

Credit Not Due

The Limitations of Popular Credit Score Apps



SEPTEMBER 2021

Contents

Executive Summary	3
1. Background	5
2. Methodology	8
3. Key Findings	9
4. Marketplace and Policy Recommendations	21

Executive Summary

Maintaining a good credit score is the key to accessing loans and credit cards at competitive interest rates. But that's not all. Credit scores are sometimes also used to set rates on individual auto and homeowners insurance policies, and to decide who is offered a lease on an apartment.

Unfortunately, the credit reporting system is opaque and confusing for consumers. While Americans have a legal right to access their credit *reports* once per year free of charge, they do not have a similar right to see the credit *scores* that lenders use to evaluate them. This problem is compounded by credit reporting errors, which are common and can be difficult to resolve. Those errors can affect an individual's score and do serious financial damage.

Consumer Reports has long advocated for laws that would entitle everyone to access the same credit score that lenders use, free of charge. That information would give consumers an accurate picture of their credit history and of their ability to access credit at competitive interest rates.

In the absence of that right, an entire industry has emerged to provide access to credit scores and other credit information. Credit scoring apps provide users with easy access to credit scores and reports, and promise to help them improve their credit standing. Several of these apps have become extremely popular. A Consumer Reports review of some of the more widely used credit scoring apps, however, has found that they may not be providing the benefits that users expect, and may be creating risks that users do not expect.

We examined five nonbank service providers that position access to a credit score as a core consumer benefit of their offerings: Credit Karma, Credit Sesame, Experian Credit Report, myFICO, and TransUnion: Score & Report. Our goal was to understand the benefits and costs of these services to consumers. In particular, we set out to identify the specific credit information that these apps provide to users, to document the fees that these services charge, to assess the services' business models, and to evaluate these services' privacy practices.

CR found:

- None of the free services CR evaluated provides users with scores that most lenders use to evaluate consumers and make lending decisions. Both myFICO and Experian give users access to "industry" scores used by lenders, but charge for the privilege.¹
- Four of the five often charge users for access to their credit reports—information that consumers are legally entitled to receive free of charge (Credit Sesame, Experian Credit Report, myFICO, and TransUnion: Score & Report).

¹ This report was updated on 09/30/21 to reflect that Experian's premium services provide users with industry scores.

- All five appear to collect more personal data from users than what the apps need to perform their core functions, and all appear to share data beyond parties named in their privacy policies.
- Four of the five attempt to cross-sell products and services under the guise of providing personalized “advice” or “recommendations” for improving credit, while disclosing in the fine print that the recommended services aren’t necessarily in the user’s best interest (Credit Karma, Credit Sesame, Experian Credit Report, and TransUnion: Score & Report).
- All five require users to agree to mandatory arbitration clauses that may jeopardize their ability to enforce their rights in the event they are harmed.

These services do provide credit scores that some consumers might otherwise be unable to obtain. But the industry exists largely because consumers cannot easily get critical credit information to which they should be legally entitled, free of charge. All consumers should have a legal right to obtain a free, accurate credit score. If consumers had such a right, the most basic value proposition for these services—providing access to a credit score—would no longer exist. Information used to evaluate individual creditworthiness should not be withheld from consumers, or be obtainable by them only for a fee or as part of a service for which they must share personal information about themselves.

Consumer Reports’ investigation of credit score apps is part of a broader initiative to monitor, evaluate, and strengthen consumer protections in the burgeoning digital financial marketplace, made possible, in part, by a grant from Flourish Ventures’ fund at the Silicon Valley Community Foundation.

1. Background

Credit scores were originally developed in the 1950s to help financial institutions decide whether to lend a consumer money, how much to lend, and at what interest rate.

They have since come to be used for other purposes, many of which are unrelated to the extension of credit.² For example, some insurers use credit scores to set auto, life, and homeowners insurance policy prices for individual customers, and many landlords use them to screen potential tenants.³

Credit scores are derived from information contained in a consumer's *credit reports*, or *credit files*. The data in credit reports is collected and maintained by consumer reporting agencies (CRAs), also known as *credit bureaus*. The three largest credit bureaus, Equifax, Experian, and TransUnion, each maintain a file on more than 200 million consumers, according to the Consumer Financial Protection Bureau (CFPB).⁴ The information in those files includes how much the consumer owes to creditors, how much may be borrowed on current lines of credit, a detailed history of loan repayments (including late payments), and a list of any accounts in collection, bankruptcies, and "inquiries" from creditors, insurers, employers, etc.⁵

Consumers do not have a single or definitive credit score, even at a given moment. Instead, competing credit score providers offer scores based on their own credit report analyses and formulas, each aiming to most accurately predict the likelihood of a would-be borrower repaying a loan. And some credit score providers offer multiple scores, each with a supposedly unique emphasis or purpose.⁶ As a result, many consumers may have more than a hundred different credit scores, most of which they do not know about.⁷

The formulas and analytic processes that credit score providers use to generate credit scores are treated as proprietary, and are kept largely opaque to consumers (and to researchers). Two companies dominate the credit score industry: FICO and VantageScore. While both publicly disclose some of the data points they consider in generating credit scores, neither makes public

² Fair, Isaac and Company, known as FICO, working with the three largest credit reporting agencies, introduced its score in 1989: <https://time.com/3961676/history-credit-scores/>.

³ Lisa Rice and Deidre Swesnik, *Discriminatory Effects of Credit Scoring on Communities of Color*, at 938, available at https://cpb-us-e1.wpmucdn.com/sites.suffolk.edu/dist/3/1172/files/2014/01/Rice-Swesnik_Lead.pdf (PDF).

