



LABOR & EMPLOYMENT DEPARTMENT

ALERT

CONNECTICUT EMPLOYERS BEWARE: CREDIT REPORT NO LONGER A QUALIFIER IN EMPLOYMENT DECISIONS

By Kathryn G. Newman

Connecticut employers should be aware of a new law that may impact their hiring and promotion practices.

Connecticut employers that use credit reports in hiring and promotion decisions must now ensure that such use complies with new legislation that prohibits employers from using information contained in an employee or prospective employee's credit report, including credit account balances and payment history, in making employment decisions. Connecticut is the sixth state to pass such legislation, joining Hawaii, Illinois, Maryland (effective October 1, 2011), Oregon and Washington. The law will take effect on October 1, 2011.

Certain employers are specifically exempted by the Act. "Financial institutions," as defined by the statute, employers required to inquire into an applicant's or employee's credit history under federal or state law, and employers requesting or using credit information in situations where such information is "substantially related to the employee's current or potential job" are not subject to the ban on using credit information in employment decisions. The "substantially related" exception generally applies to positions that involve employee access to

financial information, confidential or proprietary information or trade secrets. The exception also applies to positions that involve access to the employer's nonfinancial assets valued at \$2,005 or more. An employer choosing to request credit information pursuant to the "substantially related" exception must disclose its intent to do so in writing to the employee or applicant.

An employer found by the Labor Commissioner to have violated the Act will be liable to the Labor Department for a civil penalty of \$300 per violation.

In addition to ensuring compliance with this new law, employers should continue to ensure compliance with other applicable federal and state laws, including the Fair Credit Reporting Act, which regulates the collection, dissemination and use of consumer information.

For more information about this Alert, please contact Kathryn G. Newman at knewman@foxrothschild.com or any member of Fox Rothschild's [Labor & Employment Department](#). Visit us on the web at www.foxrothschild.com.

