

Doron F. Eghbali Business Law

How Credit Card Companies Profile Us

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Credit card companies use data mining to get to know anything about us from where we shop to what TV programs or movies we watch to what types of friends we have on Facebook.

STARTING FROM ZIP CODE

We have all given our zip code to the cashier at the checkout counter. In fact, many of us might think it is just a zip code. There is no harm in providing it, they just want to send us their catalog. However, the reality is that the cashier - mostly unknowingly - is gathering data on behalf of employer to determine general demographic information about us like our median income and poverty level in our neighborhood. DThis information can be sold to marketers. Marketers then sell the data to other sources like credit card companies with other data they have accumulated from other checkout counters and other places.

CREDIT CARD COMPANIES *POSSIBLE* USE OF DATA

Credit card companies *could* use seemingly innocuous shopping habits to determine your financial situation, here are some examples:

- **Shifting from Purchasing at a High-End Retail Store to a Less Glamorous One:** If you bought your groceries from Wholefoods and suddenly you go to a less expensive store to purchase, that might indicate you are experiencing financial difficulties and ultimately will have problems paying off your card. This unscientific change in shopping behavior which could have multitude of other cogent reasons might lead the credit card company to cap your credit limit or close your card.
- **Paying for Marriage Counseling by Your Credit Card:** If you and your spouse go to a marriage counseling session and pay by credit card, that would indicate a potential divorce. What this means is that your income will be cut in half and probably you will get into a costly divorce. Again, this could lead you to miss your credit card payments.
- **Paying for Your Bail by Your Credit Card:** God forbid, if you pay for your bail by your credit card. This is a red warning sign.
- **Selecting Your Friends on Facebook:** Some marketers even profess they can ascertain who is a credit risk just because who they are friends with on Facebook or other social media networks. If those friends pay their bills on time, then you are likely to pay on time or vice versa.

ILLEGAL PROFILING

The use of data mining to discriminate against borrowers of specific races or neighborhoods is illegal. After enactment of [The Credit Card Accountability, Responsibility and Disclosure Act](#) on February 22, 2010, the government has been preparing a report on how data mining and other practices affect credit scores of minority and other vulnerable sectors of population. The report is due by May 22, 2010.

DORON EGHBALI is a Partner at the Beverly Hills Offices of Law Advocate Group, LLP. He Primarily Practices Business, Real Estate and Entertainment Law. He Can Be Reached at: 310-651-3065. For More Information, Please, Visit: www.LawAdvocateGroup.com.