

Financial Services Modernization Threatens Personal Consumer Privacy

“Abstract”

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Congress mandates that every financial institution respect consumer privacy. Thus, Congress has delegated authority to the federal banking agencies to establish safeguards to ensure this privacy. The origin of this authority is the recently enacted Gramm-Leach-Bliley Financial Services Modernization Act (GLB), which President Clinton signed into law on November 12, 1999. GLB allows the banking, securities, and insurance industries to compete and offer similar products and services to consumers. Although GLB's modernization of the financial services industry is advantageous in some respects, personal consumer privacy rights are likely to be violated. As financial institutions merge and share consumer information, the guaranteed right to privacy will become more endangered.

Consumer privacy under GLB and the banking agencies' privacy rule is a strongly contested issue. While some believe that the privacy provisions are sufficient, privacy advocates argue that they do not go far enough to protect consumers. Currently, there is no comprehensive federal protection of the privacy of individual personal information, including highly confidential information like medical records, within the financial sector. Therefore, a concern stemmed from GLB is that as financial institutions merge, a bank that has acquired a health insurance subsidiary would have access to a consumer's medical information and could thereby use it when considering whether to grant a mortgage to the applicant.

Part I of this Comment discusses the federal banking agencies' privacy rule issued pursuant to GLB. Part II addresses the debate surrounding the privacy issue between legislators, the financial services industry, and consumers. Part III discusses the importance of protecting consumer privacy in the financial arena, especially when it involves sensitive information, such as personal health information. Part IV provides recommendations for the federal banking agencies to implement greater consumer privacy protections. Finally, this Comment concludes by arguing that more stringent and extensive privacy provisions from the federal banking agencies are essential to protect consumers' personal information and ensure individual privacy rights.