



UNITED STATES OF AMERICA
Federal Trade Commission
WASHINGTON, D.C. 20580

Office of the Chair

**Remarks of Chair Lina M. Khan
Regarding 6(b) Study of Small Business Credit Reporting**

Today, the Federal Trade Commission will vote on whether to order five business credit reporting agencies to provide information on how they collect and report data on small businesses, and how they market their business credit reporting products.

One underappreciated challenge that small businesses face is ensuring that business credit reporting companies are using accurate and up-to-date information about them.

Individual consumer credit reporting is covered by laws such as the Fair Credit Reporting Act (FCRA).¹ But credit reporting for businesses falls in a gap not covered by the same or similar regulations, even though the stakes can be similarly high—especially for small businesses. Many small business owners, focused on the day-to-day tasks of running a business, don't have time to worry about whether business credit reporters are providing correct information to their suppliers and customers. But when reporting errors do occur, they can impose major obstacles for small businesses.

Suppliers often use credit reports to guide the terms on which they extend “trade credit” to businesses, which allows businesses to procure goods, services, and equipment without having to pay immediately. This may seem like a small part of business-to-business transactions. But having the ability to defer payments helps businesses keep their operations running while maintaining cash flow. The Consumer Financial Protection Bureau estimates that in 2019, small businesses with under \$1 million in annual revenue used more than \$50 billion in trade credit.²

Despite their importance, the process by which companies generate these reports remains tremendously opaque to small businesses. Many credit reporting companies start developing a firm's credit report at the time it incorporates, tapping public records and other available financial data without the business owner's knowledge. But when these reports include errors or incomplete information, it is often very difficult for small business owners to quickly fix discrepancies.

These inaccuracies can be incredibly costly for small businesses. To suppliers gauging whether a business will pay its bill on time, missing data can be reason enough to classify a business as risky. Often, small businesses only discover that there are problems with their credit

¹ 15 U.S.C. § 1681 et seq.

² Consumer Finance Protection Bureau, SMALL BUSINESS LENDING DATA COLLECTION UNDER THE EQUAL CREDIT OPPORTUNITY ACT (REGULATION B), 86 FR 56356 at 56368-69, 56414 (Oct. 8, 2021), <https://www.federalregister.gov/documents/2021/10/08/2021-19274/small-business-lending-data-collection-under-the-equal-credit-opportunity-act-regulation-b>.

report when they're denied trade credit, receive less favorable contract terms, or lose out on a contract altogether.

Credit reporting companies can also market products to small businesses that promise to improve their credit reports. But these products don't always deliver to the extent they claim they will. That's what the FTC found when it investigated Dun & Bradstreet.³ Specifically, the FTC found that not only did Dunn & Bradstreet report incorrect information about small businesses, but it also failed to provide a clear, consistent, and reliable way for those business to get corrections. Our order with Dun & Bradstreet bars it from misrepresenting these types of credit improvement products and mandates better processes for businesses to correct errors.⁴

This study would shed light on a critical but opaque part of the market in which small businesses operate—and would build on the agency's broader effort to ensure that small businesses and entrepreneurs have a fair shot in the marketplace.

I'm grateful to staff from the East Central Regional Office in Cleveland for making this recommendation to the Commission. Thank you.

³ *In re Dun & Bradstreet, Inc.*, No. C-4761 (Apr. 6, 2022).

⁴ Press Release, Fed. Trade Comm'n, Federal Trade Commission Finalizes Order Against Dun & Bradstreet for Deceiving Businesses and Failing to Update Errors on Business Credit Reports (Apr. 7, 2022), <https://www.ftc.gov/news-events/news/press-releases/2022/04/federal-trade-commission-finalizes-order-against-dun-bradstreet-deceiving-businesses-failing-update>.