⁴ Consumer Financial Protection Bureau (CFPB), *Key Dimensions and Processes in the U.S. Credit Reporting System*, 21 (2012):

https://files.consumerfinance.gov/f/201212_cfpb_credit-reporting-white-paper.pdf (PDF).

⁵ https://files.consumerfinance.gov/f/2011/07/Report_20110719_CreditScores.pdf (PDF) at 3.

⁶ <https://www.fico.com/blogs/fico-resilience-index-now-available-lenders-pilot>.

⁷ "When you add up all the brands and customized versions, each consumer may have more than a hundred different scores, and most of them you may never see or even know about," says John Ulzheimer, a credit expert who has worked at FICO and Equifax:

<https://www.consumerreports.org/credit-scores-reports/how-to-make-sense-of-your-credit-scores/>.

a complete list of the factors that go into their scoring algorithms or provides detail about how various factors are weighted relative to one another.⁸

The federal Fair Credit Reporting Act, passed in 1970, gives consumers some basic rights and protections with regard to credit files, including the right to periodically access their credit report at no cost. The FCRA also limits what information can be placed in credit reports and how that information can be used. In December 2003, the Fair and Accurate Credit Transactions (FACT) Act was signed into law and required the nationwide credit bureaus to provide consumers with a free copy of their credit report once per year (which they can do at [AnnualCreditReport.com](https://www.annualcreditreport.com)).⁹

Consumers have good reasons to check both their credit reports and scores on a regular basis. A credit score often determines the cost of borrowing. A credit score can even mean the difference between obtaining a mortgage or small business loan and being denied one. Many consumers, therefore, check their credit reports and track their credit scores with the aim of maintaining or improving their credit standing.

Tracking one's credit is especially important in light of the notorious inaccuracy of credit reports. A landmark 2012 report by the Federal Trade Commission found that of 1,001 consumers, 1 in 5 identified an error in one or more reports. And of those who successfully disputed errors, nearly 30 percent had a score increase of more than 25 points after the dispute was resolved. In Consumer Reports' Credit Checkup project, done in spring 2021, 34 percent of volunteers found errors in their credit reports.

Consumers have a legal right to access a free credit *report*, but they do not have a legal right to obtain a free credit *score*, except under limited circumstances.¹⁰ Instead, consumers who want to access their credit score may do so by getting one from a financial institution with which they have an existing relationship, or by enrolling in a service that offers a credit score.

Many traditional financial companies, including banks and credit card issuers, make credit scores available to consumers, in some cases to existing customers only and in others to both

⁸ See, for example, this from VantageScore website, "We consider things like how many credit accounts people have, how much they borrow and how promptly they make required payments. These and other key factors influence a person's credit report and, ultimately, their VantageScore credit score." <https://vantagescore.com/consumers/why-vantagescore/how-it-works>, and this from the myFICO website, "Your FICO Scores are unique, just like you. They are calculated based on the five categories referenced above, but for some people, the importance of these categories can be different."

<https://www.myfico.com/credit-education/whats-in-your-credit-score>. See also: Danielle K. Citron and Frank Pasquale, Essay, *The Scored Society: Due Process for Automated Predictions*, 11, 89 Wash. L. Rev. 1 (2014), available at: <https://digitalcommons.law.uw.edu/wlr/vol89/iss1/2>.

⁹ <https://www.experian.com/help/annual-credit-report.html>.

¹⁰ As stated in 15 U.S. Code § 1681m, those limited circumstances include when a lender provides credit based, in whole or in part, on a credit report or score using risk-based pricing; when a consumer applies for a mortgage; and when a lender takes an adverse action against a borrower or potential borrower, such as denial of credit.

customers and prospective customers.¹¹ For example, American Express, Discover, and Chase make credit scores available to existing customers as well as to individuals who create online accounts specifically for that purpose.¹²

Numerous nonbank companies also offer credit scores to individual consumers, either as part of a larger suite of services or as stand-alone products. Some, such as Credit Karma, Credit Sesame, myFICO, and the credit agency Experian, position access to a credit score as the primary benefit of the service, while, in some cases, offering additional services.¹³ In other cases, score access is marketed as an ancillary benefit to the primary product or service on offer. For example, LifeLock Ultimate Plus includes access to credit scores along with its identity theft protection service.¹⁴

Research by both the CFPB¹⁵ and Consumer Reports¹⁶ has shown that most of the credit scores that consumers can access are of questionable value—and are potentially damaging to consumers—because they are not necessarily the scores that lenders actually use. (More details on that research are discussed below, in the Key Findings section.)

Nevertheless, services that offer consumers access to credit scores are popular. Credit Karma, for example, claims that it has 100 million users, including “almost half of all U.S. Millennials.”¹⁷ When asked about their experiences with these services, consumers tell CR that they generally like them for keeping track of their credit information and catching unauthorized use, and they like the 24/7 access to information. While many told CR that they had no complaints, some users raised concerns about accuracy of the information, the annoyance of near-constant marketing—including being pushed to sign up for additional credit rather than decrease debt—and the risk of their data being sold or lost. This study aims to understand the potential risks and costs consumers face when using these services.

¹¹ <https://www.forbes.com/advisor/credit-cards/credit-card-issuers-that-offer-a-free-credit-score/>.

¹² <https://www.chase.com/personal/credit-cards/chase-credit-journey>; <https://www.americanexpress.com/us/credit-cards/features-benefits/free-credit-score/>; and <https://www.discover.com/free-credit-score/>.

