

It is further ordered, That respondent's request for oral argument on this matter be, and it hereby is, denied.

IN THE MATTER OF
CREDIT DATA NORTHWEST, ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION AND FAIR CREDIT
REPORTING ACTS

Docket C-2712. Complaint, July 29, 1975—Decision, July 29, 1975

Consent order requiring a Seattle, Wash., credit reporting agency and three affiliated agencies located in Washington and Canada, among other things to cease collecting, assembling, furnishing or utilizing consumer reports in violation of the Fair Credit Reporting Act.

Appearances

For the Commission: *Dennis D. McFeely* and *Sarah J. Hughes*.

For the respondents: *Short, Cressman & Cable*, Seattle, Wash.

COMPLAINT

The Federal Trade Commission, having reason to believe that Credit Data Northwest, a partnership doing business as Seattle Credit Bureau; Olympia Credit Bureau, Inc., Credit Bureau of Spokane, Inc., and Retail Credit Grantors Bureau, Ltd., corporations, individually and as partners in Credit Data Northwest; Terry B. Smith, individually and as general manager of Credit Data Northwest; and Allen F. Leiter, individually and as credit reporting manager of Credit Data Northwest; hereinafter sometimes referred to as respondents, have violated the provisions of the Fair Credit Reporting Act and the Federal Trade Commission Act, and that a proceeding in respect thereof would be in the public interest, hereby issues this complaint stating its charges as follows:

PARAGRAPH 1. For the purposes of this complaint and the accompanying order to cease and desist, "consumer report" and "consumer reporting agency" are defined as set forth in Sections 603(d) and (f) of the Fair Credit Reporting Act, respectively. Furthermore, "member" is defined as persons, partnerships, corporations or other entities which have contracted with respondents to receive consumer reports upon request in return for monetary dues, report fees and the obligation to report consumer credit information to respondents.

"Nonmember" is defined as persons, partnerships, corporations or other entities which apply and pay for consumer reports on a single report basis without previous contractual arrangements and for a higher fee than members.

PAR. 2. Credit Data Northwest is a partnership existing and doing business under and by virtue of the laws of the State of Washington, under the assumed name Seattle Credit Bureau, with its office and principal place of business located at 1601 Second Ave., Seattle, Wash. Said respondent is a "consumer reporting agency" and is the sole successor and assign of Seattle Credit Bureau, Inc., a dissolved Washington corporation, and as such is liable for the acts and practices which were engaged in by Seattle Credit Bureau, Inc. Reference hereinafter to acts or omissions of "respondents" shall be deemed to include reference to acts or omissions of the former Seattle Credit Bureau, Inc. Credit Data Northwest is also liable for its own acts and practices as hereinafter alleged.

Olympia Credit Bureau, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Washington, with its office and principal place of business located at 203 E. Fifth St., Olympia, Wash. Said respondent is a partner in Credit Data Northwest and is a "consumer reporting agency."

Credit Bureau of Spokane, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Washington, with its office and principal place of business located at W. 521 Maxwell St., Spokane, Wash. Said respondent is a partner in Credit Data Northwest and is a "consumer reporting agency."

Retail Credit Grantors Bureau, Ltd. is a corporation organized, existing and doing business under and by virtue of the laws of the province of British Columbia, Canada, with its office and principal place of business located at 400 Robson St., Vancouver, British Columbia, Canada. Said respondent is a partner in Credit Data Northwest and is a "consumer reporting agency," doing business in the United States of America.

Terry B. Smith is the general manager of Credit Data Northwest, former president of Seattle Credit Bureau, Inc., and president of Olympia Credit Bureau, Inc. His address is 1601 Second Ave., Seattle, Wash.

Allen F. Leiter is credit reporting manager of Credit Data Northwest and a former officer of Seattle Credit Bureau, Inc. His address is 1601 Second Ave., Seattle, Wash.

Terry B. Smith and Allen F. Leiter formulated, directed and controlled the acts and practices of the former Seattle Credit Bureau, Inc. when it was operating as a consumer reporting agency, and now

formulate, direct and control the acts and practices of Credit Data Northwest in its operations as a consumer reporting agency.

