

Lawsuit: Credit score sites mislead consumers

Posted: Friday, April 8 2011 at 05:00 am CT by Bob Sullivan

Confused about your credit score and where to get it? That's intentional, according to a new lawsuit filed in a California federal court.

Many consumers who think they are buying a peek at their credit scores are being defrauded, according to a lawsuit against credit bureau giant Experian. The case, which seeks class action status, claims that Experian is intentionally confusing customers, engaging in false advertising and not giving consumers what they pay for when they sign up for services at the firm's popular FreeCreditReport.com and FreeCreditScore.com Web sites.

"It's a classic consumer fraud case," said David Woodward, one of the lawyers who filed the case. "The law is designed to prohibit exactly this kind of egregious advertising practice. ... The defendant is profiting from deception."

Experian, through its ConsumerInfo brand, aggressively markets access to credit scores as a benefit of subscribing to its credit monitoring service. Knowing your credit score, ads suggest, is essential before borrowing money and could save consumers thousands of dollars.

The vast majority of lenders use a three-digit number called a FICO score to make lending decisions. Developed by Fair Isaac and Co., the FICO score takes data from credit reports maintained by the nation's three credit bureaus -- Equifax, Trans Union and Experian -- and boils it down into one three-digit number for each bureau report to provide a quick assessment of a consumer's creditworthiness. All consumers in the system have an Equifax FICO score, an Experian FICO score and a Trans Union FICO score.

The credit scores that Experian sells to consumers, however, are not the Experian FICO scores, the lawsuit contends. Instead, subscribers who sign up for a \$14.95 per month service at FreeCreditReport.com get access to a similar three-digit number developed by Experian using its so-called PLUS Score model. While the value is meant to give consumers a sense of their creditworthiness, Plus Score ratings are not sold to lenders, and are not used in lending decisions, the lawsuit alleges.

It's unclear how much the Experian FICO score and the PLUS score can vary. But that is immaterial to Woodward, who says Experian intentionally blurs this distinction in its advertisements.

"It's simple. ConsumerInfo doesn't sell PLUS Scores to lenders," he said. "Fraud is inherent in the advertising."

Experian currently has 3.1 million credit monitoring subscribers through its ConsumerInfo group, which has also doled out 20 million credit reports, the company says.

An Experian spokeswoman said the firm would not comment on the accusations because they stem from ongoing litigation.

The plaintiff in the case is David Waring, a California consumer who signed up at FreeCreditReport.com and now says he was duped.

In one advertisement cited by the lawsuit, a notice on Experian site FreeCreditScore.com says, "Only One Number Matters! Your CREDIT SCORE." Later in the text, the site says that membership includes "credit score alerts," which allow consumers to "find out when your score changes. This could help you qualify for better interest rates."

Text on FreeCreditReport.com uses similar language: "Lenders use credit scores to help them determine the 'credit worthiness' of consumers applying for credit cards, lines of credit, or loans."