¹³ The top myFICO web page text says, “Your FICO Score, from FICO90% of top lenders use FICO® Scores—do you know yours?” <https://www.myfico.com/>.

¹⁴ <https://www.lifelock.com/>.

¹⁵ https://files.consumerfinance.gov/f/2011/07/Report_20110719_CreditScores.pdf (pdf).

¹⁶

<https://advocacy.consumerreports.org/research/errors-and-gotchas-how-credit-report-errors-and-unreliable-credit-scores-hurt-consumers/>

¹⁷

<https://www.creditkarma.com/pressreleases#:~:text=in%20the%20U.S.-,About%20Credit%20Karma,half%20of%20all%20U.S.%20millennials.>

2. Methodology

Dozens of companies offer consumers access to their credit scores. For this study, we decided to examine services that meet all of the following criteria:

- 1) Services that offer credit score access, either directly or as part of a broader bundle of services.
- 2) Services that market credit score access as a core piece of their value proposition.
- 3) Services that deliver credit score access via a mobile application, which would enable us to evaluate their data privacy and security practices.

We then further narrowed the number of services we evaluated to the five most popular ones, using the number of app downloads (as reported by Google Play and Comscore) as a proxy for popularity.

Based on those criteria, we evaluated the following services: ¹⁸

- Credit Karma
- Credit Sesame
- Experian Credit Report
- myFICO
- TransUnion: Score & Report

These services use a range of business models. Some charge a fee for credit scores, others charge a fee for a bundle of services that includes access to credit scores, and one, Credit Karma, does not charge for access to credit scores.

To conduct the study, CR experts enrolled in these services, and examined their websites, mobile apps, and App Store and Play Store descriptions, as well as their marketing, privacy policies, and terms of service. We also interviewed approximately 20 consumers who use these services and collected more than 300 narratives from members of Consumer Reports who use the services. The goal was to understand what information users gain access to when using these services, the type of information that the services collect from and about their users, how the services share that information, and the cost structure of the services.

CR also contacted the five companies with detailed questions about their practices, based on our initial findings. While none provided responses to all of the questions, all five (Credit Karma, Credit Sesame, Experian Credit Report, TransUnion, and myFICO) provided information that helped inform this report.

¹⁸ The third major credit bureau, Equifax, did not offer a similar service that met our criteria at the time of the study.

3. Key Findings

Finding #1: Apps Provide or Sell Unhelpful Credit Scores

The scores shown to users by these services are unlikely to be the scores lenders use to make lending decisions. Only myFICO -- and the paid version of Experian Credit Report -- shows users the “industry” credit scores that lenders typically use to make lending decisions. The lowest rate myFICO charges for access to FICO industry scores is \$19.95 per month.

All these services advertise that they provide consumers with their credit score. In fact, none of the free services provides consumers with scores that some lenders actually use to evaluate consumers and make lending decisions. This means that consumers are not always getting a true picture of their creditworthiness as it will be assessed by lenders.

Credit Karma, Credit Sesame, and TransUnion: Score & Report provide users with VantageScore 3.0, while the free version of Experian Credit Report provides FICO 8 to users. These are “generic” credit scores that are designed and sold to predict payment behavior on a wide range of credit products.¹⁹ So-called “industry” scores, by contrast, are designed to predict performance on specific types of credit, such as automobile loans or mortgages.²⁰ Of the services CR evaluated, only myFICO and the paid version of Experian Credit Report provides users with industry scores.²¹

MyFICO claims in its marketing materials that FICO scores are “used by 90% of top lenders” and that because myFICO shows users a variety of scores, users “can get the right score for your goal, including the versions most frequently used when you apply for a mortgage, auto loan or credit card.”²² MyFICO’s least expensive plan offering access to these FICO scores costs consumers more than \$200 per year.²³

Table 1 shows which credit scores are offered to consumers by which credit score services.

Table 1: Credit Scores Offered to Users

Service	Score(s)
Credit Karma	VantageScore 3.0
Credit Sesame	VantageScore 3.0
Experian Credit Report	FICO 8 with free service

¹⁹ https://files.consumerfinance.gov/f/2011/07/Report_20110719_CreditScores.pdf (PDF) at 5.

²⁰ https://files.consumerfinance.gov/f/2011/07/Report_20110719_CreditScores.pdf (PDF) at 5.

²¹ This report was updated on 09/30/21 to reflect that Experian’s premium services provide users with industry scores.

²² <https://www.myfico.com/products/fico-score-how-it-works>.

²³ MyFICO’s lowest-priced tier costs \$19.95 per month for access to FICO scores: <https://www.myfico.com/>.

myFICO	FICO scores including FICO 2, 4, 5, 8, 9; FICO Bankcard Score 8; and the FICO Resilience Index
TransUnion: Score & Report	VantageScore 3.0

Several individuals who wrote to Consumer Reports regarding their experiences with these apps made the observation that the scores they received from the services were not the same as those they were quoted by lenders.

“I have used Credit Karma as an easy way to keep track of my credit score, but I found it didn’t actually reflect the credit score I was revealed to have during an important big purchase. It was frustrating and disappointing because I thought it was more accurate.” —Janet H.

The apps that provide the generic scores do not give consumers clear guidance about the limitations of the scores. This could have adverse consequences for consumers, as discussed in a 2012 CFPB report to Congress. Consumers who get scores that lenders do not use may have an inaccurate sense of their creditworthiness. Those with an inflated sense of their creditworthiness will be apt to waste time and money applying for loans for which they’re unlikely to be approved. (And hard credit inquiries can hurt the consumer’s credit score, further driving up the cost of credit.) Those with a too-low sense of their creditworthiness may settle for worse terms than they could get with a more accurate view.²⁴

Finding #2: Apps Often Charge for Free Credit Reports

Four of the five app services charge extra for access to credit reports from the three largest credit reporting agencies, which consumers are legally entitled to access free of charge at AnnualCreditReport.com. None of them direct consumers to access their free credit reports from this central government-mandated website.

