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Credit Card Companies Can Stop ID Fraud

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A relatively simple bit of computer programming at America's three nationwide credit bureaus could create an early-warning system that would significantly deter the $50 billion identity theft problem plaguing America's consumers and the financial services industry serving them.

The Better Business Bureau estimates that 10 million people are affected by identity theft every year. One of the most common forms of this is the hijacking of good credit. If an identity thief gets personally identifiable information such as a Social Security or credit card number of an individual with a high credit score, the thief can apply for a loan or use credit available in the name of his victim. Until collection agencies show up at the victim's door, the target of identity theft may have no idea what has been happening with a criminal taking advantage of his good name and hard-earned good credit.

The same technology that enables credit reporting agencies to keep constant track of our individual borrowing and payment histories — so that banks, finance companies and retailers can make instant credit decisions — can also alert individual consumers by e-mail when there is a new credit application in their name. It would be technologically feasible to provide these alerts to all consumers as a matter of course, and it would go a long way toward preventing data hijacking. When there are credit applications made without consumers' knowledge, that's a problem the victims need to know about at the earliest possible moment, to protect their interests and their good credit standing.

Credit companies do make forms of e-mail alerts available to consumers, but this is a paid service. Those who make money marketing our credit information should be required to provide immediate notice to us for free when a potential credit fraud in our name is being detected.

These e-mail alerts could readily be programmed into the databases of each of the three major credit reporting bureaus, at a minimal cost and to immediate effect. Sharing this data with consumers by an e-mail alert would warn us whenever someone else might be hijacking our credit. If an individual didn't apply for the credit being taken in his name, this early warning would be a red flag to potential victims of identity theft to alert the authorities and the creditor being defrauded.

Credit reporting bureaus are in the business of trading information on our credit. In a national credit market, this system means that the financial services industry can package and trade our debts, because financing taken anywhere in the country can be compared directly with financing taken anywhere else based on credit scores.

Our personal information is the commodity of the credit report industry, which gains from packaging and trading our personal information. The credit report companies would like to treat the potential to warn consumers and minimize abuse of the credit bureau system as one more profit center.

Those who grant credit based on credit reports, as well as those consumers whose credit is hijacked, are all victims of identity theft. Charging consumers for monitoring alerts that are sold as a premium service and only reach a small fraction of the consumers who are at risk is not serving our interest in protecting against this abuse.

This $50 billion financial fraud is susceptible to a quick technology fix by the credit bureaus that act as trustees of our sensitive financial information. We should expect the scandal of identity theft, aided by misuse of credit reports, be put to a quick end by those who profit from trading in our personally identifiable information. By taking a simple step using technology, credit bureaus could help every consumer ensure their credit information is accurate and protected.

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