Spokeo Agrees to Pay $800,000 to Settle Charges of FCRA Violations

June 12, 2012

Today, the Federal Trade Commission (FTC) announced that Spokeo, Inc., an information broker that markets and sells detailed consumer data profiles, will pay $800,000 to settle FTC charges that it violated the Fair Credit Reporting Act (FCRA).

In its complaint, the FTC alleged that Spokeo sold consumer profiles compiled from Internet and social networking sites, as well as offline data sources, to employment industry professionals as a tool to screen job applicants. The FTC alleged that these profiles were "consumer reports" and Spokeo operated as a "consumer reporting agency."

The FTC alleged that Spokeo violated FCRA by failing to (1) verify who its users are and whether the consumer reports would be used for a permissible purpose, (2) ensure the accuracy of consumer reports, and (3) inform users of their duty under FCRA to notify consumers if the information in the consumer report served as the basis of the user's adverse action against the consumer. The FTC also alleged that Spokeo's online endorsements were deceptive under Section 5 of the FTC Act, as they were provided by Spokeo's employees and not customers. In addition to paying an $800,000 civil penalty, Spokeo agreed to injunctive relief and compliance reporting for 20 years.

As we've discussed, the FTC continues to closely monitor business practices that may involve FCRA. Companies should note that FCRA applies not only to credit reporting, but also to reports concerning a consumer's character and reputation to be used as a factor in determining eligibility for employment or other permissible purposes. Although this is the first FTC case applying FCRA to the sale of Internet and social media data in the employment screening context, it likely will not be the last.