As discussed above, an individual’s credit scores are derived from the information in their credit reports. Consumers have the legal right to one free credit report per year from each of the three major credit bureaus, at AnnualCreditReport.com, and since the start of the COVID-19 pandemic, the credit bureaus have allowed free access to reports once per week.

For several reasons, a credit score is simply not a valuable tracking tool without access to the underlying data in a credit report. Without the underlying data, for example, consumers are unlikely to know whether their scores have been reduced by damaging credit events such as late bill payments, multiple credit inquiries, a high credit utilization rate, or even by falsely attributed debt generated by an identity thief. Further, decades of research suggests that credit reports have a high potential for errors, and consumers who do not access and review their credit reports may never learn of mistakes in the data used to score them. Uncontested errors

²⁴ https://files.consumerfinance.gov/f/2011/07/Report_20110719_CreditScores.pdf (PDF) at 15.

can be costly to consumers, potentially leading to lower credit scores and/or the denial of credit or worse terms for credit.

None of the apps give users the same no-fee access to all three of their credit reports that consumers can get at AnnualCreditReport.com, and none of them direct consumers to AnnualCreditReport.com to access those free credit reports. Instead, as shown in Table 2 below, four of the five services (Credit Sesame, Experian Credit Report, myFICO, and TransUnion: Score & Report) charge users a fee to access their credit reports. (The frequency with which consumers can access their credit reports through these services varies, and users who wish to see their reports more often could be charged more.) The fifth service under review, Credit Karma, provides no-cost access to two of the three credit reports.

Table 2: Credit Report Access and Associated Costs

Service	Credit Report Access?	Fee Structure
Credit Karma	Yes; TransUnion and Equifax	No fee to access score or reports
Credit Sesame	Yes; requires an additional fee	<ul style="list-style-type: none"> >Score at no fee >Premium, \$19.95/month: All three full credit reports, “advanced credit monitoring and alerts,” and “24/7 credit dispute resolution assistance”
Experian Credit Report	Yes; Experian report available free; fee for Equifax and TransUnion credit report access	<ul style="list-style-type: none"> >FICO 8 score and Experian report available at no fee >Premium, \$19.99/month includes monthly 3-bureau report and FICO scores
myFICO	Yes; number and timing of reports depends on fee tier	<ul style="list-style-type: none"> >Basic, \$19.95/month: FICO scores and Experian credit report, once a month >Advanced, \$29.95/month: FICO scores and 3-bureau reports updated every 3 months >Premier, \$39.95/month: FICO scores and 3-bureau reports, updated every month
TransUnion: Score & Report	Yes; requires an additional fee	\$19.95/month; unlimited score and TransUnion report access, updated daily ²⁵

²⁵ This report was updated on 10/01/21 to reflect that TransUnion’s premium service costs \$19.95 per month.

Credit Sesame positions access to credit reports as a key element of its subscription service. In an email to users with the subject line “Congrats! You could unlock your full credit report!,” the company promotes a free trial of Credit Sesame Premium, described as “our upgraded service for members looking to enhance their credit awareness and reach their financial goals faster.” The email suggests that the top reason to join this service is to “Get your complete credit profile with a monthly 3-bureau credit report.” There is no mention in the email that this information is available free of charge from a government-mandated website, and CR could find no mention of this fact in the app either.

These and other subscription expenses can be frustrating for users, particularly when they think they have signed up for a free service. One consumer who wrote to Consumer Reports reported that he ended up incurring a different type of unexpected costs from his Experian membership. In a post he titled, “Sorry I did it ...” he wrote:

“I checked my credit score with Experian. I wasn’t aware I signed up for a monthly credit review @ \$24.00 per month. I canceled it and feel much better. READ THE FINE PRINT.” —Alfred B.

Finding #3: Apps Collect Substantial Amounts of Private Consumer Data

All five of these companies require users to grant broad permission to collect data directly from users and to augment it with third-party data. Almost all the services share information with their affiliates so that they can market products or services to users.

All these services collect data from end users, and all state that they collect data about users from third parties. This data collection enables the services to create user profiles incorporating a broad swath of data in ways that might not have benefits to the user and that could be shared with other companies. Data collection and sharing varies across the companies.

For example, Credit Karma states in its privacy policy that it “get[s] information about you from others where permitted by applicable law.” Credit Karma also states that it can get information about users from “local business reviews or public social media posts,” which implies that it engages in some form of data scraping or collection, and data processing of review sites and other social media sites. The privacy policy also states that Credit Karma can receive information from “partners” about “employment or income data, vehicle or driver information.”

MyFICO’s privacy policy contains general language that could be interpreted as permitting data collection from a broad range of public and private sources: “We may access public sources of personal data, such as census data and real estate records, and private sources of personal data such as business bureau, industry analyst, or market research data.” Because the precise

definition of what qualifies as a “business bureau, industry analyst, or market research data” is left unclear, it is not immediately obvious what sources, if any, could be off-limits. And these are stated as only representative examples of possible sources.

TransUnion’s terms describe specific data elements it pulls from third parties. TransUnion’s privacy policy states that TransUnion collects the names of users, potentially the names of family members, home addresses, billing addresses, email addresses, phone numbers, Social Security numbers, dates of birth, employment information, credit card account information, device identification information, IP addresses, device identifiers, application identifiers, debt details, income range, financial information, driver’s license numbers, passport numbers, and utility information.

