CFPB Fines Experian $3 Million for Deceiving Consumers in Marketing Credit Scores

Credit Reporting Company Misstated How Credit Scores It Sold Were Used

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WASHINGTON, D.C. – The Consumer Financial Protection Bureau (CFPB) today took action against Experian and its subsidiaries for deceiving consumers about the use of credit scores it sold to consumers. Experian claimed the credit scores it marketed and provided to consumers were used by lenders to make credit decisions. In fact, lenders did not use Experian's scores to make those decisions. The CFPB ordered Experian to truthfully represent how its credit scores are used. Experian must also pay a civil penalty of $3 million.

"Experian deceived consumers over how the credit scores it marketed and sold were used by lenders," said CFPB Director Richard Cordray. "Consumers deserve and should expect honest and accurate information about their credit scores, which are central to their financial lives."

Experian, based in Costa Mesa, Calif., is one of the nation's three largest credit reporting agencies. Experian markets, advertises, sells, offers, and provides credit scores, credit reports, credit monitoring, and other related products to consumers and third parties. Credit scores are numerical summaries designed to predict consumer payment behavior in using credit. Many lenders and other commercial users consider these scores when deciding whether to extend credit. No single credit score or credit scoring model is used by every lender. In addition to the credit scores that are actually used by lenders, several companies have developed so-called "educational credit scores," which lenders rarely, if ever, use. These scores are intended to inform consumers.

Experian developed its own proprietary credit scoring model, referred to as the "PLUS Score," which it applied to information in consumer credit files to generate a credit score it offered directly to consumers. The PLUS Score is an "educational" credit score and is not used by lenders for credit decisions. From at least 2012 through 2014, Experian violated the Dodd-Frank Wall Street Reform and Consumer Protection Act by deceiving consumers about the use of the credit scores it sold. In its advertising, Experian falsely represented that the credit scores it marketed and provided to consumers were the same scores lenders use to make credit decisions. In fact, lenders did not use the scores Experian sold to consumers. In some instances, there were significant differences between the PLUS Scores that Experian provided to consumers and the various credit scores lenders actually use. As a result, Experian's credit scores in these instances presented an inaccurate picture of how lenders assessed consumer creditworthiness.

Experian also violated the Fair Credit Reporting Act, which requires a credit reporting company to provide a free credit report once every twelve months and to operate a central source – AnnualCreditReport.com – where consumers can obtain their report. Until March 2014, consumers getting their report through Experian had to view Experian advertisements before they got to the report. This violates the Fair Credit Reporting Act prohibition of such advertising tactics.

Enforcement Action

Under the Dodd-Frank Wall Street Reform and Consumer Protection 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 order, Experian must:

- **Pay a $3 million penalty:** Experian must pay a civil money penalty of $3 million to the Bureau's Civil Penalty Fund.
- **Truthfully represent the usefulness of credit scores it sells:** Experian must inform consumers about the nature of the scores it sells to consumers.
- **Put in place an effective compliance management system**: Experian must develop and implement a plan to make sure its advertising practices relating to credit scores and on Internet webpages that consumers access through AnnualCreditReport.com comply with federal consumer laws and the terms of the CFPB's consent order.

The full text of the CFPB's Consent Order against Experian is available here: http://files.consumerfinance.gov/f/documents/201703_cfpb_Experian-Holdings-Inc-consent-order.pdf

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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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