a Mechanized Dispute System Frustrates Consumers Seeking to Fix Errors in Their Credit Reports*, documents how the three major credit bureaus (Equifax, Experian, and TransUnion) handle credit reporting disputes in a perfunctory, formalistic manner. The report details how credit bureaus:

- Translate detailed disputes painstakingly written by desperate consumers into two or three digit codes.
- Fail to send documents submitted by consumers, such as cancelled checks or payoff statements, to creditors and other information providers involved in the dispute.
- Limit the role of their employees who handle disputes, or of the foreign workers employed by their offshore vendors, to little more than selecting these two or three digit codes. Workers do not examine documents, contact consumers by phone or email, or exercise any form of human discretion in resolving a dispute.

"The credit reporting dispute system is the definitive example of how an industry has automated handling of consumer complaints to the point of absurdity," noted the report's author, NCLC Staff Attorney Chi Chi Wu, "This is voicemail hell with a potentially devastating financial impact."

The NCLC report includes several examples of consumers whose financial lives were ruined by unresponsive handling of serious errors in their credit reports, including one consumer who took his life after battling with credit bureaus to get his credit report fixed so he could buy a house.

"The examples in this report are just the tip of the iceberg" stated Attorney Leonard Bennett, a report contributor and specialist in credit reporting litigation, "I see hundreds of consumers with similar problems each year."

The newly released NCLC report also discusses how some creditors and information providers also shirk their federally mandated responsibility to investigate. The investigative activity of these companies consists primarily of ensuring "data conformity" between records maintained by the credit bureaus and the companies' records – the information that is itself the very subject of the dispute. In turn, credit bureaus merely "parrot" the information provider's results, without conducting any independent review.

The new NCLC report discusses the economic reasons for this dysfunctional system, primarily that the credit bureaus have little incentive to conduct proper disputes because creditors, not consumers, are the bureaus' paying customers. Because disputes represent only an expense, the bureaus have minimized the resources to the point that one bureau pays its dispute-handling vendor in the Philippines a mere $0.57 per dispute letter.

"Unlike almost all other business relationships, consumers who are unhappy with a credit bureau can't vote with their feet – they can't take their business elsewhere," noted Evan Hendricks, a report contributor and editor of Privacy Times, "They are trapped in a relationship with a company that has so much power over their financial lives, and so little regard for their financial well-being."

NCLC's report *Automated Injustice* is available at http://www.nclc.org/issues/credit_reporting/content/automated_injustice.pdf .

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