

New law allows freezing of credit history

News Story

A new legislation is being considered by the credit industry which allows you to legally 'freeze' your credit history to prevent fraudsters from opening accounts in your name. The system has already been in place for several years in 40 US states.

As the move is protected in US law, the lender must bear any liability if a fraudulent account is opened which results in a customer suffering a loss. Some UK lenders, regulators, consumer groups and credit agencies are currently considering the advantages of introducing the law here.

Currently, lenders here are liable to cover any fraudulent transactions unless they can prove that the customer is at fault. However, anti-fraud campaigners have been disputing this for a long time as they believe that banks are trying to put the blame on the customer and that this new legislation would give them further protection.

Equifax, the credit reference agency, is one of the 3 agencies in the US to offer the freeze as well as Experian and Transunion. The system used by Equifax is a software program called EID Verifier. It asks in-depth questions about a person's spending habits to prove their identity and acts as a more rigorous method than that used by High Street banks.

Neil Munroe, a director at Equifax, commented that the only problem is that very few people have used this service in the US - only tens of thousands of people out of a population of over 300 million. This is mainly because you cannot immediately unfreeze it if you want to buy something. It is really meant for those who are not credit hungry but who want extra security and don't mind waiting 24 hours to get it unfrozen.

Mr Munroe added that there are many ways that bank customers in the UK can currently freeze their credit files, however, it can be awkward to unfreeze should you need access to more credit.

Anna Fielder from the National Consumer Council explained if you don't want to borrow any more money, then put a flag on your account. It tells all lenders that you are freezing your account.

Another way is to put a 'notice of correction' on your file stating that a lender should not authorise any credit in your name without first obtaining your thumbprint.

Jamie Jamieson, an anti-fraud campaigner, has been praising this method of a thumbprint. He said all you need to do is say that you require a thumbprint. There are lots of ways of acquiring people's details, you just have to render that information worthless to those individuals who can gain access to it and this is the way. A thumbprint can't be faked.

Neil Munroe concluded that this way of freezing and unfreezing accounts would result in more red tape and delays for customers.