PAR. 3. All the acts and practices alleged hereafter occurred subsequent to Apr. 25, 1971, the effective date of the Fair Credit Reporting Act, in the ordinary course of respondents' business. Allegations of respondents' present acts or practices include past acts or practices.

PAR. 4. Respondents fail to maintain reasonable procedures designed to limit the furnishing of consumer reports to the purposes listed in Section 604 of the Fair Credit Reporting Act. Typical and illustrative, but not all inclusive, of the manner in which respondents fail to maintain such reasonable procedures are the following:

A. Respondents fail in certain instances to make reasonable efforts to verify the identity of new member and nonmember consumer report applicants.

B. Respondents fail in a substantial number of instances to require nonmember consumer report applicants to certify the purpose for which the consumer report is sought and that it will be used for no other purpose.

C. Respondents give in a substantial number of instances consumer reports to applicants who have stated purposes for which the reports were sought other than those purposes listed in Section 604 of the Fair Credit Reporting Act.

D. Respondents fail to specifically inquire of prospective members concerning the particular purposes for which information will be used, to set out such purposes in writing, and to require that prospective members certify to such purposes and certify that the information will be used for no other purposes as required by Section 607(a) of the Fair Credit Reporting Act.

E. Respondents fail to require members, such as private clubs, attorneys, private investigators and such other classes of members who respondents have substantial cause to believe have reason to obtain consumer reports for impermissible purposes under the Fair Credit Reporting Act, to certify the purposes for which the consumer reports are sought at the time of their request for such reports and that the information will be used for no other purpose.

F. Respondents fail to make reasonable efforts to verify the uses certified by member and nonmember consumer report users.

Therefore, respondents are in violation of Sections 604 and 607(a) of the Fair Credit Reporting Act.

PAR. 5. Respondents fail to maintain reasonable procedures designed to avoid the inclusion in consumer reports of adverse items of information which antedate the report by more than the applicable

period specified in Section 605 of the Fair Credit Reporting Act, including, but not limited to, the failure to omit from consumer reports information concerning the delinquency of accounts when such delinquencies occurred more than seven years prior to the giving of the consumer report.

Therefore, respondents are in violation of Section 607(a) of the Fair Credit Reporting Act.

PAR. 6. Respondents fail to follow reasonable procedures to assure maximum possible accuracy of the information concerning the individuals to whom the consumer reports relate. Illustrative of the manner in which respondents fail to follow such reasonable procedures is the failure to distinguish between persons with identical or similar names with the result that consumer reports contain information on the wrong individual.

Therefore, respondents are in violation of Section 607(b) of the Fair Credit Reporting Act.

PAR. 7. When the completeness or accuracy of an item of information in his or her file is disputed by a consumer, respondents fail in certain instances to:

- A. Reinvestigate within a reasonable time;
- B. Reinvestigate with the original creditor when an account placed for collection is disputed;
- C. Record, after reinvestigation, the current status of information disputed by the consumer;
- D. Promptly delete information which is found to be inaccurate or not verifiable after reinvestigation; and
- E. Inform the consumer of results of reinvestigations adverse to the position of the consumer.

Therefore, respondents are in violation of Section 611(a) of the Fair Credit Reporting Act.

PAR. 8. Respondents fail in certain instances to:

- A. Clearly and conspicuously disclose to the consumer his or her right to request that notification of deletions of information, and/or consumer statement, codification, or summary thereof with respect to disputed information, be sent by respondents to persons designated by the consumer and who have received the deleted or disputed information within the previous two years for employment purposes or within the previous six months for any other purpose;
- B. Furnish notification of deletions of information and the consumer statement, codification or summary thereof to any persons specifically designated by the consumer and qualified under Section 611(d) of the Fair Credit Reporting Act to receive such information.

Therefore, respondents are in violation of Section 611(d) of the Fair Credit Reporting Act.

PAR. 9. When a dispute cannot be resolved and the consumer submits a brief statement of his or her version of the nature of the dispute, respondents fail in certain instances to clearly note in subsequent consumer reports containing the information in question that it is disputed by the consumer and provide either the consumer statement or a clear and accurate codification or summary thereof.

