



Financial Privacy

Americans overwhelmingly support strong protections for personal financial information like credit card numbers, social security numbers, and information about financial assets.

In poll after poll, Americans say that protecting their personal privacy is of great concern to them. In response to a 2000 National Consumer League survey question regarding the protection of specific types of information online, respondents ranked credit card numbers, social security numbers, and information about financial assets as their top three concerns.

While the protection of personal privacy ranks high, of particular concern is the protection of highly sensitive information. Such sensitive information, including information about a person's health or finances, comes with the expectation that it will

In Short

New federal laws allow banks, insurance companies and securities firms to merge under a single financial services company. While this may give consumers "one stop shopping" for financial services, it also means that affiliates may share personal financial information with each other and others.

be protected. For example, you do not expect a stranger to ask detailed questions about a health condition, just as you probably would not answer a stranger's

questions about your financial affairs.

But recent changes in the way financial services are regulated may give strangers access to all kinds of information that was unavailable to them before.

Changes to federal laws now allow banks, securities firms, and insurance companies—once separate entities—to form holding companies. This offers the consumers the ability for "one-stop shopping," but also means that information from different types of financial services companies can share personal financial information.

For example, information about an expiring certificate of deposit at your bank may be shared with a securities affiliate to get you to buy stocks. Your history of health insurance claims may be shared with the company's mortgage lending affiliate—possibly affecting your ability to get a mortgage. Or your detailed history of credit card transactions might be shared with a third party.

The lack of control consumers have over sensitive financial information has led to calls to strengthen privacy protections for consumers above

the minimum standards set out in federal law. Under the Gramm-Leach-Bliley Act, financial services companies must disclose their privacy policies and practices. The legislation also requires that their customers be allowed to "opt-out" of sharing personal information with non-affiliated third parties. But this opt-out option has a loophole: if a company creates a marketing alliance with another financial company—say, a link between your bank and an unrelated insurance company—it is not required to give you the opportunity to have your information withheld.

There is good news—while the federal law provides inadequate protections, states are permitted to go further. For example, states can require companies to get your permission before they share any information, even with affiliates. Or, states can require financial service providers to get your permission—to get you to "opt-in"—before they share your information with third parties.

Recommendations

Because of the sensitive nature of financial information, higher standards for its protection should be put in place in Texas law.

States like Texas are permitted to adopt higher standards for protecting financial privacy.

Texas should adopt an opt-in requirement so that financial services companies have to get consumers' permission before sharing information with affiliates or third parties.

