



Update: Spokeo Settles with the FTC for \$800,000
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Just last week I posted about Spokeo's woes, including a pending FTC investigation and a request by a consumer to re-open a lawsuit based on alleged Fair Credit Reporting Act (FCRA) violations. Apparently I was prescient. Today the FTC announced a settlement with Spokeo to the tune of \$800,000.

Referring to Pasadena-based Spokeo as a "data broker", the FTC alleged that Spokeo operated as a consumer reporting agency (CRA) and violated the FCRA by targeting the sale of consumer reports to employers and recruiters without following the law. The complaint alleges that Spokeo failed to vet its users to certify that the information it sold would be used only for legally permissible purposes; failed to ensure that the information was accurate; and failed to provide user notices, including telling users about their obligations under the FCRA.

According to the FTC's web site, the investigation found that Spokeo "collects personal information about consumers from hundreds of online and offline data sources, including social networks" and "merges the data to create detailed personal profiles of consumers," including name, address, age range, email address, hobbies, ethnicity, religion, participation on social networking sites, and photos. Spokeo marketed the profiles to employers, human resources professionals, and job recruiters under the tag line "Explore Beyond the Resume."

The settlement bars Spokeo from future violations of the FCRA, and also bars the company from making misrepresentations about its endorsements or failing to disclose a material connection with endorsers.

For its part, Spokeo is carrying on, business as usual, but vowing to stay out of the consumer reporting business. “We have made changes to our site and our internal business practices in order to ensure we don’t infringe upon the FCRA’s important consumer protections,” Spokeo said. A peek at their web site today revealed this disclaimer:

“What Spokeo Does Not Do:

Credit/Insurance Eligibility: Spokeo does not have access to secure or private financial information. As stated very clearly in our profiles, you may not use Spokeo for credit, tenant or insurance screening purposes.

Employee Screening: Utilizing Spokeo’s People Search technology for purposes of employee screening is strictly prohibited.

Any other purpose specified in the Fair Credit Reporting Act (FCRA)

Spokeo is not a credit reporting agency and does not offer consumer reports. Spokeo works hard to ensure that all of our data is strictly within established guidelines.”

So while your privacy may still be compromised, at least Spokeo information may no longer be used against you by your boss or by prospective employers. Which is good news for Mr. Robins, whose case is up for review by the 9th Circuit. Meanwhile, legitimate employment screening companies that follow the FCRA and play by the rules have scored a small victory. While the playing field is still not completely level, the FTC has sent a clear message that they are very interested in social media sites that, up until now, were operating below the radar. Employers may be more likely to work with a credentialed background screening firm rather than hop onto Google or a social media site with little or no assurance of accuracy.

So what’s next? We already know, based on information released earlier this year, that the FTC is looking at mobile apps, and pushing for more Congressional controls of so-called “data brokers.” What that term actually means has yet to be defined, but there are probably a few more search engines wondering if they fit the bill today than there were yesterday.