



New Law: California Restricts Use of Credit Checks by Employers

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The practice of using pre-employment credit checks has come under attack for a variety of reasons. Governor Jerry Brown recently signed into law Assembly Bill 22 (AB 22) that restricts California employers from using consumer credit reports for employment purposes. This new law, which is effective on January 1, 2012, amends Section 1785.20.5 of the Civil Code and prohibits an employer or prospective employer—with the exception of certain financial institutions—from obtaining a consumer credit report for employment purposes unless the position of the person for whom the report is sought is any of the following:

- (1) A position in the state Department of Justice,
- (2) A managerial position, as defined,
- (3) That of a sworn peace officer or other law enforcement position,
- (4) A position for which the information contained in the report is required by law to be disclosed or obtained,
- (5) A position that involves regular access to specified personal information for any purpose other than the routine solicitation and processing of credit card applications in a retail establishment,
- (6) A position in which the person is or would be a named signatory on the employer's bank or credit card account, or authorized to transfer money or enter into financial contracts on the employer's behalf,
- (7) A position that involves access to confidential or proprietary information, as specified, or
- (8) A position that involves regular access to \$10,000 or more of cash, as specified.

An employer that requests a consumer credit report that is permitted under this new law must still comply with the procedures required under California's Consumer Credit Reporting Agencies Act and the Federal Fair Credit Reporting Act.



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