

CFPB Obtains \$13M FCRA Settlement with Employee Background Screening Providers

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November 10, 2015

The CFPB recently initiated an enforcement action against General Information Services (GIS) and its affiliate, e-Background-checks.com, Inc. (BGC) for allegedly violating the Fair Credit Reporting Act (FCRA) by failing to implement required safeguards while providing background screening reports to employers about job applicants. The CFPB found that certain background screening reports provided by GIS and BGC contained inaccurate information and that the entities failed to adequately protect against those inaccuracies as required under FCRA.

The CFPB made three primary allegations:

- **Failure to employ reasonable procedures to assure maximum possible accuracy.** The CFPB alleged that GIS and BGC failed to follow reasonable procedures to assure maximum accuracy, including by failing to have written procedures for researching public records information for consumers with common names or who use nicknames, allowing employees to exercise discretion in determining whether a record matched the consumer in question, and failing to use consumer dispute data to identify the root causes of accuracy errors.
- **Failure to meet the requirements of section 1681k of FCRA.** The CFPB alleged that GIS and BGC failed to comply with FCRA section 1681k, which requires furnishers of consumer reports for employment purposes to either: (1) notify the consumer at the time the information is reported, or (2) maintain “strict procedures” designed to ensure that the information is complete and up to date. The CFPB alleged that the procedures employed by respondents did not even meet the “reasonable” standard under section 1681e(b), much less the “strict” standard required for providers of consumer reports for employment purposes.
- **Failure to exclude non-reportable information from background checks.** The CFPB additionally alleged that respondents failed to take sufficient steps to exclude certain dated information that cannot be included in consumer reports under FCRA. Specifically, GIS and BGC allegedly failed to ensure that civil suits and judgments and records older than seven years were excluded from reports, thus illegally including such information in the consumer reports. The order requires the companies to pay \$10.5 million in redress to affected consumers and a \$2.5 million civil monetary penalty. Respondents are also required to implement a comprehensive audit program, revise their compliance procedures, and retain an independent consultant to review and assess the companies’ policies and procedures for ensuring compliance with FCRA.

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