



Experian sues LifeLock, alleges fraud

Posted: Wednesday, February 20 2008 at 04:01 pm CT by Bob Sullivan



Credit bureau Experian is suing the identity theft prevention firm LifeLock, accusing it of deception and fraud in its familiar advertising campaign, which includes a spot in which CEO Todd Davis reveals his Social Security number and then brags about the effectiveness of the company's protections.

In the lawsuit, filed in U.S. District Court on Feb. 13, Experian contends that LifeLock's advertising is misleading and that the firm is breaking federal law in the way it goes about protecting consumers.

Lifelock CEO Davis, in an interview with msnbc.com on Wednesday, called the lawsuit baseless and said that Experian is simply upset that his firm is challenging its business model.

"This lawsuit is not about helping consumers," he said. "They just want to make more money selling their data."

LifeLock's ubiquitous marketing campaign has been stepped up in recent months, Davis said, thanks to a new infusion of investments in the company. In January, the firm announced it had raised \$25.5 million in funding orchestrated by Goldman Sachs Group. The advertising has apparently paid off: Lifelock has 700,000 customers, each paying about \$10 per month for the service.

Experian contends that LifeLock's chief ID theft prevention tool -- the placing of continuous fraud alerts on consumers' credit files -- is illegal because, under the Fair Credit Reporting Act, fraud alerts can only be requested by the individual consumer or an individual acting on behalf of the consumer.

"The FCRA does not permit the placement of an initial fraud alert by corporations such as LifeLock," the lawsuit reads. "Despite this prohibition, LifeLock has surreptitiously placed hundreds of thousands of fraud alerts on Experian's files by posing as the consumer."

The fraud alerts, which last for 90 days and warn companies checking a consumer's credit to be on alert for imposters, can only be placed when there is suspicion of imminent fraud, Experian says. Placement of fraud alerts by LifeLock for any consumer who requests one asks also runs counter to federal law, the firm says.

LifeLock's service includes an automated request for a new fraud alert every 90 days, to create an indefinite fraud alert. Experian calls these "illegal fraud alerts."

Deceptive advertising accusations

The credit bureau also claims that LifeLock's advertising is deceptive to consumers.

Peg Smith, Experian's executive vice president, told msnbc.com that LifeLock is attempting to profit off a free service established by Congress in the Fair Credit Reporting Act.

"There is inadequate disclosure to consumers that these services are free," Smith said.

Experian itself has been the target of criticism that it sells a service that Congress mandated should be free. Its FreeCreditReport.com site has been targeted by the Federal Trade Commission, which expressed concern that the site could be confused with AnnualCreditReport.com.

FreeCreditReport.com is a for-profit site, and consumers must pay for a subscription service to obtain their reports. AnnualCreditReport.com is a free site mandated by federal law which allows consumers to see their credit reports once each year.

The service provided to Experian's FreeCreditReport.com customers, a credit monitoring service, could be considered a competitor to LifeLock.

Doesn't stop all ID theft

According to the Experian lawsuit, LifeLock also misrepresents the effectiveness of its identity theft prevention tools, Experian alleges.

"LifeLock ... creates the overall net impression that LifeLock can protect against all types of fraud including computer hacking and accessing a bank account using stolen passwords," the lawsuit says. "Fraud alerts only are effective against fraud that requires accessing a credit report."

In one ad cited in the lawsuit, LifeLock claims "you'll find out how to lock down your identity, making it virtually impossible for identity thieves to wreak havoc on your good name."

But, Experian contends, the company's tools provide no protection against identity theft that's already in progress, or against unauthorized use of a credit card.

LifeLock's systems in many cases can't stop an undocumented worker from using a consumer's Social Security number to obtain employment, one of the more common forms of identity theft, Davis conceded Davis in an interview.

"We make it virtually impossible to for identity thieves to open new accounts in your name," Davis said, adjusting the wording slightly when asked about the advertisement. He denied the ad was deceptive, because of the inclusion of the word "virtually."

Most services are free

In addition to continuous fraud alerts, LifeLock provides three other basic services to consumers: It helps them stop junk mail and the mailing of pre-approved credit card offers, and it offers a copy of their credit report.

All three services are free; so are fraud alerts, though few consumers would take the time to continually request fraud alerts every 90 days. Consumers can also obtain credit freezes in many states, but these typically cost \$10-\$20 to implement.

Stop prescreened offers [here](#).

Learn about stopping junk mail [here](#)

Get your free credit report [here](#)

Add a fraud alert at [Experian](#), [Equifax](#), or [Trans Union](#)

Experian also claims in the lawsuit that Lifelock is deceiving the credit bureaus. When it contacts a bureau and asks for fraud alert, LifeLock is "actively concealing that its requests are being submitted by a corporation." Instead, LifeLock represents that it is the individual consumer, Experian says.

LifeLock also takes elaborate steps to circumvent efforts to block its calls by Experian, the lawsuit says.

LifeLock initially placed thousands of calls to Experian's toll free number from Canada, causing the firm excessive telephone charges, it said. When those calls were blocked, LifeLock routed calls through a phone bank in Pennsylvania, which also was subsequently blocked. The calls were then routed through other phone banks, which Experian is currently unable to block, the lawsuit says.

Davis said he was unable to comment on specific allegations of the lawsuit, but said the company believes its placement of fraud alerts is legal, and "in the spirit of the Fair Credit Reporting Act."

LifeLock also utilizes AnnualCreditReport.com, a free site, to obtain credit reports on behalf of consumers, and then effectively charges for these reports by including them as part of LifeLock's monthly subscription service.

LifeLock consumers, unaware of this, then try to get their own credit reports from AnnualCreditReport and are denied because LifeLock has already used their once-a-year benefit, Experian says.

Davis told msnbc.com that LifeLock provides credit reports to any consumer who wants them free of charge. The flooding of Experian's systems with thousands of fraud alert requests each month also presents a hazard to consumers, Experian argued, threatening to clog the system with stale, unnecessary alerts when

LifeLock "cries wolf" on behalf of consumers. The LifeLock fraud alerts cost Experian "millions of dollars," the firm says. And its advertising creates among consumers a false impression that they must pay for fraud alerts, which are free, it adds.

Davis said consumers are very happy with Lifelock, and said the service has successfully blocked many potential identity thefts. The firm offers a \$1 million guarantee that it will help restore customers' credit reports if they suffer an identity theft, but only 51 of 700,000 customers have invoked the guarantee, Davis said.

He also said he has not received complaints about deceptive practices.

"We are doing something positive for society," he said. "People are hungry for this protection."

Davis said he is still working with Experian and hopes to team up with the company to improve methods for protecting consumers against identity theft.

"But if they don't want to do that, we will vigorously defend our rights," he said.