

# Key Issue Brief

## Responding to identity theft

Identify theft is a serious and increasingly common issue. Consumers should be given practical assistance by credit providers and credit reporting agencies to manage it.

It is ARCA's view that the most effective option to manage identity theft must be simple. Further, consumers should be not required to maintain a high level of interest in their credit report to ensure a robust response to identity theft. While the Exposure Draft Bill (EDB) related to credit reporting contains specific details on how identity theft should be managed (at section 113), ARCA believes that there is a much simpler option that should also be provided to consumers.

Credit providers and credit reporting agencies must be compelled to take reasonable and practicable steps to help protect victims of ID theft from further consequences of theft and to correct any inaccurate listings due to the ID theft.

### **Response to the proposal in the EDB**

ARCA believes that the proposal in the EDB will require too much ongoing maintenance by the consumer to be most effective. The initial timeframe of two weeks will almost always require extension, as ID theft victims often have their details used in attempts to obtain credit for months or even years.

A freeze restricts credit providers from accessing key data relating to the consumer, which may perhaps be needed to meet responsible lending obligations – so it is likely that credit providers may automatically decline the credit request of a consumer who has a freeze on their credit file.

### **Introduction of a file 'flag'**

There should be an obligation on credit reporting agencies to provide a flag on the consumer credit file noting the consumer alleges they have been a victim of ID theft (this information must be made available to all CPs accessing the affected information file). The data standard that will accompany the introduction of the new Credit Reporting Code of Conduct should provide the technical specifications required for the introduction of the flag.

The introduction of a flag on a consumer credit file, to show that the file could be at risk of fraudulent activity, would work in tandem with the ability of a consumer to freeze access to their credit file. The consumer would be able to, at their request, re-classify their file from a flag to a freeze if they considered that to be a better approach to dealing with suspected fraud.