

CFPB Orders TransUnion and Equifax to Pay for Deceiving Consumers in Marketing Credit Scores and Credit Products

Credit Reporting Companies Misstated the Cost and Usefulness of the Credit Scores and Products They Sold, Lured Consumers into Costly Recurring Payments

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WASHINGTON, D.C. - The Consumer Financial Protection Bureau (CFPB) today took action against Equifax, Inc., TransUnion, and their subsidiaries for deceiving consumers about the usefulness and actual cost of credit scores they sold to consumers. The companies also lured consumers into costly recurring payments for credit-related products with false promises. The CFPB ordered TransUnion and Equifax to truthfully represent the value of the credit scores they provide and the cost of obtaining those credit scores and other services. Between them, TransUnion and Equifax must pay a total of more than \$17.6 million in restitution to consumers, and fines totaling \$5.5 million to the CFPB.

"TransUnion and Equifax deceived consumers about the usefulness of the credit scores they marketed, and lured consumers into expensive recurring payments with false promises," said CFPB Director Richard Cordray. "Credit scores are central to a consumer's financial life and people deserve honest and accurate information about them."

Chicago-based TransUnion and Atlanta-based Equifax are two of the nation's three largest credit reporting agencies. TransUnion and Equifax collect credit information, including a borrower's payment history, debt load, maximum credit limits, names and addresses of current creditors, and other elements of their credit relationships. These generate credit reports and scores that are provided to businesses. Through their subsidiaries, TransUnion Interactive and Equifax Consumer Services, the companies also market, sell, or provide credit-related products directly to consumers, such as credit scores, credit reports, and credit monitoring.

Credit scores are numerical summaries designed to predict consumer payment behavior in using credit. Many lenders and other commercial users rely in part on these scores when deciding whether to extend credit. No single credit score or credit score model is used by every lender. Lenders use an array of credit scores, which vary by score provider and scoring model. The scores that TransUnion sells to consumers are based on a model from VantageScore Solutions, LLC. Although TransUnion has marketed VantageScores to lenders and other commercial users, VantageScores are not typically used for credit decisions. Scores Equifax sold to consumers were based on Equifax's proprietary model, the Equifax Credit Score, which is an "educational" credit score that also is typically not used by lenders to make credit decisions.

TransUnion, since at least July 2011, and Equifax, between July 2011 and March 2014, violated the Dodd-Frank Wall Street Reform and Consumer Financial Protection Act by:

- **Deceiving consumers about the value of the credit scores they sold:** In their advertising, TransUnion and Equifax falsely represented that the credit scores they marketed and provided to consumers were the same scores lenders typically use to make credit decisions. In fact, the scores sold by TransUnion and Equifax were not typically used by lenders to make those decisions.
- **Deceiving consumers into enrolling in subscription programs:** In their advertising, TransUnion and Equifax falsely claimed that their credit scores and credit-related products were free or, in the case of TransUnion, cost only "\$1." In reality, consumers who signed up received a free trial of seven or 30 days, after which they were automatically enrolled in a subscription program. Unless they cancelled during the trial period, consumers were charged a recurring fee - usually \$16 or more per month. This

billing structure, known as a “negative option,” was not clearly and conspicuously disclosed to consumers.

Equifax also violated the Fair Credit Reporting Act, which requires a credit reporting agency to provide a free credit report once every 12 months and to operate a central source – AnnualCreditReport.com – where consumers can get their report. Until January 2014, consumers getting their report through Equifax first had to view Equifax advertisements. This violates the Fair Credit Reporting Act, which prohibits such advertising until after consumers receive their report.

Enforcement Action

Under the Dodd-Frank Act, the CFPB is authorized to take action against institutions engaged in unfair, deceptive, or abusive acts or practices, or that otherwise violate federal consumer financial laws. Under the consent orders, TransUnion and Equifax must:

- **Pay more than \$17.6 million in total restitution to harmed consumers:** TransUnion must provide more than \$13.9 million in restitution to affected consumers. Equifax must provide almost \$3.8 million in restitution to affected consumers. The companies must send notification letters about the restitution to affected consumers.
- **Truthfully represent the usefulness of credit scores it sells:** TransUnion and Equifax must clearly inform consumers about the nature of the scores they are selling to consumers.
- **Obtain the express informed consent of consumers:** Before enrolling a consumer in any credit-related product with a negative option feature, TransUnion and Equifax must obtain the consumer’s consent.
- **Provide an easy way to cancel products and services:** TransUnion and Equifax must give consumers a simple, easy-to-understand way to cancel the purchase of any credit-related product, and stop billing and collecting payments for any recurring charge when a consumer cancels.
- **Pay \$5.5 million in total penalties:** TransUnion must pay \$3 million to the Bureau’s civil penalty fund. Equifax must pay \$2.5 million to the Bureau’s civil penalty fund.

The full text of the CFPB’s Consent Order against Equifax is here:

http://files.consumerfinance.gov/f/documents/201701_cfpb_Equifax-consent-order.pdf 

The full text of the CFPB’s Consent Order against TransUnion is here:

http://files.consumerfinance.gov/f/documents/201701_cfpb_Transunion-consent-order.pdf 

More information about credit scores can be found here:

<http://www.consumerfinance.gov/about-us/blog/what-you-need-know-understanding-why-offers-your-credit-score-are-not-all-same/>

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov .

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