Therefore, respondents are in violation of Section 611(c) of the Fair Credit Reporting Act.

PAR. 10. The acts and practices and omissions set forth in Paragraphs Four through Nine are in violation of the Fair Credit Reporting Act and, pursuant to Section 621(a) of that Act, respondents have thereby violated Section 5(a) of the Federal Trade Commission Act.

DECISION AND ORDER

The Commission having heretofore determined to issue its complaint charging the respondents named in the caption hereto with violation of the Federal Trade Commission Act, and the respondents having been served with notice of said determination and with a copy of the complaint the Commission intended to issue, together with a proposed form of order; and

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondents of all the jurisdictional facts set forth in the complaint to issue herein, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's rules; and

The Commission having considered the agreement and having provisionally accepted same, and the agreement containing consent order having thereupon been placed on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint in the form contemplated by said agreement, makes the following jurisdictional findings, and enters the following order:

1. Respondent Credit Data Northwest is a partnership existing and doing business in the State of Washington under the name Seattle Credit Bureau, with its office and principal place of business located at 1601 Second Ave., Seattle, Wash.

Respondent Olympia Credit Bureau, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State

of Washington, with its office and principal place of business located at 203 E. Fifth St., Olympia, Wash. Olympia Credit Bureau, Inc. is a partner in Credit Data Northwest.

Respondent Credit Bureau of Spokane, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Washington, with its office and principal place of business located at W. 521 Maxwell St., Spokane, Wash. Credit Bureau of Spokane, Inc. is a partner in Credit Data Northwest.

Respondent Retail Credit Grantors Bureau, Ltd. is a corporation organized, existing and doing business under and by virtue of the laws of the province of British Columbia, Canada, with its office and principal place of business located at 400 Robson St., Vancouver, British Columbia, Canada. Retail Credit Grantors Bureau, Ltd. is a partner in Credit Data Northwest.

Respondent Terry B. Smith is the general manager of Credit Data Northwest and president of Olympia Credit Bureau, Inc. His address is 1601 Second Ave., Seattle, Wash.

Respondent Allen F. Leiter is credit reporting manager of Credit Data Northwest. His address is 1601 Second Ave., Seattle, Wash.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

ORDER

It is ordered, That respondents Credit Data Northwest, a partnership; Olympia Credit Bureau, Inc., Credit Bureau of Spokane, Inc., and Retail Credit Grantors Bureau, Ltd., corporations, individually and as partners in Credit Data Northwest; and Terry B. Smith and Allen F. Leiter, individually, and as principal operating officials of Credit Data Northwest; and respondents' agents, representatives, employees, successors and assigns, directly or through any corporation, subsidiary, division or other device, in connection with the collecting, assembling, evaluating or furnishing of consumer reports, as "consumer report" is defined in the Fair Credit Reporting Act (15 U.S.C. §1601, *et. seq.*), do forthwith cease and desist from:

1. Failing to make reasonable efforts to verify the identity of new members and nonmember consumer report applicants who are unknown to respondents by checking references, such as the yellow pages, a city directory, business reports, on-site inspection of the business premises or other methods adequate to reasonably ensure that such entities or persons are who they represent themselves to be.

2. Failing to require nonmember consumer report applicants at the time they apply for each consumer report to certify in writing the

purposes for which the consumer report is sought and that it will be used for no other purpose.

3. Furnishing consumer reports to members and nonmember applicants who have not, through the execution of a membership contract or an application for a single report, clearly stated a purpose for the report which is listed in Section 604 of the Fair Credit Reporting Act.

4. Failing to specifically inquire of prospective members concerning the particular purposes for which information will be used, to set out such purposes in the membership contract, and to require that prospective members certify to such purposes and certify that the information will be used for no other purposes as required by Section 607(a) of the Fair Credit Reporting Act.

5. Failing to require attorneys, private investigators and private clubs, and such other classes of members who respondents have substantial cause to believe have reason to obtain consumer reports for impermissible purposes, to certify orally or in writing at the time such members seek each consumer report, the purpose for which the information is sought, and that the information will be used for no other purpose, in accordance with Section 607(a) of the Fair Credit Reporting Act. The respondents shall require such members to agree in their membership contracts with respondents that if oral certification is given such members must provide written certification of the said purpose within 5 business days of such oral certification. If certification is made orally, the respondents shall make a written record of such oral certification at the time of the request.

