

Advocates Decry Lack of Compensation in Consumer Bureau Settlement

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CONTACTS: National Consumer Law Center: Jan Kruse (jkruse@nclc.org) or Chi Chi Wu (cwu@nclc.org); (617) 542-8010

Consumer Federation of America: Christopher L. Peterson, (202) 387-6121 x1020

Consumers Abused by State Farm Deserve Better

Washington, D.C. – Advocates from the Consumer Federation of America and the National Consumer Law Center criticized the Consumer Financial Protection Bureau’s enforcement action announced late yesterday against State Farm Bank for imposing no restitution or fines at all. The CFPB discovered that State Farm violated the Fair Credit Reporting Act by reporting inaccurate information about its customers to the credit bureaus and for illegally pulling credit reports without a permissible purpose.

“State Farm Bank is one of the largest 1% of all banks in the America, **said Christopher Peterson, Consumer Federation of America’s director of Financial Services and senior fellow.**

“Nevertheless, they paid less than a parking ticket to resolve a federal investigation into serious, widespread violations of our consumer protection laws.”

“State Farm wrongly reported accounts as past due, or marred the credit reports of the wrong consumer, depressing their credit scores,” **stated National Consumer Law Center attorney Chi Chi Wu.** “What’s worse, State Farm should have known this information was inaccurate because it allegedly conflicted with the company’s own records – yet State Farm will not pay one penny for its reckless behavior.”

Peterson also noted that State Farm apparently took months to clear up the errors, even after customers complained or the company otherwise knew the information was inaccurate. In the meantime, customers may have been rejected for credit, jobs, insurance or other benefits because of this false information. As for the illegally pulled reports, in behavior reminiscent of the Wells Fargo scandal, State Farm agents made up nonexistent loan applications in order to make a credit inquiry.

“It is reasonable for a bank with over sixteen billion dollars in assets to pay a substantial fine and reimburse every customer harmed by the bank’s illegal practices. Instead, on his last day as Acting Director of the Consumer Financial Protection Bureau, Mick Mulvaney didn’t even slap the bank on the wrist,” **added Peterson.** “In over 200 CFPB enforcement cases, I cannot recall another case that was so obviously incomplete.”

Wu advised consumers who are State Farm customers or have “shopped” with the company to immediately obtain their credit reports from www.annualcreditreport.com (consumers are entitled to one free report per year for each of the “Big Three” credit bureaus: Equifax, TransUnion, and Experian). Consumers should check if State Farm or its agents unlawfully pulled their credit reports by reviewing the section called “Hard Inquiries” or “Inquiries Shared with Others” for unfamiliar names.

Existing State Farm customers should check the account history on their credit reports for their

State Farm accounts. If there is any inaccurate information in the history, the consumer should submit a dispute to the credit bureau reporting the information, with a copy to State Farm. "It's important to send the dispute to the credit bureau if you want to preserve your legal rights," **said Wu**. "With the exception of California, you can't go after State Farm in court for messing up your credit report unless you first dispute with the credit bureau."

More information on how to send a dispute to a credit bureau is available in the National Consumer Law Center's guide *Disputing Errors in a Credit Report*.

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Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has worked for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the U.S. through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training.

The Consumer Federation of America is a nonprofit association of more than 250 consumer groups that was founded in 1968 to advance the consumer interest through research, advocacy, and education.