

Unwilling players in the name game

Information from your credit and medical records is sold for use by mass marketers. Is that an invasion of privacy?

What's in a name and an address? Plenty, especially if it appears in a computer database. Despite concerns over the misuse of confidential personal data, commercial information companies persist in selling credit and medical details to marketing firms for use in targeting their sales of everything from aluminum siding to life insurance. A University of Illinois study released last week documents significant misuse of private financial, medical and legal information American corporations routinely collect on their employees. It is impossible to say precisely how widespread the problem is, but it is pervasive enough that many in the database-marketing industry have expressed their worry. In his keynote address last year to the annual convention of the Direct Marketing Association (DMA), the trade organization of database marketers, Jonathan Linen, president of American Express Direct Marketing Group, stated that "as a private citizen, as well as a direct marketer, I am increasingly disturbed by the companies that collect information for one purpose and then use it for another without the individual's consent."

A call and a check. Database marketing is a \$50-billion-a-year industry, and while many of the 20,000 firms in the business comply with safeguards to ensure proper handling and distribution of credit and medical information, others have encountered problems. To get some idea of how easy or difficult it is to obtain sensitive credit information, a *U.S. News* reporter contacted several credit companies and inquired about purchasing the information. With a telephone call and a check for \$450, she easily obtained from TRW, Inc., the nation's largest credit-reporting company, a list of 5,000 credit-card holders identified as having credit lines of \$3,000 and annual incomes between \$100,000 and \$125,000. A half-dozen sales representatives from TRW and Equifax, another large credit-reporting firm, offered to sell similar credit information to a reporter with few questions asked. The TRW list contained the individuals' home phone numbers, and, of 100 people called randomly from it, more than 75 said the income estimates were wrong. Every person expressed surprise that credit information was so easily obtainable. "I didn't know you could buy this kind of informa-

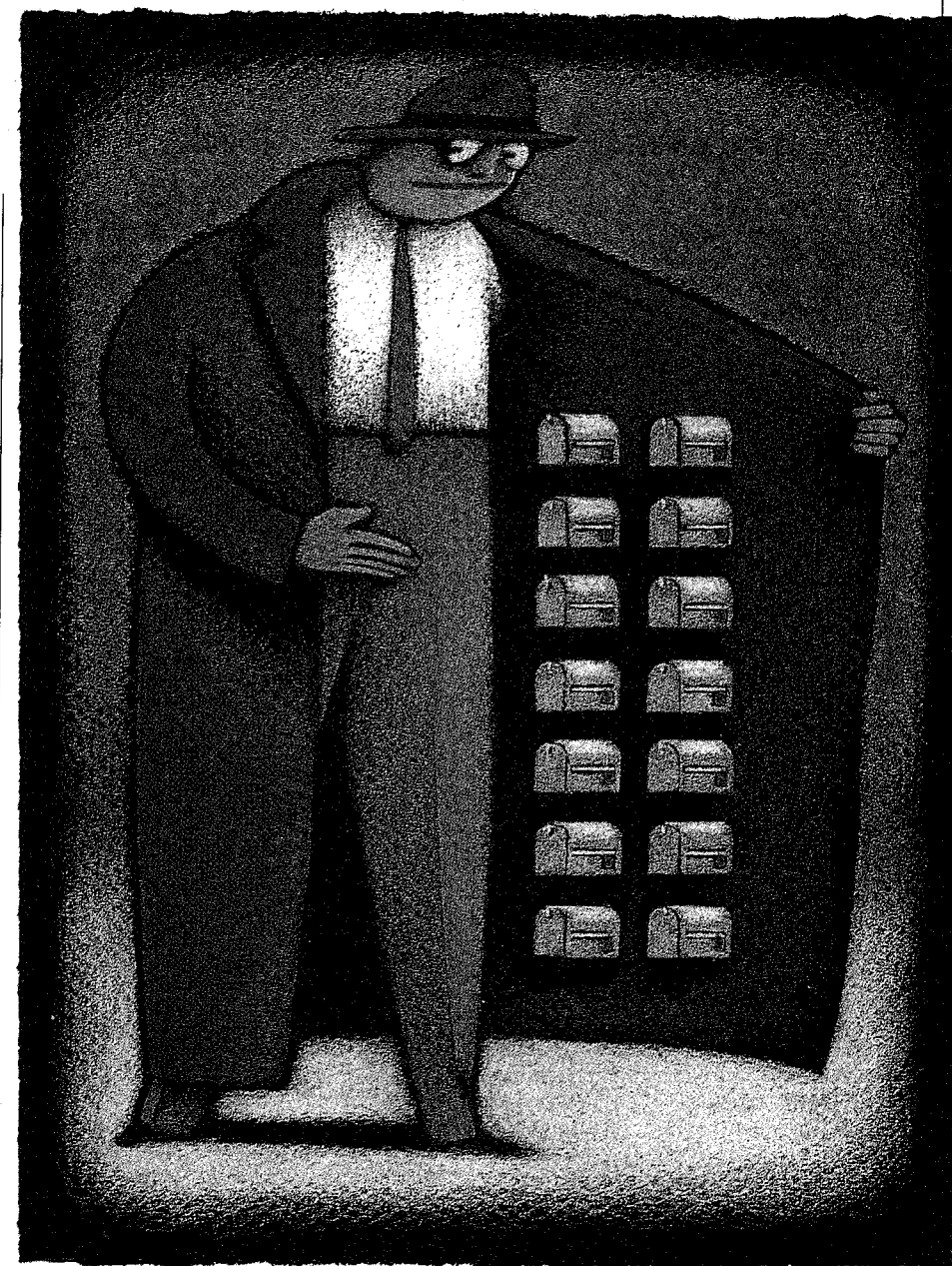


ILLUSTRATION BY STEVE MCCrackEN FOR US&W

tion," said New Jersey ironworker Robert Dempsey, who was listed, erroneously, as earning more than \$100,000 a year. "I thought credit information was private."

