

## **America uses a credit system. It was started in the 1950s.**

Credit is when a **person receives something of value now and promises to pay for it later**. Think of a credit card. Americans use credit to buy almost everything, including food, clothing, housing and transportation.

However, this poses a problem. Because with credit, banks give money to people who don't currently have money. The banks want to know whether the person is going to be trustworthy to give it back. For this reason, they invented credit scores.

Credit scores are basically a numerical rating of how 'trustworthy' a person is. This is how much banks should trust a borrower to pay back the money you borrowed. A higher numerical score means you are more likely to pay the money back.

Your credit score is so important because it dictates so much in your life. For example, if you have a high credit score, you will be able to take out a loan to go to school for a lower interest rate. Interest rate is the amount extra you pay because the bank gave you money when you didn't have it. You will eventually pay the bank much more than you borrowed due to interest.

However, if you have a low credit score you can be denied a loan to go to school. This might make it harder for you to get an education so you can earn more money, which means you might need to borrow more money for your living expenses, and it will put you into more debt, which you won't be able to pay off. It is a horrible and cruel cycle for poor people.

Companies are good at gathering information about a person's spending habits and 'trustworthiness'. However, there are a lot of ethical problems. And companies are bound to make mistakes when they develop algorithms to find out information about consumers. Such is the case with Catherine Taylor.

A company called L2C got access to more than a billion records detailing consumers' personal finance in order to find out who is trustworthy. The data is collected and sold to other people like information lenders, landlords and even health-care providers.

Catherine Taylor applied for a job and was denied. When she was denied, they included a copy of a report that she sold drugs. This was not true, but rather another person named Catherine Taylor with the same birthday who sold drugs.

The article discusses many problems with these firms. In Catherine's case, it almost ruined her life because the incorrect information was sold to so many places.

The firms are also difficult to find and monitor to make sure they aren't doing bad things. Also, they contain information that is not always correct and objective. The information gets shared to so many different places that it becomes impossible to find.

Catherine was not able to get a job or find a place to live because these companies sold incorrect information to so many different places. Because of this, she lives with her sister and it makes her health worse because she is so stressed.

[https://www.washingtonpost.com/business/economy/little-known-firms-tracking-data-used-in-credit-scores/2011/05/24/gIQAXHcWII\\_story.html](https://www.washingtonpost.com/business/economy/little-known-firms-tracking-data-used-in-credit-scores/2011/05/24/gIQAXHcWII_story.html)

<https://elpais.com/eps/2021-06-27/cuando-el-algoritmo-se-equivoca.html>