

FTC puts background check sites on notice

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Federal regulators on Tuesday warned several companies that the quick, easy background checks they are providing online might violate the Fair Credit Reporting Act.

The [Federal Trade Commission](#) sent warning letters to 10 businesses, including sites like 4Nannies.com and USA People Search, after FTC staff posed as employers and creditors looking for [information](#) that could be used to deny a person a job, an apartment or even insurance.

The law requires that companies providing information to potential employers, landlords, insurers and [creditors](#) double check the accuracy of their records and notify a person if a background check has been done. And in some cases, the businesses need to make sure the person asking for the information has a legitimate purpose for receiving it.

If the business doesn't take these additional steps, it must make clear that its background checks or consumer lists may include errors and should be used for marketing or entertainment purposes only.

Laura Berger, a staff attorney with the FTC Bureau of Consumer Protection, said the FTC's primary concern is that these companies are aggregating information without a person's knowledge and selling [personal records](#) that could be out-of-date or inaccurate.

"They (consumers) don't have the ability to review, challenge and correct the information," Berger said.

The warning letters are part of a broader effort by the FTC in recent months to keep in check the impact of "data brokers," companies that buy and sell mass amounts of personal data. Last December, the FTC ordered nine other major data brokers, including marketing giant Acxiom, to disclose exactly what information they collect on consumers and how they use it. Data brokers have been reluctant to discuss that information publicly because they say it could tip their hand to competitors.

As part of its recent inquiry, the FTC staff probed 45 companies. Berger declined to offer specifics on the 10 cases that were flagged, other than to say that most of the queries by FTC staff were conducted by phone and that in each case there was some indication that the company might not be complying with the law. Berger said it could be a matter of improving staff training or clarifying company policies.

If the FTC finds that the companies do not change their business practices, or if complaints are filed, the FTC could launch a formal investigation or eventually levy fines against the companies.

While most of the 10 companies promised general [background checks](#), some of the companies identified by the FTC on Tuesday offered other more personalized data.

A company called Brokers Data, based in Columbia, S.C., for example, provided information that could be used to determine a person's eligibility for insurance. And in the case of ConsumerBase, the FTC said the Chicago-based [company](#) appeared to be selling lists of consumers who meet a certain financial criteria to lenders who make pre-approved credit offers.

In its letter, the FTC warned ConsumerBase that its sale of such lists could violate the law if ConsumerBase wasn't making sure the lists were

accurate or notifying consumers.

"We want to make you aware of the requirements of this law so that you can ensure that your practices comply with it, insofar as you engage in such sales," the FTC wrote.

Brokers Data, ConsumerBase, 4Nannies.com and USA People Search did not immediately return phone calls requesting comment.

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