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## SHRED IT!

by  
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Do you obtain information about your customers or employees from a credit report? If so, as of June 1, 2005, you must ensure that any information you obtain is properly disposed of, which includes "shredding, burning, smashing or wiping."

This requirement is a little noticed provision of the Fair and Accurate Credit Transactions Act ("FACTA") that Congress recently passed. FACTA attempts to reduce the risk of identity theft from the improper disposal of a credit report or any information derived from one. FACTA is just one of many recent laws aimed at protecting consumer and company privacy, including medical records, credit information and corporate trade secrets

FACTA requires that businesses "take reasonable measures to protect against unauthorized access to or use of the information in connection with its disposal." The standard for disposal is flexible and allows businesses to determine what measures are reasonable based on the sensitivity of the information, the costs and benefits of different disposal methods, and relevant changes in technology over time. FACTA includes specific examples of appropriate measures that would satisfy its disposal standard. These examples can be found on the Internet at <http://www.ftc.gov/opa/2004/11/factadisposal.htm>

If you don't shred and information gets out, the potential penalties are:

Civil liability. An employee could be entitled to recover actual damages sustained if his or her identity is stolen as a result of your inaction. Or you could have to pay statutory damages of up to \$1,000 per employee.

Class-action lawsuits. If large numbers of employees are affected, they may be able to bring class-action suits and get punitive damages from employers.

Federal fines. The federal government could fine you up to \$2,500 for each violation.

State fines. States can fine up to \$1,000 for each violation.