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TransUnion must face claims it named wrong source on credit reports

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(Reuters) - Credit reporting bureau TransUnion must face claims that it violated the U.S. Fair Credit Reporting Act (FCRA) by misrepresenting the source of information it included in consumers' credit reports, a federal judge has ruled.

Filed in May, the lawsuit accused TransUnion of telling consumers it was getting its information from court records, when in reality it was coming from low-cost, third-party vendors that often introduced mistakes.

Lawyers and a spokesman for TransUnion did not immediately respond to requests for comment.

By failing to disclose the true source of records such as tax liens, bankruptcies and civil judgments, TransUnion made it hard for consumers to get mistakes corrected, the lawsuit said.

"TransUnion has not retrieved actual public records from courthouses or actual government offices for years," the lawsuit said. Instead, vendors supply records that are often incomplete, inaccurate or out of date, the lawsuit said.

The lawsuit said TransUnion receives hundreds if not thousands of consumer disputes each month about public records being misreported.

Along with Experian and Equifax, TransUnion is one of the three major bureaus that provide credit scores for U.S. consumers. The FCRA requires the bureaus to provide one free credit report per year to any consumer who requests it, including the sources of information in the report.

The lawsuit was filed on behalf of New Jersey resident Deidre Dennis, who said she was denied a home loan in 2012 because of an erroneous credit report from TransUnion stating she had a \$33,194 state tax lien outstanding.

TransUnion's credit report said the source for the information was the Albany County Clerk in Albany, New York.

In fact, the information came from a private vendor, and official tax records showed that Dennis had an old tax lien for \$3,194 that was satisfied in 2009, her lawsuit said.

In court filings, TransUnion's lawyers argued that court records are the original source of its information, and it is not obliged under the FCRA to disclose the names of intermediaries that retrieve records.

Showing the Albany County Clerk as the source gave Dennis "the benefit of transparency" because she knew where the information originated, the lawyers said.

In an order on Monday in a Pennsylvania federal court, U.S. Senior Judge Ronald Buckwalter disagreed.

While the county clerk was the ultimate origin of the data, the source for the information that actually appeared on Dennis's credit report was an undisclosed third party, Buckwalter said.

Failure to disclose that source when Dennis requested her credit report could constitute a FCRA violation, he ruled.

The proposed class action seeks damages for any consumers in the 3rd federal court circuit who were provided a credit report by TransUnion that included a civil judgment, tax lien or bankruptcy.

The case is: Dennis v. TransUnion, U.S. District Court, Eastern District of Pennsylvania, No 14-cv-2865.

For the plaintiffs: John Soumilas, David Searles, James Francis and Lauren Brennan at Francis & Mailman

For the defendant: Alisa Taormina and Brian Frontino at Stroock & Stroock & Lavan; and Andrew Lehmann at Schuckit & Associates

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