In addition to collecting information directly from consumers, the privacy policy states that TransUnion also collects information from advertising partners, credit reporting agencies and affiliates, and “external data providers.” Because “external data provider” is not defined in the privacy policy, and almost any entity could be defined as an “external data provider,” TransUnion could collect data from a virtually unlimited number of external sources.²⁶

Three of the five services (Credit Karma, Credit Sesame, and Experian) also request permission for the app to collect the precise location of the user’s phone from its GPS sensor. Credit Karma further requests permission to access location information even when the app is not being used and is therefore running only in the “background.” In response to questions from CR, Credit Sesame explained that it collects precise location data because it provides consumers with “instant cashback offers from retailers.” Credit Sesame told CR that “customers must opt-in in order to provide their location data to have access to relevant offers nearest to them.” Credit Karma and Experian did not explain why they collect this data.

By collecting and combining this data, the companies are able to develop detailed insights about users, including where they live, work, socialize, and shop—in addition to the information that they have about the users’ credit history. Four of the companies reviewed—Credit Karma, Credit Sesame, Experian, and myFICO—indicate that they do not “sell” users’ personal data to third parties²⁷ but that they do reserve the right to use it to market products or services to users.

²⁶ TransUnion, Privacy Notice for TransUnion Consumer Interactive (Oct. 30, 2020), <https://www.transunion.com/privacy/consumer-interactive>.

²⁷ Intuit Global Privacy Statement (Dec. 30, 2020), <https://www.intuit.com/privacy/statement/>: “We do not and will not sell personal information to third parties”). Credit Sesame, “Your Rights Under the California Consumer Privacy Act” (accessed July 19, 2021), <https://www.creditsesame.com/about/california-consumer-privacy-act/>: “We do not sell your personal information.” Fair Isaac Corporation (FICO) Data Privacy Policy (accessed July 19, 2021), <https://www.myfico.com/policy/privacy-policy/>: “We will not sell consumers’ personal information to third parties for their own marketing, advertising, or other purposes.” Experian does not have a “Do Not Sell My Personal Information” link, which is required for companies covered by the CCPA that sell consumer data

Experian shares it with its business partners so that they can market to users as well.²⁸ This means that Experian may be, in effect, using the data as currency in business arrangements with other companies—generally to solicit offers for financial products, such as credit cards and loans. As discussed below, these marketing offers are a central element of these services’ business models.

TransUnion notes in its privacy policy that it sells the information collected about consumers to third-party companies. Information about use of the app, users’ professional or employment information, and inferences drawn from that information could be sold or shared to consumer data resellers, and to marketing companies in order to tailor advertising.²⁹ While TransUnion has a “Do Not Sell My Personal Information” link on its website, the link clearly states that this option is available only for California residents,³⁰ and their privacy policy does not appear to provide any mechanism for non-California residents to opt out of the sharing or sale of their personal information.

**DO NOT SELL MY
PERSONAL
INFORMATION - CA
RESIDENTS ONLY**

(Cal. Civ. Code § 1798.135(a)(1)). By contrast, TransUnion has a link on its web page for consumers to stop the sale of their information.

²⁸ Intuit Global Privacy Statement (Dec. 30, 2020), <https://www.intuit.com/privacy/statement/>: “We may share your information with our affiliates and subsidiaries for everyday business purposes as described in this Statement, including for marketing purposes.” Credit Sesame Privacy Policy (Jan. 21, 2021), <https://www.creditsesame.com/about/privacy-policy/>: Credit Sesame may use personal information to “Present our Website and display content based on your interests such as offers, products, and services.” TransUnion, Privacy Notice for TransUnion Consumer Interactive (Oct. 30, 2020), <https://www.transunion.com/privacy/consumer-interactive>: Data may be disclosed to “Affiliates, to improve their product offerings, to offer consumers targeted offers and advertising.” ConsumerInfo.com Privacy Policy (Feb. 11, 2021), <https://usa.experian.com/login/publicPrivacyPolicy>: Experian explains that “We share your personal information with companies that we have partnered with to offer products that may be of interest to you.” Fair Isaac Corporation (FICO) Data Privacy Policy (accessed July 19, 2021), <https://www.myfico.com/policy/privacy-policy/>: “We may disclose personal information, in electronic or other form, among FICO affiliates and subsidiaries for the purpose of implementing, administering, and managing your business relationship with FICO, to provide the product or service you requested, to contact you in connection with product or service offerings, or for other legitimate business purposes.”

²⁹ TransUnion, Privacy Notice for TransUnion Consumer Interactive (Oct. 30, 2020), <https://www.transunion.com/privacy/consumer-interactive>.

³⁰ TransUnion (accessed Aug. 2, 2021), <https://www.transunion.com/>: Link on homepage states “DO NOT SELL MY PERSONAL INFORMATION - CA RESIDENTS ONLY.”

Even though four of the five apps studied claim not to sell consumer data and do not provide a “Do Not Sell” link to California consumers, all these apps and services use third-party cookies or other technologies that may track activity on these and other apps, or across the web.³¹ For example, trackers can provide information about products the user has viewed.³² This information can be combined with other data, analyzed, and shared to target advertising to users.³³ A recent California Consumer Privacy Act enforcement update from the California attorney general indicates that this can be considered a data sale and that covered companies may be required to give California consumers the option to opt out of these data disclosures.³⁴ We asked the four companies if they were aware of this recent enforcement update, and whether they planned to make any changes to their policies as a result; all four responded that they knew about it, and do not feel they need to change their policies as a result.