6. Failing to make reasonable efforts to verify the uses certified by prospective members and to make reasonable efforts to reverify the purposes certified by members in the membership agreement every three (3) years.

7. Failing to make reasonable efforts to verify the uses certified by nonmember applicants for consumer reports. Such efforts shall include (a) when consumer reports are requested for purported credit transactions, inquiry shall be made to seek verification of such transactions through contacting the other party to the transaction or other knowledgeable parties; (b) in the case of a property owner purportedly seeking a consumer report on a prospective buyer or tenant, inquiry shall be made to seek verification of the applicant's ownership of the property in question and whether it is for sale or rent; (c) in the case of a party seeking a report for purported employment purposes, inquiring whether the consumer is employed by the party or has applied for employment and, if so, verifying whether the consumer is so employed or has applied for employment; and (d) when consumer

reports are requested in connection with business transactions having a personal, family or household purpose for the consumer, inquiry shall be made to seek verification of such transactions through contacting the other party to the transaction or other knowledgeable parties.

8. Failing, prior to the dissemination of any consumer report, to separate or delete adverse items of information in the consumer's file which antedate the date of the report by more than the applicable period specified in Section 605(a) of the Fair Credit Reporting Act.

9. Making any consumer report containing any item of information prohibited by Section 605(a) of the Fair Credit Reporting Act, except as provided in Section 605(b) of that Act, including the giving of any consumer report concerning the delinquency of an account more than seven years after such delinquency.

10. Recording information in a consumer's file, unless the source of the information provides at least one type of identification for the consumer in addition to the consumer's name, such as address, social security number, employer, or name of spouse.

11. Failing, when the completeness or accuracy of information in his or her file is disputed by a consumer, to:

a. (i) Initiate reinvestigation within three business days, (ii) continue to make reasonable efforts to complete the reinvestigation and (iii) to complete the reinvestigation within thirty days of the initiation thereof or, in the alternative, delete such information. Such reinvestigations with creditors shall include, but not necessarily be limited to, requesting examination by the creditor, where relevant, of any original documentation relating to the dispute in addition to credit records; such reinvestigations concerning suits and judgments shall include making inquiry of original creditors, where relevant and possible, and making inquiry in official records to determine if the judgment has been satisfied, the suit dismissed or other relevant action taken;

b. Reinvestigate with the original creditor when an account placed for collection is disputed;

c. Record immediately after reinvestigation the current status of information disputed by the consumer;

d. Immediately delete information which is found to be inaccurate or not verifiable after reinvestigation;

e. Inform the consumer, orally or in writing by mailing the information, of the results of the reinvestigation within five business days after the completion of the reinvestigation.

12. Failing to explicitly orally disclose to the consumer his or her right to request that all deletions, notations and consumer statements with respect to disputed information be sent by respondents to persons

designated by the consumer who have received the deleted or disputed information within two years for employment purposes or within six months for any other purpose. Such disclosure shall be made at or prior to the time the information is deleted or the consumer's statement regarding the disputed information is received.

13. Failing to furnish notification of deletion of information and any consumer statement, codification or summary thereof to any person designated by the consumer and qualified under Section 611(d) of the Fair Credit Reporting Act to receive such information. Such notification shall take place within five business days after the deletion or receipt of the consumer's request that the statement, codification or summary be sent.

14. Failing, whenever a statement of dispute has been filed, unless there are reasonable grounds to believe that the statement of dispute is frivolous or irrelevant, to clearly note in any subsequent consumer report containing the information in question that it is disputed by the consumer, and to provide either the consumer's statement or a clear and accurate codification or summary thereof.

15. Failing to provide each consumer who requests disclosure of information in his or her file with an exact facsimile of Exhibit A attached hereto.

