

CREDIT REPORTING PRIVACY CODE FACT SHEET 5

Things to consider when deciding whether to request a credit reporter to ‘freeze’ your credit report

You've been reading and hearing about the credit reporting ‘freeze’ to stop new account identity fraud. Should you seek a ‘freeze’? Here is some information from the Office of the Privacy Commissioner about this personal choice.

What the credit reporting ‘freeze’ prevents

A credit reporting ‘freeze’ (or suppression) is an effective tool in preventing a costly and difficult-to-detect form of identity fraud – false new accounts opened in your name. New account fraud occurs when a fraudster uses the victim's personal information to open up one or more new accounts for credit or services in the victim's name. The bills, of course, go elsewhere, so that consumers learn of the new account only when they find out about ruined credit scores or when they are contacted by debt collectors.

Why the credit reporting ‘freeze’ works

Before opening a new account, most reputable credit providers evaluate the creditworthiness of an applicant by obtaining a credit report. A credit reporting ‘freeze’ stops potential credit providers from seeing the consumer's credit report unless the consumer decides to unlock the credit reporting file with a PIN. The ‘freeze’ stops the new account being opened by the fraudster because the credit provider who is considering the fraudster's application can't check the real consumer's credit report.

A freeze does not stop misuse by a thief of your existing bank account or credit accounts, which is called existing account fraud. You still have to check the monthly statements on your existing accounts for any erroneous charges or debits.

Things to consider before seeking a credit reporting ‘freeze’

Whether a credit reporting ‘freeze’ is the right choice for you depends on your individual circumstances. Here are some things to consider when deciding whether a ‘freeze’ is right for you.

How worried are you about identity fraud?

If you've already been a victim of ID fraud, or there's reason to think you will be, you'll probably want to put a ‘freeze’ on your credit reports at each of the national credit reporters. Here are some scenarios where a credit ‘freeze’ might cross your mind:

- **ID fraud victims:** If you have already been a victim of new account fraud, you should

strongly consider placing a 'freeze'. Your misused personal information can be sold and traded among criminals, so that after you solve an ID fraud problem, it can happen again months or years later. There is no fee to obtain the 'freeze'.

- **Security breach notices:** Have you been notified that your personal information has been disclosed to an unknown person as a result of a security breach? If a company or government agency has had a security breach which included your identity details, you may be at higher risk of ID fraud.
- **Stolen mail:** If your mail has been stolen, this may be an indication that you've been targeted for ID fraud. Get a locked mailbox and consider a credit reporting 'freeze'.
- **Lost credit card:** If you've lost your credit card, a freeze is not your best option. In this case, you should contact your credit card company and cancel your card immediately. If your card has been misused, your credit card company will be able to tell you and sort it out.

Are you paying for credit monitoring?

Credit monitoring is a handy subscription service offered by some credit reporters. 'Freezing' gives you better protection against the new account form of ID fraud. If you are already paying for credit monitoring, you might wish to consider getting a 'freeze' instead.

Are you at special risk of ID fraud?

Certain groups of people are at higher risk of ID fraud or may spend more time resolving ID fraud-related problems. US research suggests that:

- People between the ages of 18-24 have the highest rates of ID fraud but spend less time resolving fraud related problems.
- People over the age of 65 are less likely to experience ID fraud but spend more time resolving problems when a fraud occurs.

What's in your wallet?

It is never a good practice to have sensitive information, like PINs, in wallets and purses nor to carry identification documents like passports and birth certificates if you don't need to. If you carry detailed personal details with you, you will be more vulnerable to ID fraud if your wallet or purse is stolen.

What is your personal view of the trade off between protection and convenience?

The credit reporting 'freeze' means you won't have to spend the time – an estimated average of 40 hours in the US - that people who have new accounts opened in their names have to spend cleaning up that problem. However, with a credit reporting 'freeze', you do have to take an extra step when you want to use your own credit record.

How do you plan to use your own credit record?

If you freeze your credit files, you'll need to temporarily lift the freeze in order to access new credit or open new accounts. This might include power, gas or telephone accounts.

- If you don't expect to open up many new accounts in the coming years, the freeze may be a cost effective means of preventing new account fraud. You can put it in place and forget about it.

- If you plan to seek new credit soon, such as refinancing your home mortgage, taking out a car loan, or applying for a credit card, consider the period of time over which you'll make those applications. You could place the 'freeze' on your credit files and then lift it for a period of time when you are seeking credit, or you could wait until after an upcoming refinance or other loan to consider placing your 'freeze'.
- Service providers such as cell phone companies may check your credit when you set up a new account. If you plan on switching providers, you may need to lift the 'freeze' to open a new service account.
- If you want to be able to apply for credit spontaneously - perhaps to buy a computer or television on hire purchase - then a credit 'freeze' might not be the right option for you. It could take some time to have a 'freeze' lifted to allow you to apply for credit, so you'd have to plan ahead.

How much peace of mind do you want?

Placing a credit reporting 'freeze' can give you peace of mind that your consumer credit report and credit score won't be hurt by a fraudster even if someone steals your personal information.

Conclusion

Whether to place a credit reporting 'freeze' is a highly personal choice for each consumer. The freeze is particularly appropriate for those who are especially concerned about ID fraud, those who don't want to take the chance of having to spend hours and days cleaning up a credit mess created by an identity fraudster, and those who aren't planning to frequently open more new accounts.

If you decide to use a credit reporting 'freeze', be sure to place the freeze with each of the national credit reporters.

For more information about how to avoid becoming a victim of ID fraud, and about what to do if it happens to you, the [Police](#) and the [Department of Internal Affairs](#) have prepared resources for the public on these issues.

This fact sheet is adapted, with permission, from advice published by the US Consumers' Union.

**Office of the Privacy Commissioner
1 April 2012**

This guidance material is designed to provide some assistance with queries about credit freezing. It is not legal advice. If you require more specific information about the credit freezing process, see *Credit Reporting Privacy Code Fact Sheet 4: Credit Reporting Freeze: What you need to know*. If you require more information about ID fraud you may wish to contact a lawyer for advice.