Extensive data collection poses privacy risks to consumers. The Equifax data breach of 2017, which led to the disclosure of the sensitive information, including Social Security numbers, of over 100 million consumers, brought widespread public attention to the reality that credit reporting companies are not impenetrable to hacks.³⁵ But the Equifax breach was just one in a

³¹ Intuit Global Privacy Statement (Dec. 30, 2020), <https://www.intuit.com/privacy/statement/>; “Intuit may use advertising networks and other providers to display advertising on our Intuit Platform or to manage our advertising on other sites. Our advertising partners may place cookies on unaffiliated websites in order to serve advertisements that may be relevant to you based on your browsing activities and interests and determine the effectiveness of such advertisements.” TransUnion, Privacy Notice for TransUnion Consumer Interactive (Oct. 30, 2020), <https://www.transunion.com/privacy/consumer-interactive>; “Data may be disclosed to “Advertising networks, to provide personalized advertisements.” ConsumerInfo.com Privacy Policy (Feb. 11, 2021), <https://usa.experian.com/login/publicPrivacyPolicy>; “We, our affiliates, business partners and third-party service providers collect, use and share information to develop and deliver targeted online advertising. These are ads that you may see across different sites and devices over time. This information includes marketing information such as your preferences and inferences based on your interactions with the Site.” Credit Sesame Privacy Policy (Jan. 21, 2021), <https://www.creditsesame.com/about/privacy-policy/>; “Some content or applications, including advertisements, on the Website may be served by third-parties, including advertisers, ad networks and servers, content providers, and application providers. These third parties may use cookies, alone or in conjunction with web beacons or other tracking technologies, to collect information about you when you use our Website. The information they collect may be associated with your personal information or they may collect information, including personal information, about your online activities over time and across different websites and other online services. They may use this information to provide you with interest-based (behavioral) advertising or other targeted content. We do not share your personal information with these parties.”

³² *How to Protect Your Privacy Online*, Federal Trade Commission (May 2021), <https://www.consumer.ftc.gov/articles/how-protect-your-privacy-online>.

³³ *Id.*, *Update Report into AdTech and Real-Time Bidding*, Information Commissioner’s Office at 10-11 (Jun. 20, 2019), <https://ico.org.uk/media/about-the-ico/documents/2615156/adtech-real-time-bidding-report-201906-dl191220.pdf> (PDF); *Authorized Buyers Overview*, Google (accessed Aug. 3, 2021), <https://support.google.com/authorizedbuyers/answer/6138000>; *WTF is Real-Time Bidding?* Digiday (Feb. 17, 2014), <https://digiday.com/media/what-is-real-time-bidding/>.

³⁴ State of California Department of Justice, *CCPA Enforcement Case Examples* (accessed Aug. 2, 2021), <https://oag.ca.gov/privacy/ccpa/enforcement>.

³⁵ *Equifax to Pay \$575 Million as Part of Settlement with FTC, CFPB, and States Related to 2017 Data Breach*, FTC (Jul. 22, 2019),

series of credit bureau and data broker security incidents over the past 20 years. According to the Department of Justice, for example, in 2003 a hacker illegally obtained personal information from over a billion consumer records held by the data broker Acxiom.³⁶ In 2005, the data broker LexisNexis announced that, across its business units, it may have been breached almost 60 times.³⁷ In 2011, the data broker Epsilon was hacked, exposing millions of victims to potential spam and phishing attempts.³⁸ And in 2015, Experian announced that a security incident led to the unauthorized acquisition of the personal information of approximately 15 million consumers.³⁹

We did ask all of the companies about their privacy practices, and they broadly told CR that they take privacy and data security seriously. They told CR that “member trust is paramount,”⁴⁰ that they are “committed to the responsible and ethical use and security of data,”⁴¹ and that “privacy of our customers’ personal information is of the utmost importance to us.”⁴²

Finding #4: Apps Use a Consumer’s Private Data to Advertise Products and Services Not Always in the User’s Best Interest

Four of the five services evaluated routinely solicit users to apply for additional credit and to purchase other financial products and services, such as home and auto insurance. These offers are often positioned as “personalized” advice on raising one’s credit score, saving money, or otherwise improving one’s financial standing. But a closer look at the accompanying advertising disclosures reveal that the additional products and services on offer are not necessarily in the users’ best interests.

<https://www.ftc.gov/news-events/press-releases/2019/07/equifax-pay-575-million-part-settlement-ftc-cfpb-states-related>.

³⁶ *Former Officer of Internet Company Sentenced in Case of Massive Data Theft from Acxiom Corporation*, Department of Justice (Feb. 22, 2006), https://web.archive.org/web/20060322185137/http://www.justice.gov/opa/pr/2006/February/06_crm_088.htm; John Leyden, *Acxiom Database Hacker Jailed for 8 Years*, The Register (Feb. 23, 2006), https://www.theregister.com/2006/02/23/acxiom_spam_hack_sentencing/.

³⁷ *LexisNexis Concludes Review of Data Search Activity, Identifying Additional Instances of Illegal Data Access*, LexisNexis (Apr. 12, 2005), <https://web.archive.org/web/20050415002054/http://www.lexisnexis.com/about/releases/0789.asp>; Heather Timmons, *Security Breach at LexisNexis Now Appears Larger*, New York Times (Apr. 13, 2005), <https://www.nytimes.com/2005/04/13/technology/security-breach-at-lexisnexis-now-appears-larger.html>.