The guidelines are anything but clear. In conversations with a reporter, for instance, sales representatives from Equifax and TRW were eager to strike a deal. An Equifax sales rep pushed especially hard, pointing out that one credit list was new, "and there's not a lot of rules, so you can do what you want." Before agreeing to provide the list of 5,000 credit-card holders, the TRW salesperson asked only what the list would be used for. Told it was for "sort of a survey,"

the TRW sales rep promptly agreed to ship the list. Informed of the transaction, Jonah Gitlitz, the DMA's president, expressed surprise. "We had received assurances," Gitlitz said, "that the company's screening processes and mailing policies prevented an individual from ordering such information directly." He said a DMA task force will be convened to look into the matter.

TRW's vice president for target marketing, Dennis Benner, has since told the DMA that *U.S. News* found a one-time breach in the system, due to the inexperience of the salesman who took the order. In prior conversations, however, at least

three other TRW salespeople offered to sell a reporter the same information, and TRW's own ad for the list obtained mentions no restrictions except to state that it cannot be used to deny credit and that users must adhere "to legal guidelines." Benner said the discrepancy in the income levels requested and the actual incomes was the result of a mistake in recording the order.

Within the database-marketing industry, company officials are divided over what is and what ought to be considered private. TRW and Equifax, the two industry giants, are promoting lists of "highly affluent consumers" with retail or bank cards. Equifax also offers lists, called the "Credit Seekers Hotline," of recent credit applicants or card holders who have recently increased their credit limit. Spokespersons for TRW and Equifax confirm that the lists come directly from confidential credit-bureau files, and they say distribution of the lists is protected by industry regulations. Some prominent DMA members, such as Roy Schwedelson, president of Worldata, a large direct-mail marketing firm, have complained that distribution of such lists violates privacy rights. Lorna Christie, ethics director for the DMA, says the association is studying the matter.

Databanking. There is also confusion about the proper use and disclosure of medical records. The Medical Information Bureau (MIB) is a nonprofit organization that serves as a kind of clearinghouse for 800 of America's insurance companies. The MIB once had an unlisted telephone number for its Boston-based headquarters, according to Benjamin Lipson, an insurance columnist for the *Boston Globe*. The MIB has been criticized publicly for being inaccessible to consumers, some of whom said they found it difficult to get the company to correct inaccurate information. The bureau's records, on some 10 million Americans, are used to compare prior medical records with information on new insurance applications to check their accuracy. Company officials say they keep only information volunteered by insurance applicants.

That does not always seem to be the case, though. According to Robert Ellis Smith, publisher of the *Privacy Journal*, the paper of record for lawyers and others interested in privacy rights, MIB files include observations, such as "unhealthy appearance," which clearly come from



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sources other than an applicant's file. Insurance brokers surveyed by *U.S. News* also dispute the MIB's contention that its reports are not used to reject applicants for coverage. "I know the MIB says you can't use them this way," says a broker with one of America's 10 largest insurance companies, "but what do you think we subscribe to them for?"

As long as there have been confidential records, there have been problems with improper use and disclosure. Now, however, sophisticated computer-matching projects allow companies and government agencies to cross-reference and correlate extensive and highly detailed databanks. Simple in theory, computer matching, called databanking, compares

the information on one database with that on another, often resulting in a more detailed database. Until a few years ago, matching projects were limited because of the enormous computer memory they ate up and the limitations of existing software. More recently, those hurdles have been overcome, raising new and difficult questions. Federal officials disclosed this month, for instance, that Social Security files were used to verify millions of records for private credit companies. The companies, Citibank and TRW, used the Social Security records, which are confidential, to verify individuals' identi-

ties and check their credit ratings. Government lawyers say the action violated the federal privacy act. "There is a privacy issue here," says Virginia Knauer, director of the Office of Consumer Affairs in the Reagan White House, "that will have to be addressed soon in light of the rapid technological advances in the consumer-information area."

Old laws, new problems. Policymakers are now struggling over the best way to ensure the proper handling of sensitive medical and credit information. Though many companies scrupulously adhere to industry and legal strictures on the use and distribution of such records, there is confusion over what is permissible, particularly with regard to direct-mail companies. A growing number of lawmakers say that clarification is needed and that the old laws may have to be updated. Since 1970, the database-marketing industry has relied on the Fair Credit Reporting Act as its guide. Lawyers and some database-marketing executives say, however, that the law has not been effective and that its provisions, in any event, have been outstripped by the proliferation of computer databases and other advances like computer matching.

Proposals now being considered would further limit matching of government records with commercial-credit files and tighten restrictions on distribution of sensitive information through direct-mail marketing. Traditionally, many Americans have assumed that the details of their private lives would remain private, but as more and more of those details are computerized and made available for use as sales tools, that is an assumption that is increasingly in doubt. ■

by Alicia Mundy

How consumers can set the record straight

Under the Fair Credit Reporting Act, a consumer can learn about his credit rating by contacting his local credit bureau and requesting a copy of his credit history. Any negative information in the report, according to Meredith Fernstrom, a vice president of American Express, should be removed seven years after it first appears. If a consumer disagrees with any information in the report, he or she should notify, in writing, the credit bureau, which must further investigate the complaint with the source of the disputed information. If dissatisfied with the result, the consumer can submit a 100-word statement to be included in the report.