



## Consumer Federation of America

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**CONTACT:**  
Jack Gillis, CFA, 202-737-0766

### **TO CATCH A THIEF: ARE IDENTITY THEFT SERVICES WORTH THE COST?**

*New analysis of a growing industry raises questions about claims and how services actually help consumers*

Washington, DC—With the federal government reporting that complaints about identity theft are rising and stories about security breaches, phishing and organized ID theft rings appearing in the media with alarming frequency, consumers are worried about becoming victims. Capitalizing on this anxiety, dozens of services have sprung up claiming to “protect your identity” for fees that can add up to hundreds of dollars a year. But when Consumer Federation of America (CFA) studied the websites of 16 for-profit identity theft services, it found that the descriptions of how they help consumers are often confusing, unclear, and ambiguous. Furthermore, these services may not always offer the protection that consumers are led to believe they will get.

CFA’s new report, “To Catch a Thief: Are Identity Theft Services Worth the Cost?,” explores the types of services currently offered in the marketplace, the fees they charge, how they describe what they do, the claims they make about the benefits of membership, and how what they do compares with what consumers can do to protect themselves. “Some of these services may be helpful to consumers, but *none* can absolutely prevent your personal information from being stolen or used,” said Susan Grant, CFA Director of Consumer Protection and author of the report.

Many of the benefits that these services advertise are things that consumers can do on their own for free or at minimal cost. CFA encourages consumers to follow *Ten Easy Steps to Protect Your Personal Information and Detect Fraud*, which are described in more detail in Appendix A of the report:

1. Practice mail security.
2. Guard your Social Security number.
3. Lock and shred.
4. Stop prescreened credit and insurance mailings.
5. Keep private information to yourself.
6. Be safe online.
7. Look at your bills and bank statements promptly.
8. Monitor your accounts online frequently.
9. Check your credit reports regularly.
10. Pay attention to debt collectors.

In examining identity theft services' websites, CFA uncovered troublesome practices. Some make overly broad assurances about their ability to prevent consumers from becoming victims. Other key problems that CFA found:

- Identity theft services often fail to provide clear, complete information about what they do and how they work, and in some cases the cost is not disclosed until consumers click to enroll.
- Many identity theft services tout insurance as a benefit but few provide details about the coverage.
- Guarantees don't always provide the protection that consumers may expect.
- Some identity theft services place fraud alerts on all customers' credit bureau files, even if they're not victims, and make misleading claims about how the alerts will protect them.
- Some identity theft services provide credit reports to customers by requesting the free reports that consumers are entitled to once a year under federal law, preventing them from being able to get their free annual reports on their own.
- The personal information that consumers provide to identity theft services could be at risk if it is not adequately secured.
- Many services attempt to limit consumers' legal rights by requiring mandatory binding arbitration for disputes in their terms of service.

To address these concerns, CFA recommends that policymakers in government and business take several pro-active steps. "The Federal Trade Commission and state attorneys general should investigate and take enforcement action to stop misleading claims and practices that harm consumers, such as preventing them from requesting their free annual reports," said Ms. Grant. "They should also examine how secure the extremely sensitive personal information is that consumers provide to these companies."

CFA believes that rules to govern identity theft services and industry best-practices would both be helpful. CFA also suggests that identity theft services should be explicitly prevented from requesting consumers' free annual reports on their behalf and consumers should have stronger rights regarding their credit reports. "Since it's their information, consumers should be able to check their credit reports online, whenever they want, at no charge," said Ms. Grant. "Furthermore, consumers should have the option to place a flag on their credit bureau files requiring creditors to contact them to verify requests for new credit accounts or changes in existing accounts, regardless of whether they are already identity theft victims."

To help consumers decide whether to purchase identity theft services and which ones to consider, CFA recommends that they ask themselves:

- How likely that you will become an identity theft victim?
- How much does the service cost and how does that compare with doing the same things on your own?
- What specific action will the service take on your behalf if you become an identity theft victim?

If consumers are considering purchasing identity theft services, CFA's provides *Six Questions to Ask When Shopping for Identity Theft Services*, which are described in more detail in Appendix B of the report:

1. Does it monitor more than credit reports?
2. How does the service help you if you are a victim?

3. Will it prevent you from getting your free annual reports when you wish?
4. Should you look for identity theft services that offer insurance?
5. Does the guarantee really protect you?
6. What are the costs and terms?

To offer the best value to consumers, CFA believes that identity theft services should have the following characteristics:

- Clearly disclose the exact services and costs.
- Monitor public and private databases and other places typically unavailable to consumers that may contain their personal information.
- Alert consumers of suspicious activity related to their personal information by their choice of email, phone, text message or mail.
- Provide actual assistance, not just advice, to resolve consumers' problems if they become identity theft victims.
- Guarantee to do what they promise with no exceptions buried in fine print and no attempt to limit consumers' legal recourse through mandatory binding arbitration.

No service that CFA looked at appeared to meet all of these criteria, and none is a panacea.

#### About the CFA Identity Theft Study

This study was undertaken by CFA with support from the Rose Foundation for Communities & the Environment Consumer Privacy Rights Fund. Between September 2008 and February 2009, CFA staff examined the Web sites of a variety of identity theft services and, when necessary, contacted customer service at the phone numbers or email addresses provided to ask question. CFA also looked for lawsuits and other publicly available information. CFA did not actually purchase or test any of the services, and this study does not attempt to rate their effectiveness.

A copy of the report is available at [http://www.consumerfed.org/pdfs/ID\\_THEFT\\_REPORT.pdf](http://www.consumerfed.org/pdfs/ID_THEFT_REPORT.pdf)

*CFA is a nonprofit association of some 300 pro-consumer groups, with a combined membership of 50 million people. CFA was founded in 1968 to advance consumers' interests through advocacy and education.*