

## The Credit Bureaus and Consumer Rights

*Article 2 of 9 - The previous article, "How Bad Credit Affects You" introduced us to credit reporting. This article discusses where the credit bureaus evolved from, how they operate and the legal rights of consumers.*

Many consumers believe that credit bureaus are federally supported organizations backed by a vast array of laws meant to protect creditors. In actuality, nothing could be further from the truth!

Aside from the government simply recognizing the need for credit reporting, **credit bureaus have absolutely nothing to do with the government.** Credit bureaus are simply companies which exist by collecting and selling information about you-information they often do not verify.

A potential for error exists in such a large, bureaucratic arrangement like the credit reporting system and so the United States Congress has enacted laws to protect the consumer from being victimized by the credit bureaus. It is your right and responsibility to make use of these laws.

### Consumer Rights

As the credit bureaus computerized their processes and greatly expanded their reach and influence in the late 1960s and early 1970s, consumer complaints began to mount at the FTC and state attorney general offices. The credit reporting agencies had grown into huge bureaucracies second only in size to the federal government. The credit bureaus focused on the needs of their clients, the credit grantors. Many consumers were negatively affected by the credit bureaus, but they had no way to correct or change their credit information.

United States Congress enacted the **Fair Credit Reporting Act (FCRA)** in 1971 to insure that the credit bureaus investigate the credit items disputed by consumers. This federal law set procedural guidelines, which gave the consumer the right to challenge the accuracy, validity, and verifiability of the credit listings appearing in their consumer credit report. It also required that the credit bureau delete any credit listing if it was inaccurate or could not be verified.

In theory, the FCRA charges the credit bureaus with having responsibility to the consumer as well as the credit grantor. In reality, the credit bureaus are not often responsive to consumer disputes.

Some have claimed that the credit bureaus defend their profits by erecting walls of stall tactics, including requests for more information, further clarification, and additional identification. Regardless, it is true that the lengthy process causes many consumers to give up before they even receive copies of their credit reports. If a consumer manages to get a credit report, decipher the codified information, write a coherent dispute, and mail it, the bureaus may still find some reason to disregard the challenge. The entire dispute system can be frustrating and discouraging to the consumer.

If you can submit a valid dispute letter, and you can convince the credit bureau to investigate your dispute, the chances of success are good.

If a credit bureau cannot verify an item before completing its investigation, that item will be removed. Many creditor grantors are simply reluctant to take the time to verify the data. While the credit bureaus are in the business of reporting credit histories, creditor grantors are not.

*In the next article, we will further discuss the Fair Credit Reporting Act introduced here.*