³⁸ Brian Krebs, *Feds Indict Three in 2011 Epsilon Hack*, Krebs on Security (Mar. 6, 2015), <https://krebsonsecurity.com/2015/03/feds-indict-three-in-2011-epsilon-hack/>.

³⁹ *Experian Notifies Consumers In The U.S. Who May Have Been Affected By Unauthorized Acquisition Of A Client’s Data* (Oct. 1, 2015), <https://www.prnewswire.com/news-releases/experian-notifies-consumers-in-the-us-who-may-have-been-affected-by-unauthorized-acquisition-of-a-clients-data-300152926.html>; John Legere, *A Letter from CEO John Legere on Experian Data Breach* (Sept. 30, 2015), <https://www.t-mobile.com/news/blog/experian-data-breach>

⁴⁰ Statement from Credit Karma to Consumer Reports (June 23, 2021).

⁴¹ Statement from Experian to Consumer Reports (June 23, 2021).

⁴² Statement from Credit Sesame to Consumer Reports (June 23, 2021).

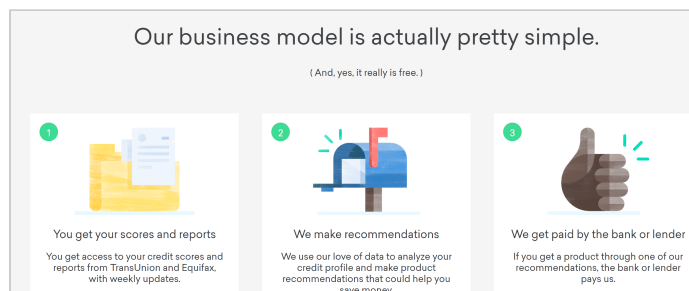
Credit Karma,⁴³ Credit Sesame,⁴⁴ and Experian Credit Report⁴⁵ all solicit users for credit and other financial services from outside companies in their mobile applications and on their websites. These three services, plus TransUnion, also send users financial offers via email. (MyFICO does not solicit users for financial services from outside companies.)

These services present the offers to users and receive revenue if and when users sign up, a business model often known as “lead generation.”

“Some of their advice is good, but it seems to be that they are always saying to take out more loans and more credit cards (which does give you better credit but leads you into more debt), so I feel they are working for the loan and credit card companies and not their customers.” —Laura O.

These services disclose that they generate revenue from these offers—an example of one such disclosure is shown in Image 1, below—and that offers are presented in ways that are influenced by revenue considerations and do not necessarily serve the consumers’ best interests. In other words, the deals listed most prominently are not necessarily more appropriate for or advantageous to the user than those shown less prominently or others that aren’t shown at all.

Image 1: Screenshot From Credit Karma’s Website



This is also made clear through disclosures. For example, Credit Karma’s in-app advertiser disclosure says:

“The offers that appear on this site are from third-party advertisers from which Credit Karma receives compensation. This compensation may impact how and where products appear on this site (including, for example, the order in which they appear). It is this compensation that enables Credit Karma to provide you with services like free access to

⁴³ In the Credit Karma app, offers are displayed on the landing page, below the credit score. The app also has a separate “My Offers” click-through that shows up under the “Explore” tab and possibly in other in-app locations.

⁴⁴ In the Credit Sesame app, there is a tab at the bottom called “Offers.”

⁴⁵ In the Experian Credit Report app, “Offers” appear on the landing page, below the user’s credit score.

your credit scores and free monitoring of your credit and financial accounts at no charge. Credit Karma strives to provide a wide array of offers for our members, but our offers do not represent all financial services companies or products.”

Credit Sesame’s disclosure says:

“Many of the offers that appear on this site are from companies from which Credit Sesame receives compensation. This compensation may impact how and where products appear (including, for example, the order in which they appear). Credit Sesame provides a variety of offers, but these offers do not include all financial services companies or all products available.... Credit Sesame is an independent comparison service provider.”

The Experian Credit Report app contains the following advertiser disclosure:

“The offers that appear on this site are from third party companies (‘our partners’) from which Experian Consumer Services receives compensation. This compensation may impact how, where, and in what order the products appear on this site. The offers on the site do not represent all available financial services, companies, or products.”

TransUnion: Report & Score emails offers to users that include the following disclosure:

“TransUnion shares special offers with you, such as discounts on TransUnion products and offers from our third-party partners. Some of these third party-offers will appear in the emails we send to you, but they do not and are not intended to represent financial advice or guarantee future results. Before acting on any third-party offer, you should carefully consider the details, terms, conditions, and consult a qualified financial advisor. TransUnion is compensated by third-party partners when consumers follow through on a displayed third-party offer. You will continue to receive these emails from time to time because you expressed interest in our special offers when you placed your order or signed up for our newsletter.”

Yet other elements of the services’ messaging appear to contradict these disclosures. For example, offers are frequently positioned as advice rather than as solicitations. One Credit Sesame email sent to a CR staffer who subscribed to Credit Sesame for this report included the subject line “A new credit card could help you increase your score,” and the text recommended that the customer “increase your overall credit limit and decrease your credit usage by adding a new credit card to the mix.” A click through to the Credit Sesame website showed 11 credit card offers with the banner headline, “Hey [Customer name], you can increase your credit limit by 93%.” Another email subject line reads “[Customer name], you’re worthy!” and advises in the email, “Members with a similar credit score as you are checking out these credit cards.”

Four of the five services (all except myFICO) also claim that the offers are “customized” or “personalized” for the user, suggesting that the products have been chosen in the user’s best interests. Credit Karma, for example, tells users “We use our love of data to analyze your credit profile and make product recommendations that could help you save money.”⁴⁶ Experian Credit Report implores users to learn about “credit cards matched for you” and “personalized credit card and loan offers.”

