

Connecticut Severely Restricts Employers Use of Credit Reports

October 2011

Effective October 1, 2011, all employers with at least one employee may no longer require an employee or prospective employee to consent to a request for a credit report that contains information about the employee's or prospective employee's credit score, credit account balances, payment history, savings or checking account balances, or savings or checking account numbers as a condition of employment unless (1) such employer is a financial institution, (2) such report is required by law, (3) the employer reasonably believes that the employee has engaged in specific activity that constitutes a violation of the law related to the employee's employment, or (4) such report is "substantially related to the employee's current or potential job," or the employer has a bona fide purpose for requesting or using information in the credit report that is substantially job-related and is disclosed in writing to the employee or applicant.

"Substantially related to the employee's current or potential job" means the information contained in the credit report is related to the position for which the employee or prospective employee who is the subject of the report is being evaluated because the position:

(A) Is a managerial position which involves setting the direction or control of a business, division, unit or an agency of a business;

(B) Involves access to customers', employees' or the employer's personal or financial information other than information customarily provided in a retail transaction;

(C) Involves a fiduciary responsibility to the employer, including, but not limited to, the authority to issue payments, collect debts, transfer money or enter into contracts;

(D) Provides an expense account or corporate debit or credit card;

(E) Provides access to (i) confidential or proprietary business information, or (ii) information, including a formula, pattern, compilation, program, device, method, technique, process or trade secret that: (1) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from the disclosure or use of the information; and (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy; or

(F) Involves access to the employer's nonfinancial assets valued at two thousand five dollars or more, including, but not limited to, museum and library collections and to prescription drugs and other pharmaceuticals.

Employees and prospective employees may file a complaint with the Labor Commissioner alleging a violation of the new law, and violators shall be liable to the Labor Department for a civil penalty of three hundred dollars for each inquiry made in violation of the Act. Even employers not subject to the new law must still comply with the Federal Fair Credit Reporting Act.

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