



FEDERAL TRADE COMMISSION
FOR THE CONSUMER

Search:

HOME | CONSUMERS | BUSINESSES | NEWSROOM | FORMAL | ANTITRUST | CONGRESSIONAL | ECONOMIC | Privacy Policy | About FTC | Commissioners | File a Complaint | HSR | FOIA | IG Office | En Español

For Release: January 26, 2006

Related Documents:

ChoicePoint Settles Data Security Breach Charges; to Pay \$10 Million in Civil Penalties, \$5 Million for Consumer Redress

At Least 800 Cases of Identity Theft Arose From Company's Data Breach

Consumer data broker ChoicePoint, Inc., which last year acknowledged that the personal financial records of more than 163,000 consumers in its database had been compromised, will pay \$10 million in civil penalties and \$5 million in consumer redress to settle Federal Trade Commission charges that its security and record-handling procedures violated consumers' privacy rights and federal laws. The settlement requires ChoicePoint to implement new procedures to ensure that it provides consumer reports only to legitimate businesses for lawful purposes, to establish and maintain a comprehensive information security program, and to obtain audits by an independent third-party security professional every other year until 2026.

United States of America v. ChoicePoint Inc. (U.S. District Court for Northern District of Georgia, Atlanta Division), FTC File No. 052-3069



"The message to ChoicePoint and others should be clear: Consumers' private data must be protected from thieves," said Deborah Platt Majoras, Chairman of the FTC. "Data security is critical to consumers, and protecting it is a priority for the FTC, as it should be to every business in America."

ChoicePoint is a publicly traded company based in suburban Atlanta. It obtains and sells to more than 50,000 businesses the personal information of consumers, including their names, Social Security numbers, birth dates, employment information, and credit histories.

The FTC alleges that ChoicePoint did not have reasonable procedures to screen prospective subscribers, and turned over consumers' sensitive personal information to subscribers whose applications raised obvious "red flags." Indeed, the FTC alleges that ChoicePoint approved as customers individuals who lied about their credentials and used commercial mail drops as business addresses. In addition, ChoicePoint applicants reportedly used fax machines at public commercial locations to send multiple applications for purportedly separate companies.

According to the FTC, ChoicePoint failed to tighten its application approval procedures or monitor subscribers even after receiving subpoenas from law enforcement authorities alerting it to fraudulent activity going back to 2001.

The FTC charged that ChoicePoint violated the Fair Credit Reporting Act (FCRA) by furnishing consumer reports – credit histories – to subscribers who did not have a permissible purpose to obtain them, and by failing to maintain reasonable procedures to verify both their identities and how they intended to use the information.

The agency also charged that ChoicePoint violated the FTC Act by making false and misleading statements about its privacy policies. Choicepoint had publicized privacy principles that address the confidentiality and security of personal information it collects and maintains with statements such as, "ChoicePoint allows access to your consumer reports only by those authorized under the FCRA . . ." and "Every ChoicePoint customer must successfully complete a rigorous credentialing process. ChoicePoint does not distribute information to the general public and monitors the use of its public record information to ensure appropriate use."

The stipulated final judgment and order requires ChoicePoint to pay \$10 million in civil penalties – the largest civil penalty in FTC history – and to provide \$5 million for consumer redress. It bars the company from furnishing consumer reports to people who do not have a permissible purpose to receive them and requires the company to establish and maintain reasonable procedures to ensure that consumer reports are provided only to those with a permissible purpose. ChoicePoint is required to verify the identity of businesses that apply to receive consumer reports, including

making site visits to certain business premises and auditing subscribers' use of consumer reports.

The order requires ChoicePoint to establish, implement, and maintain a comprehensive information security program designed to protect the security, confidentiality, and integrity of the personal information it collects from or about consumers. It also requires ChoicePoint to obtain, every two years for the next 20 years, an audit from a qualified, independent, third-party professional to ensure that its security program meets the standards of the order. ChoicePoint will be subject to standard record-keeping and reporting provisions to allow the FTC to monitor compliance. Finally, the settlement bars future violations of the FCRA and the FTC Act.

This case is being brought with the invaluable assistance of the U.S. Department of Justice and the Securities and Exchange Commission.

The Commission vote to accept the settlement was 5-0.

NOTE: A stipulated final judgment and order is for settlement purposes only and does not constitute an admission by the defendant of a law violation. Consent judgments have the force of law when signed by the judge.

Copies of the complaint and stipulated final judgment and order will be available from the FTC's Web site at <http://www.ftc.gov> and also from the FTC's Consumer Response Center, Room 130, 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint in English or Spanish (bilingual counselors are available to take complaints), or to get free information on any of 150 consumer topics, call toll-free, 1-877-FTC-HELP (1-877-382-4357), or use the complaint form at <http://www.ftc.gov>. The FTC enters internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

MEDIA CONTACT:

Claudia Bourne Farrell,
Office of Public Affairs
202-326-2181

STAFF CONTACT:

Jessica Rich,
Bureau of Consumer Protection
202-326-2148

(FTC File No. 052-3069)

(<http://www.ftc.gov/opa/2006/01/choicepoint.htm>)

HOME | CONSUMERS | BUSINESSES | NEWSROOM | FORMAL | ANTITRUST | CONGRESSIONAL | ECONOMIC | I
Privacy Policy | About FTC | Commissioners | File a Complaint | HSR | FOIA | IG Office | En Español