Credit Karma goes a step further, apparently trying to reconcile a seeming contradiction between the disclosure and the promise of personalization by positioning its lead generation business as a win-win for the company and consumers alike:

“Our business model works because everyone can benefit.... If you’re like most of us, you probably receive tons of credit offers in the mail. But how often are they actually a good fit for you? Here at Credit Karma, we want our offers to provide value to you – whether it’s savings, rewards or debt relief – and we choose financial partners that share our mission. If we do our job well, you save some money, we make some money and banks turn away fewer customers. Everyone wins.”⁴⁷

The services evaluated here give users the impression that the advice and offers they provide are personalized and will benefit the users. However, the language indicates that the offers users see are prioritized based on the compensation that the companies receive. And the marketing seems to prioritize changes that would lead to more credit and debt rather than less. As one CR member wrote:

“My credit is not as good as it was, so their pre-approved offers have interest rates that are not at all inviting. Their solution to my credit card debt is a pre-approved offer with high interest to pay it off. Which is really not an improvement if the interest rate is the same or higher than my credit card rates.”
—Virginia J.

“I set up my calendar to remind me to go to AnnualCreditReport.com every 4 months and view a copy of my Experian, Equifax, or TransUnion credit file so I can detect any errors or unusual activity and try to correct. I use the various credit report apps as a backup, but not my main plan. They always attempt to get me to upgrade to a paid plan, apply for another credit card, or sell me something. **Service is free, but comes at the price of both annoyance and fostering distrust of the credit reporting services themselves.**” —Lawrence O.

Finding #5: Apps Require Consumers to Agree to Arbitration Clauses
All of the services include mandatory arbitration clauses in their terms of use. Mandatory arbitration clauses hinder consumers from enforcing their rights.

⁴⁶ <https://www.creditkarma.com/faq/howitworks>.

⁴⁷ <https://www.creditkarma.com/faq/howitworks>.

All of the services include an arbitration agreement in their terms. Consumers are bound to these agreements by using the product, and may not even know they exist.

Arbitration was nationally established in the 1925 Federal Arbitration Act as an efficient alternative method for businesses to choose for resolving disputes with other businesses outside of the courtroom. But over time arbitration has increasingly been used to limit the ability of consumers to sue companies in court.

The problems with arbitration, from a consumer's point of view, have been well-documented. Empirical studies have shown that plaintiffs are less likely to prevail in arbitration, and collect less in damages when they do, compared with court proceedings. Arbitration is also a private forum and therefore keeps complaints and allegations shielded from public view, even if they allege illegal or fraudulent behavior. This can have the effect of allowing problematic corporate behavior to persist longer than it would if exposed in a public courtroom.

In addition, arbitration agreements are usually coupled with clauses that bar class actions. That prevents consumers from banding together. Because many consumer complaints have relatively small amounts of money at stake *per consumer*, they rarely justify the cost of bringing cases individually and often can't attract the services of an attorney. These hurdles and limitations combine to result in most consumers giving up even trying to pursue their claims. Indeed, Consumer Reports and other advocacy groups see this as the intent behind the increasingly widespread inclusion of mandatory arbitration clauses in terms of service.⁴⁸

48

<https://www.consumerreports.org/contracts-arbitration/consumers-using-mass-arbitration-to-fight-corporate-giants-a8232980827/>

4. Marketplace and Policy Recommendations

The five applications that CR evaluated offer consumers access to credit scores, but in virtually every case the scores come with significant limitations, unnecessary costs, and sales pitches that are not necessarily in the user's best interest. This is a business model that exists in this form because consumers do not have simple, clear, and free access to their full credit information, including the credit score that lenders use. In the absence of a legal right to an accurate, free credit score, companies have stepped in to offer this service, with strings attached.

Recommendations for Credit Score App Providers

1. **Make credit report access free through their apps.** The services should provide no-fee access to the information that is guaranteed to consumers free of charge, at least once per year, and should refer users to AnnualCreditReport.com rather than charge consumers for a product they can get free.
2. **Provide free access to accurate credit scores that lenders actually use.**
3. **Remove arbitration clauses from terms of use.**
4. **Give users information and offers that are in the users' best interest.** These services claim, in their marketing materials, that they offer personalized advice to their users. However, they present offers that—according to their own terms of service and disclosures—are not necessarily in the best interests of the users. Providers should ensure that users' interests are the foremost consideration when providing information and offers to users. At the very least, providers should stop promoting offers using language that potentially misleads consumers by suggesting that they have been selected in the users' best interests.
5. **Clearly disclose the third parties with which data is shared or sold, as practical.**

Recommendations for Congress

1. Pass H.R. 4120, the Comprehensive Credit Act of 2021, which would provide consumers with free access to the credit scores that lenders use, require the CFPB to establish standards for assessing the validity of credit scoring models, and ensure that consumers have the opportunity to appeal the results of dispute investigations.
2. Pass the Protecting Your Credit Score Act of 2021, which would establish a secure portal where consumers can access their credit reports and scores for free and an unlimited number of times.
3. Ban arbitration agreements in contracts for financial products and services. Passing the FAIR (Forced Arbitration Injustice Repeal) Act, H.R. 963 and S. 505, would accomplish this.
4. Adopt national privacy legislation that creates a strong floor of protections for consumers and requires data minimization, clear information about data practices, and strong data security practices. A national privacy law should provide consumers with easy access to their information, and strong enforcement tools to ensure accountability.