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The Right (and Wrong) Way To End Identity Theft

By **THOMAS F. CHAPMAN**
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In recent weeks, revelations concerning the theft of private, personal data on thousands of individuals have stirred an outcry for new privacy legislation. Some organizations have gone so far as to call for the shut down of so-called data warehouses that, as an editorial in one major metropolitan newspaper pointed out recently, serve "no obvious advantage to consumers."

Regardless of what legislation may result from these incidents, the argument that data warehouses serve no public good is false and misguided, and reflects an ignorance of the tremendous value these and other databases bring to consumers and businesses.


Consider our nation's credit reporting system. Driven by the free flow of relevant information, it is the envy of the modern world because of the powerful impact it has on our economy. In no other country can individuals obtain instant credit in a store, prequalify for a mortgage over the phone in less than 15 minutes, buy a car during their lunch hour, or travel from Portland, Maine, to Portland, Oregon, with just a piece of plastic in their hand.

My company, Equifax, plays a central role in this system. An industry leader since 1899, we collect and store data on more than 220 million consumers in the United States. We convert this data into reliable intelligence that enables businesses to make rapid and dependable risk decisions and enables consumers to obtain goods and services in a timely, convenient manner, all of which fosters economic growth.

Equifax is unlike data warehouses in that we already operate in a highly regulated environment, but we base our business on the same basic principles -- the free flow of information. This is the same principle that serves as the bedrock of other freedoms in this country. In fact, many news organizations spend much time and money arguing for the free flow of information to ensure access to records they argue should be kept public. And companies everywhere collect information from consumers so they can provide additional value to the customer relationship.

The free flow of information is the same principle that should guide legislators, the news media and the American public as the debate over consumer data continues. Stifling the flow of information with reactive legislation certainly is not an enlightened solution, and quite frankly, could be debilitating to our economy. Rather, the solution rests in finding a balance between the proper use of this information, the legitimate information needs of business, and the very real

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privacy concerns of the consumer.

How do we do that? Very simply, we all must take an active role.

First, companies like Equifax that store and process this data must do everything they can to ensure their systems are secure. They must maintain and enforce strict procedures for verifying the identities of those requesting information.

Second, business customers that use personal data must be tenacious in verifying the identities of those seeking credit, insurance or employment from them. Identity thieves can be stopped in their tracks if, for instance, credit grantors require applicants to provide some extra information that would verify identity without unduly slowing the process down.

Third, consumers must take a more active role in maintaining and monitoring their credit health. Checking one's credit report, even several times a year, is akin to using your smoke detector only on weekends. It simply is not enough. As millions of consumers are discovering, credit monitoring services are a concept whose time has come.

Fourth, punishment for those who misuse this information must be severe. Companies proven to be using sloppy security procedures should be held liable, but let's focus the stiffest penalties on the thieves who make it their mission to beat the system and destroy the good credit histories that you and I have worked years to build.

Imagine if air travel had been permanently banned in the wake of Sept. 11, 2001, and how that would have affected the way we do business, the way we live, and the way our economy functions. Rather than banning air travel, our nation addressed the need to make our system safer and more vigilant.

In the months ahead, I hope we all are wise enough to focus debate not on banning the collection, storage and flow of information, but on the appropriate use of that information, and on safety, education and vigilance.

Mr. Chapman is chairman and CEO of Equifax.

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