

It's Not Identity Theft: When Credit Reports Behave Badly

By Sonya Smith-Valentine

When a person is denied credit based upon errors in their credit report, they begin to believe that they are the victim of identity theft. However, what appears as identity theft isn't always identity theft. Frequently, the person's credit file has been mixed up by the credit bureaus.

The credit bureaus sometimes mix one person's credit information with that of another person. These mixed credit files are a frequent problem. The credit bureaus use automated matching procedures to sort out the credit information they receive from creditors. The matching system uses a mathematical algorithm that integrates certain rules determined by the credit bureaus. The credit bureaus weigh identifying information differently. For example, the same first name and a seven of nine digit Social Security number match will be weighed heavily. Far less weight will be given for match of a person's last name and address.

Further, the credit bureaus don't demand complete identifying information from creditors, like name, address, Social Security number and date of birth. The credit bureaus then match accounts with consumers based upon limited identifiers. This use of limited identifiers to assign accounts to a credit file makes it quite easy for the credit bureaus to assign the account to the wrong person's credit file.

Additionally, the process will allow an account to be reported to a person's credit file based upon a partial data match. This could include a partial matching name or address – for example, Jeff Franks and John Franks, or 123 First Street and 123 First Avenue. Typically, the closeness of the match between an account and existing credit files is scored and then the account is placed in the credit file with the closest match.

The more common mixes of credit information include:

- confusion between generations with the same name (Jr., Sr., II, III, etc.)
- family members who live at the same address
- a person who previously lived at a certain address with the person who currently lives at the address
- individuals with the same first and last name but with different middle initials
- public records like judgments and bankruptcies which have limited identifying information

One of the greatest problems with mixed files is that the credit bureaus refuse to institute barriers to prevent and resolve further credit inaccuracies. A mixed file is like a virus. Most consumers do not understand what is happening and, without industry knowledge, have no idea how the problem spreads. Mixed files occur because of some matching identifier (such as address) in the consumer's credit file is similar to the information listed for the account. Until that identifying information is corrected by the credit bureaus, the mis-merging will continue to happen and is likely to become worse. Even if the credit bureaus fix the problem, it can happen again. A consumer should obtain a copy of their credit reports once a year or at least 60 days before applying for credit so that they can attempt to fix mistakes in time.

Mixed files are also a growing problem for collection attorneys and the innocent consumers they unwittingly sue. One of the steps a collection attorney will take before filing suit is to

request a credit report from the credit bureaus. These reports often contain the broadest matched files provided by the bureaus. It is now very common for the collection attorney to receive a report with incorrect information and to thereafter sue the wrong consumer.

Mixed files are more likely to happen to persons with similar names and addresses or Social Security numbers. This is due to the fact that the credit bureaus do not require full identifying information from a creditor either to obtain a credit report or to furnish information to the credit bureaus. When a consumer is denied credit, this system makes it difficult for a consumer to resolve the problem. A person cannot obtain their own credit report without providing four or five matching pieces of information. Potential creditors, however, can submit only two identifiers – name and Social Security number. The credit reports that potential creditors receive are, therefore, much more prone to include information about someone else. Worse, when the consumer requests their credit report after the credit denial, the mixed or mis-merged accounts are not listed on the report they receive.

If there are mistakes on a person's credit report, they should write to the credit bureaus detailing out the errors. It is important for a consumer to document their efforts. They should keep copies of all correspondence and documents sent to and received from the credit bureaus to ensure they have preserved their rights under the Fair Credit Reporting Act. If the consumer properly notifies the credit bureaus of any errors and the information is not corrected, the consumer may have a valid claim against the credit bureaus.

Sonya Smith-Valentine is a member of the Valentine Legal Group, LLC. She concentrates her practice in credit reporting errors, debt-collection harassment and banking disputes.