It is further ordered, That respondents shall, at all times subsequent to the effective date of this order, maintain complete business records relative to the manner and form of their compliance with this order during the immediately preceding two-year period. Such records shall include all correspondence with consumers and consumer report applicants, policy directives, completely filled out interview reports, complaints from consumers and consumer report applicants, and other pertinent documents. Such records shall be kept in chronological order separate from the consumer files and shall be made available for inspection and photocopying by any authorized representative of the Federal Trade Commission upon reasonable notice at respondents' place of business or other properly designated location.

It is further ordered, That respondents deliver a copy of this order to cease and desist to all employees now or hereafter engaged in the collecting, assembling, evaluating or furnishing of consumer information to third parties and that respondents secure a signed statement acknowledging receipt of said order from each such person.

It is further ordered, That respondents notify the Commission at least thirty days prior to any proposed changes in the corporate respondents or in the partnership entity, such as dissolution, assignment or sale, resulting in the emergence of successor corporations or partnerships, creation or dissolution of subsidiaries, or any other

changes in the legal entities which may affect compliance obligations arising out of this order.

It is further ordered, That the individual respondents named herein promptly notify the Commission of the discontinuance of their present business or employment and of their affiliation with a new business or employment in the event of such discontinuance or affiliation. Such notice shall include respondents' current business or employment in which they are engaged as well as a description of their duties and responsibilities.

It is further ordered, That respondents shall, within sixty days after service upon them of this order, file with the Commission a written report setting forth in detail the manner and form of their compliance with this order.

EXHIBIT A

KNOW YOUR RIGHTS UNDER THE FAIR CREDIT REPORTING ACT

The Fair Credit Reporting Act became law on April 25, 1971. It was passed by Congress to protect consumers against the distribution of inaccurate or obsolete information and to ensure that consumer reporting agencies, such as Seattle Credit Bureau, exercise their responsibilities in a manner that is fair and equitable to consumers.

Under this law you can take steps to protect yourself if you have been denied credit, insurance, or employment, or if you believe you have had difficulties because of a consumer report on you.

THE FAIR CREDIT REPORTING ACT GIVES YOU THE RIGHT:

1. To be told the name and address of the consumer reporting agencies responsible for preparing a consumer report that was used to deny you credit, insurance, or employment or to increase the cost of credit or insurance.
2. To be told by a consumer reporting agency the nature, substance and names of sources of the information (except medical) collected about you.
3. To take anyone of your choice with you when you visit the consumer reporting agency to check your file.
4. To obtain all information to which you are entitled, free of charge, if you request a consumer interview within thirty days after you have been denied credit, insurance or employment. Otherwise, the reporting agency is permitted to charge a reasonable fee for giving you the information.
5. To be told the names of persons or businesses who have received a consumer report on you within the preceding six months, or within the preceding two years if the report was furnished for employment purposes.
6. To have incomplete or incorrect information reinvestigated, unless the request is frivolous, and, if the information is found to be inaccurate or cannot be verified, to have such information removed from your file.
7. To have the agency notify (at no cost to you) those you specify who have previously received the incorrect or incomplete information within two years if the report was for employment purposes or within six months for any other purpose, that this information has been deleted from your file.
8. When a dispute between you and the reporting agency about information in your file cannot be resolved, you have the right to have your version of such dispute placed in the file and included in future consumer reports.

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9. To request the reporting agency to send your version of the dispute (for a reasonable fee) to those you name who received reports concerning the disputed information within the past six months (two years if received for employment purposes).

10. To request the consumer reporting agency to incorporate into your file all verifiable relevant credit information supplied by you, including good credit references.

11. To sue a reporting agency for damages if it willfully or negligently violates the law and, if you are successful, you can collect attorney fees and court costs.

12. In most instances not to have adverse information reported after seven years. One major exception is bankruptcy, which may be reported for fourteen years.

THE FAIR CREDIT REPORTING ACT DOES NOT:

1. Give you the right to request a report on yourself from the consumer reporting agency.

2. Give you the right when you visit the agency to receive a copy of or physically handle your file.

3. Compel anyone to do business with an individual consumer.

4. Apply when you request commercial (as distinguished from consumer) credit or business insurance.

5. Authorize any federal agency to intervene on behalf of an individual consumer.

For more detailed information on the Fair Credit Reporting Act or to report a violation of the Act, contact the Seattle Regional Office of the Federal Trade Commission.
